

# AGUAS ANDINAS

## Annual report 2017

[www.aguasandinas.cl](http://www.aguasandinas.cl)  
[www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)





# We overcame great challenges

## 1999

5.8 million  
people

With coverage of:  
100% in potable water  
97% in sewerage  
4,6% in sewage treatment

Without offering non-  
regulated services

## 2017

8.5 million  
people\*

With coverage of:  
100% in potable water  
100% in sewerage  
100% in sewage treatment

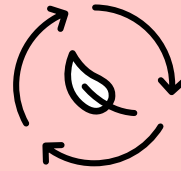
Offering specialized  
environmental services for  
companies and citizens

\*Includes Maipu's sewage treatment

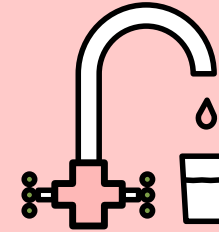
# New challenges



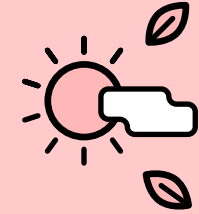
Improve the quality of life for the people of the Metropolitan, De Los Lagos and De Los Ríos Regions



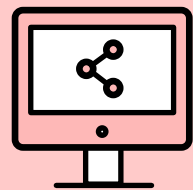
Recovering biodiversity



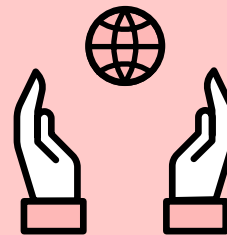
Health and generation of healthy environments



Effects of climate change



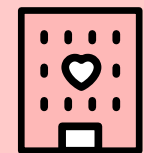
Integration of artificial intelligence



Sustainability with renewable energies

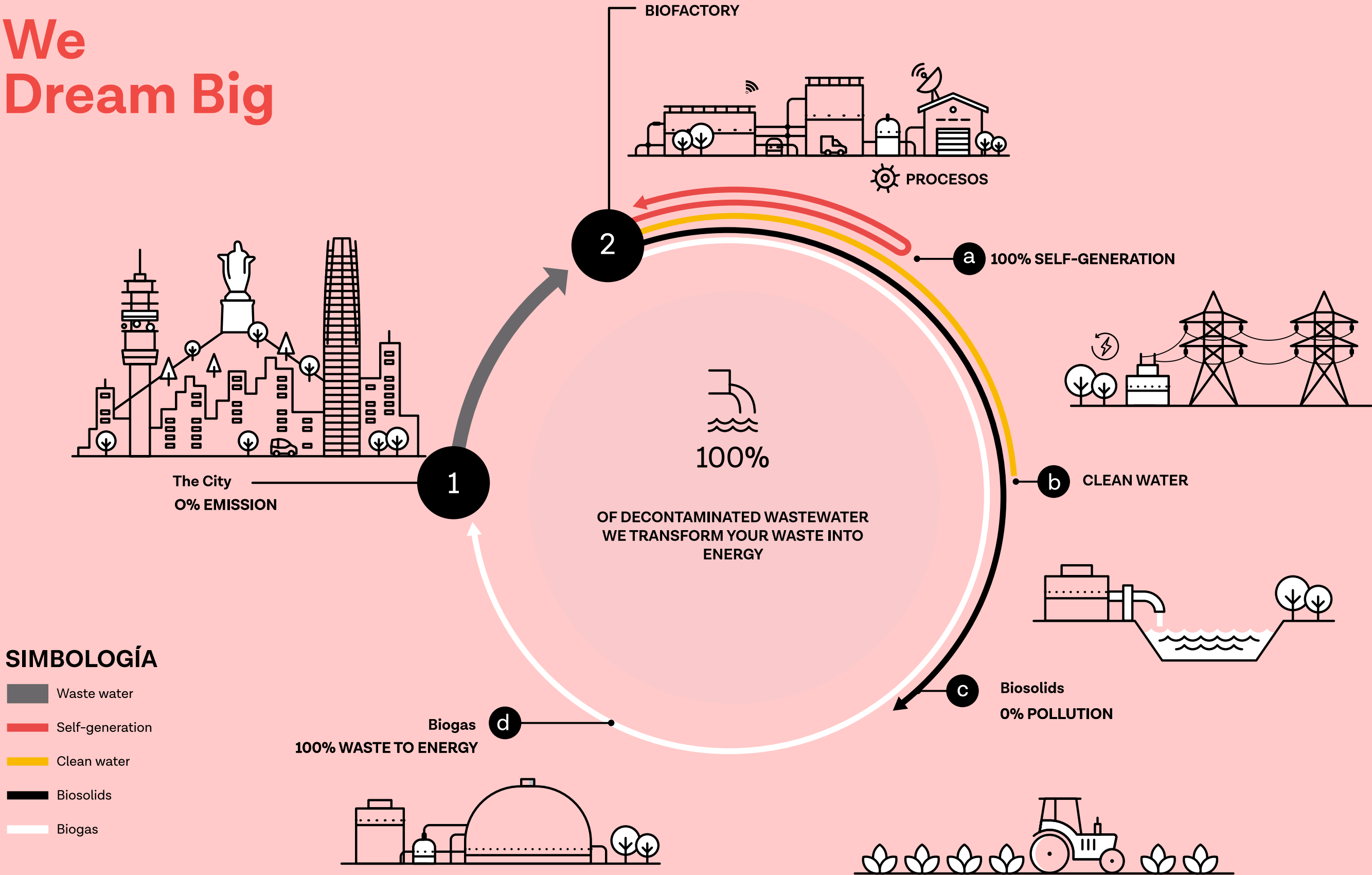


Generation of positive social impact



Growth of cities and urban spaces (rain water)

# We Dream Big





# Index

**PART I: AGUAS ANDINAS 2017**

Who We are ..... 07

Vision, Mission & Values .....10

Where We Are Today .....11

Highlighted Figures for 2017 .....14

Letters from the President and CEO .....19

Where We Want to Go ..... 25

How We Are Doing It.....34

    - A Sustainable Operation ..... 35

    - Centered on Citizens.....46

    - Creating Shared Value..... 52

    - A Responsible Company.....61

**PART II: CORPORATE GOVERNANCE**

Aguas Andinas’ Board of Directors ..... 65

Directors’ Committee ..... 73

2017 Directors’ Committee Report ..... 76

Our Administration.....82

Other Corporate Governance Instances ..... 92

**PART III: RELEVANT INFORMATION FOR 2017**

Company Ownership .....99

Dividend Policy.....103

2017 operational figures .....105

Our Subsidiaries.....118

Our Awards ..... 120

Current Tariffs..... 122

Main Clients and Suppliers..... 124

Real Estate, Equipement and Insurance ..... 125

Material Events of 2017 .....127

Water Utility Regulation ..... 128

Company Identification ..... 129

Liability Statement .....131

**PART IV: FINANCIAL STATEMENTS..... 132**

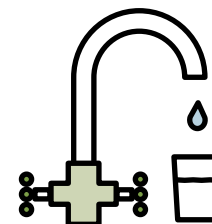


# Part I

Aguas Andinas 2017

# WHO WE ARE

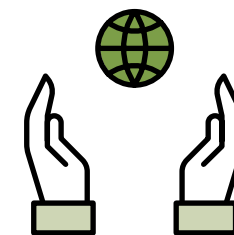
We are Aguas Andinas S. A., the largest water utility company in Chile and one of the most important in the world.



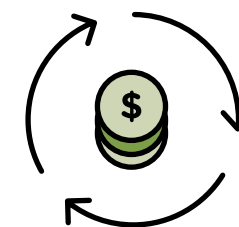
We are an **environmental company**, whose focus is to deliver potable water, sewerage and sewage treatment services to more than two million customers, classified as residential, commercial and industrial customers.



We generate competitiveness for **the country**, by supplying potable water and carrying out wastewater treatment for any industry that develops within our concession areas.



We are convinced that **sustainable development** is the way to guarantee a good future for Chile and the world.



In 2017 we changed our outlook from a linear economy to a circular economy.



# Ownership and Strategic Partner

**Aguas Andinas is an open corporation, whose majority shareholder is Inversiones Aguas Metropolitanas S.A. (IAM) which owns 50.1% of its shares.**

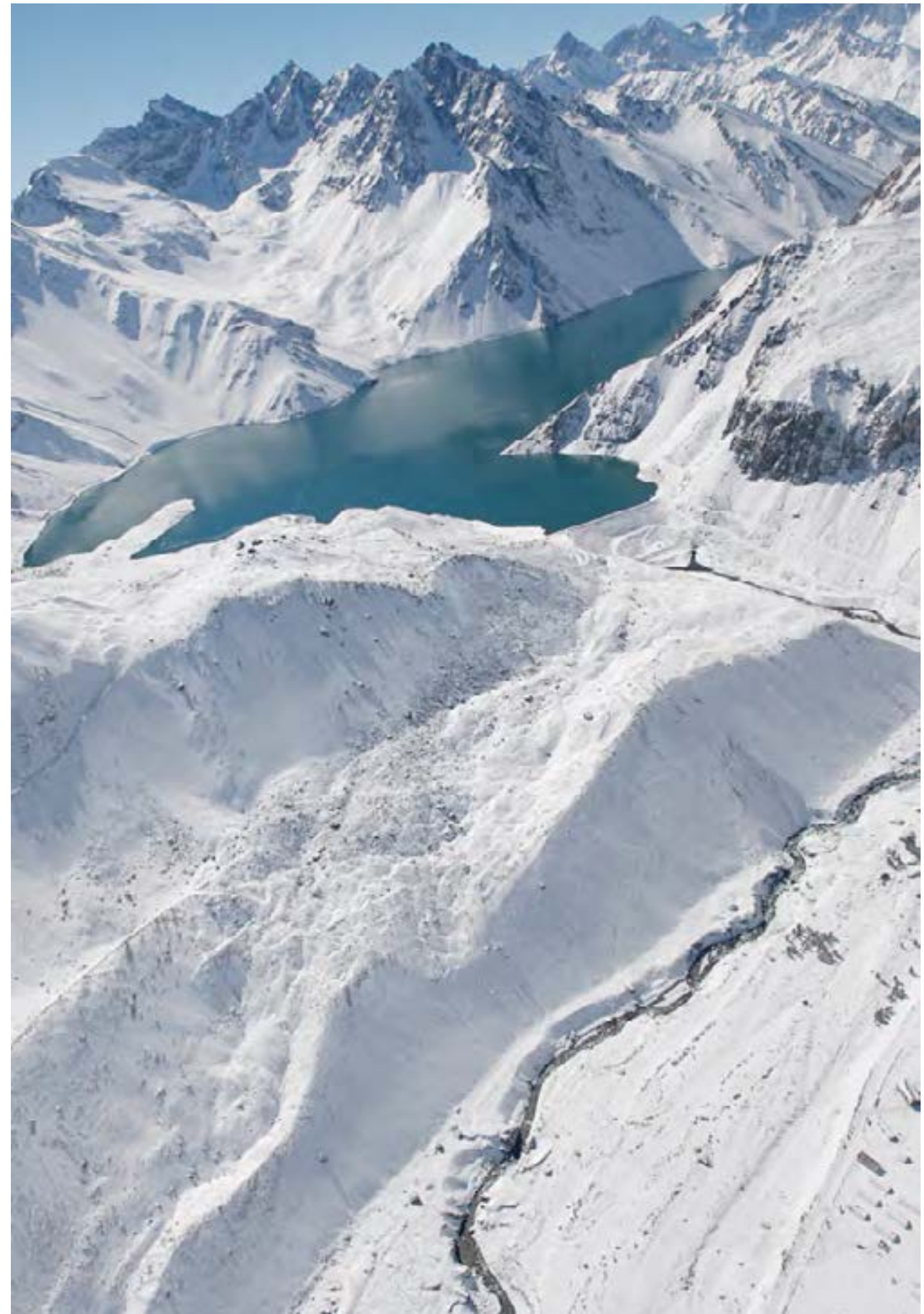
**IAM's main shareholder is Suez IAGSA (Inversiones Aguas del Gran Santiago), which is wholly owned by Sociedad General de Aguas de Barcelona (SGAB), which is 100% owned by the Suez Group.**

## **¿Who is SGAB?**

Sociedad General de Aguas de Barcelona is a world benchmark in water and environmental management. In business for 150 years, it offers related services to 32 million people.

## **¿Who is the Suez Group?**

It is a world leader in water and waste management, with more than 120 years of experience, a presence in around 70 countries and more than 90,000 employees worldwide.



# Aguas Andinas, 156 Years of Experience

In 1861, Empresa de Agua Potable de Santiago was founded, in order to promote important water utility works, such as the Laguna Negra aqueduct (1917), the Las Vizcachas plant (1946) and the El Yeso reservoir (1967).

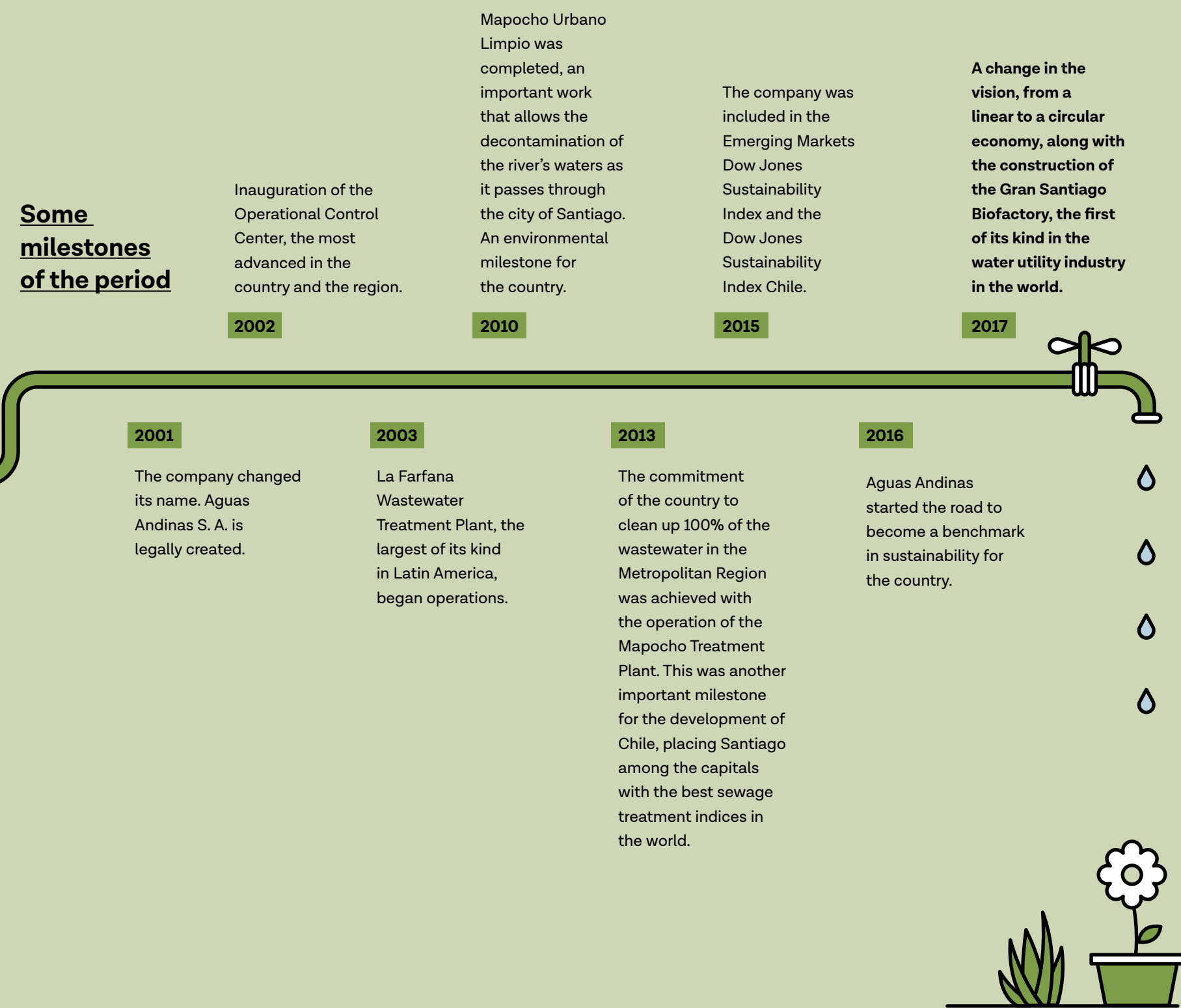
Since 1977 it changed its name to EMOS (Empresa Metropolitana de Obras Sanitarias) and, twelve years later, it was transformed into a publicly traded company, subsidiary of Corfo.

## Aguas Andinas’ recent history

In 1999, EMOS was privatized and 51.2% of its ownership was acquired by Inversiones Aguas Metropolitanas Ltda., IAM, formed by the Agbar Group (50%) and Suez (50%).

From this moment on, and together with the arrival of its new shareholders, a period of modernization and heavy investment began, which turning it into a water utility that boasts the best coverage and quality indexes in the region, thanks to the company’s efficient and sustainable resource management.

### Some milestones of the period





# VISION, MISSION & VALUES

## Vision



Go beyond water, managing resources sustainably.

## Mission



We are dedicated to our clients 24 hours a day.

We manage the underground city in order to guarantee the continuity of our services.

We deliver quality water and transform residues into resources.

We create shared value with our surroundings.

We are committed with the quality life of people and the development of the country.

## Values



Excellence

Co-creation

Shared value

Commitment

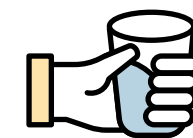
Talent

Sustainability



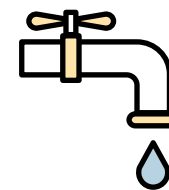
# WHERE WE ARE TODAY

Our 2017 indicators prove that we are on the right track.



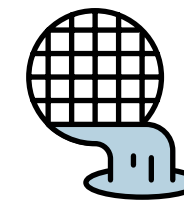
**8.5 million**

people is the estimated population supplied by Aguas Andinas and its water utility subsidiaries.\*



**100%**

coverage in potable water.



**98.4%**

sewerage coverage.



**100%**

coverage in waste water treatment versus **20%\*\*** world average.



**44%**

of the energy used at our facilities is renewable.



**137,649 tonnes**

of biosolids is reused as fertilizer



**46,990 MWh**

of renewable energy in our sanitation plants.

Source:

\* SISS' 2016 Management Report, includes SMAPA's sewage treatment

\*\*United Nations: <https://www.un.org/development/desa/en/news/sustainable/world-water-day-2017-why-waste-water.html>

# Recognitions Achieved in 2017



**ISO 37.001 Certification of Anti-Corruption** in Aguas Andinas, Aguas Cordillera and Aguas Manquehue.



Selected to be a component of the **FTSE4Good Emerging Index**.



Certified as a **Family Friendly Company**.



Obtaining the **Energy Efficiency Seal** from the Ministry of Economy, Gold category.



Honorable mention in the 2017 **ProHumana** ranking.



**ProPyme** seal.



Winner of the **ALAS20 Company Award**.



First Place in the **ALAS20 Leading Company** Sustainability category.



Second Place in the **ALAS20 categories of Leading Company** in Corporate Governance and Leading Company in Investor Relations.



Selected to be a component of the **Dow Jones Sustainability Index (DJSI)** Emerging Markets and Chile Index for the third consecutive year.








# Our certifications

Aguas Andinas and its subsidiaries have international and local certifications which guarantee the high levels of its quality systems. This additionally sustains an integrated management of the Company’s operations and processes. These certifications are managed through the Integrated Management System (IMS). This system integrated all of the Company’s management and these certifications help and confirm the continuous improvement of excellence management.

These certifications are in permanent review and update. It should be noted that during 2017, Aguas Andinas obtained the ISO 37.001 Anti-Corruption certification, which makes the utility the first Chilean company to obtain this international standard.



## Aguas Andinas, Aguas Cordillera and Aguas Manquehue Management Systems

-  **ISO 9.001** Quality
-  **ISO 22.201** Business continuity
-  **NCh 3262** Equality and conciliation
-  **ISO 14.001** Environment
-  **OHSAS 18.001** Health and safety
-  **ISO 50.001** Energy efficiency
-  **ISO 37.001** Anticorruption

## ESSAL Management Systems

-  **ISO 9.001** Quality
-  **ISO 14.001** Environment
-  **OHSAS 18.001** Health and safety

## Subsidiary certifications

















# HIGHLIGHTED FIGURES FOR 2017

# Highlighted Figures for 2017

## FINANCIAL SUMMARY (MILLIONS OF PESOS)

As of December 31 <sup>st</sup> ,	2013	2014	2015	2016	2017
Potable water revenue	157,307	171,488	180,937	190,400	195,091
Sewage revenue	184,299	202,001	220,706	235,459	240,399
Other regulated revenue	16,557	20,282	18,015	17,161	18,408
Other non-regulated revenue	45,716	46,963	53,739	49,229	55,642
Total revenue	403,979	440,734	473,297	492,249	509,540
Operating income (1)	182,572	207,412	214,232	224,504	224,211
Profit for the period	116,676	119,422	129,008	150,576	139,620
Total assets	1,577,710	1,606,472	1,691,198	1,771,819	1,796,880
Short-term liabilities	220,195	176,506	232,407	211,931	237,112
Long-term liabilities	679,847	763,568	787,200	873,006	866,469
Minority interest	61,128	55,634	54,395	52,725	50,669
Equity attributable to the controlling company	616,541	610,764	617,196	634,157	642,631

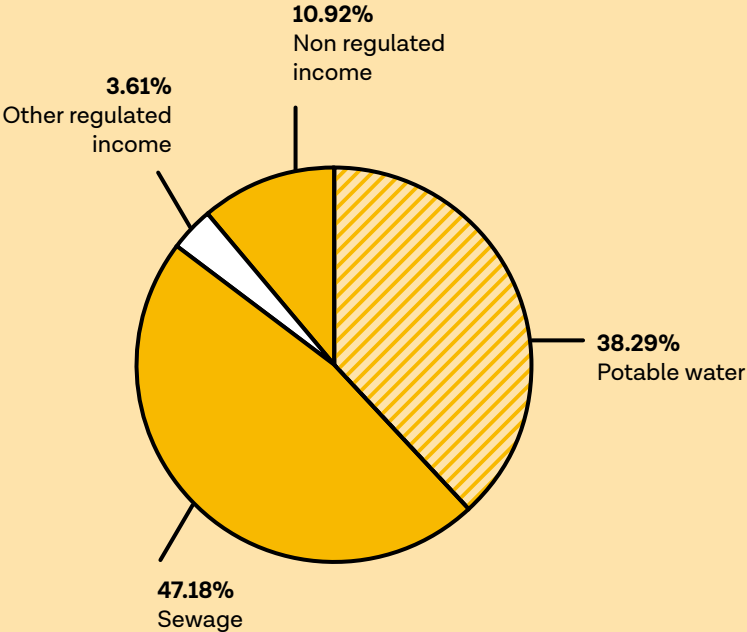
## OPERATIONAL BACKGROUND

As of December 31 <sup>st</sup> ,	2013	2014	2015	2016	2017
Total potable water clients	2,039,298	2,096,999	2,149,673	2,213,869	2,259,245
Total sewerage clients	1,999,419	2,045,634	2,096,347	2,160,473	2,205,940
Total invoiced water (millions of cubic meters)	548.9	558.6	562.2	569.2	575.0
Invoiced sewage collection (millions of cubic meters)	534.1	540.5	542.9	549.5	554.3
Invoiced sewage treatment and disposal (millions of cubic meters)	466.9	473.7	473.7	479.0	484.3
Invoiced sewerage system interconnection (millions of cubic meters)	119.1	119.3	121.8	123.4	123.8
Total potable water coverage	100.00%	100.00%	100.00%	100.00%	100.00%
Total sewerage coverage	98.30%	98.40%	98.40%	98.40%	(1)
Total sewage treatment	100.00%	100.00%	100.00%	100.00%	100.00%
Total staff	1.857	1.881	1.951	2.029	2.103

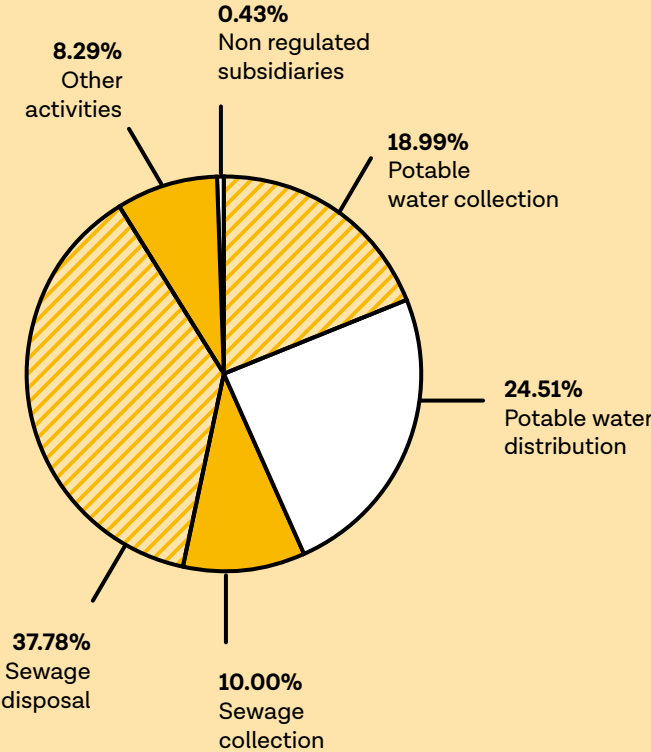
<sup>(1)</sup> Estimation of the Superintendence of Sanitation Services, to be published in 2018.



REVENUE DISTRIBUTION



2017 INVESTMENTS

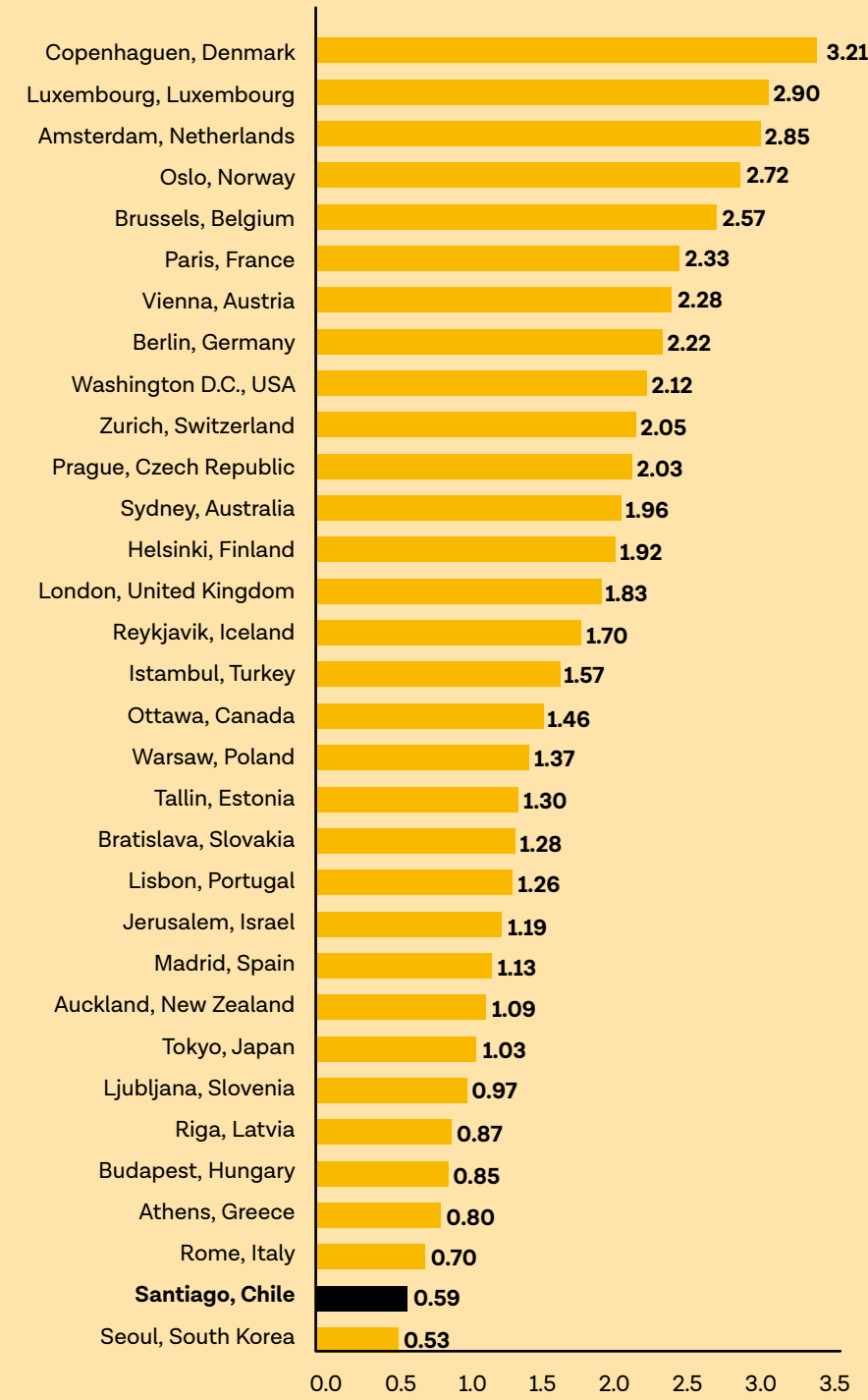




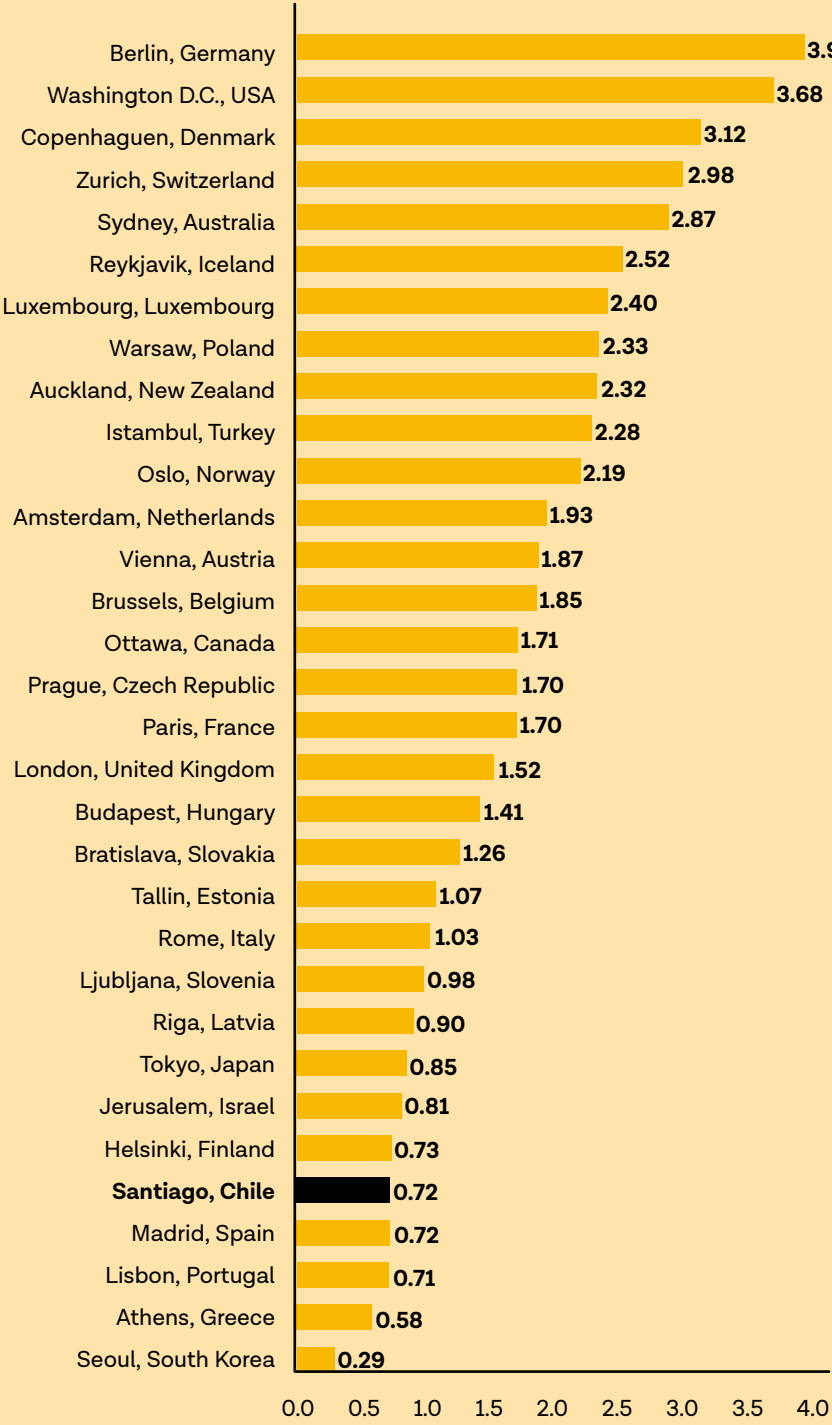
# Water Tariffs for the Main Cities of OECD Countries

Comparison in USD/m³ based on a consumption of 15 m³ per month.

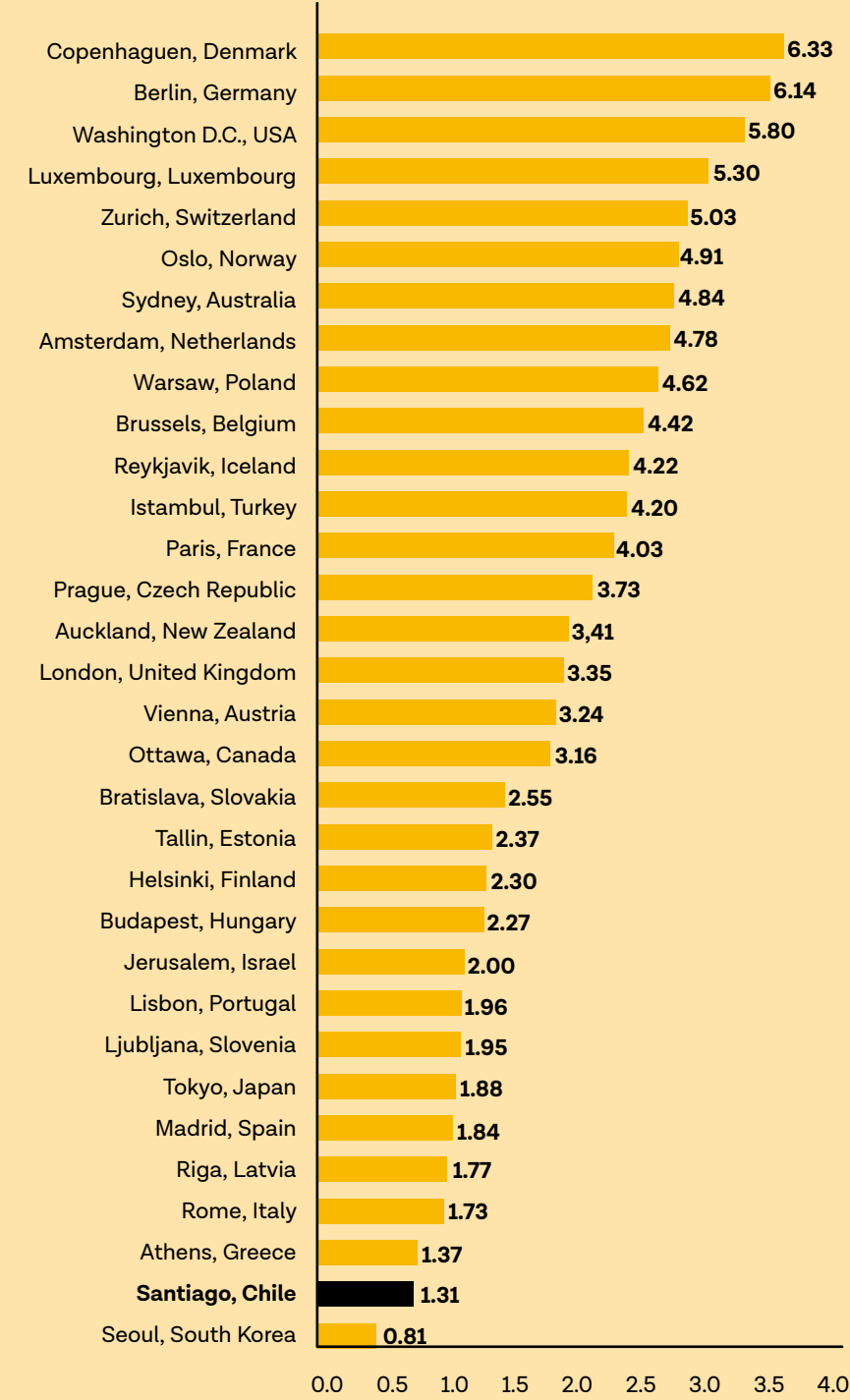
## POTABLE WATER TARIFF



## SEWAGE TREATMENT TARIFF



## COMBINED TARIFF

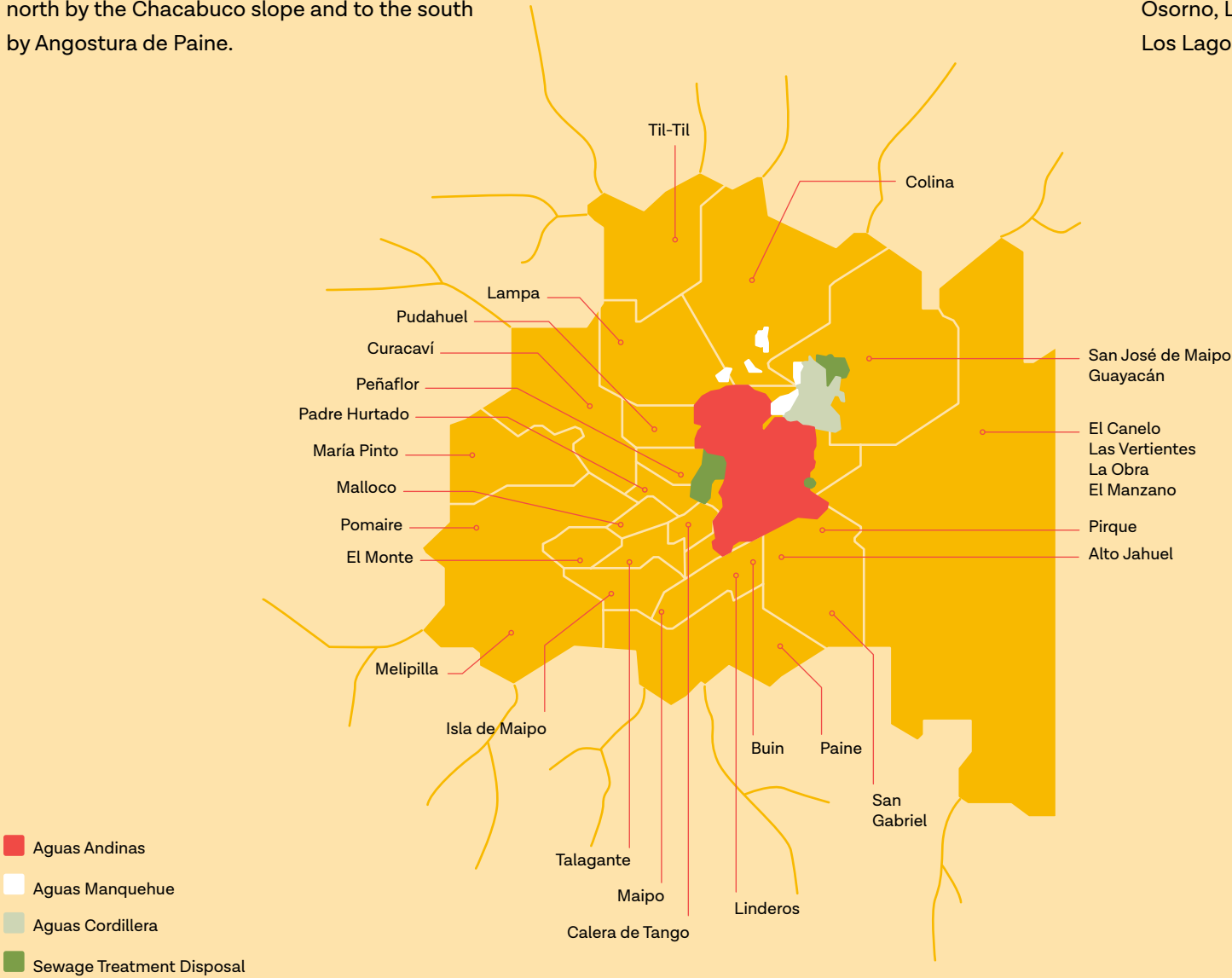


Part I Aguas Andinas 2017 Where we are today

# Our Concession Areas

**71 thousand hectares covers the concession area in the Metropolitan Region.**

It is located in the Santiago basin, in the middle depression of central Chile, bordered to the north by the Chacabuco slope and to the south by Angostura de Paine.



**13 thousand hectares is the area supplied in the Regions of Los Lagos and Los Ríos.**

It includes 33 localities in the provinces of Valdivia and Ranco in the Los Ríos Region; and Osorno, Llanquihue, Chiloé and Palena in the Los Lagos Region.





An aerial photograph of a rugged mountain range with a small lake in the center. The image is overlaid with a semi-transparent green filter. The text "LETTERS FROM THE PRESIDENT AND CEO" is centered over the lake in white, bold, sans-serif capital letters.

# **LETTERS FROM THE PRESIDENT AND CEO**





# Letter From the Chairman/ President

**Guillermo Pickering**  
PRESIDENT/CHAIRMAN

Dear shareholders:

As Chairman of Aguas Andinas S. A. I am honored to present our annual report and financial statements for the financial year ended on December 31, 2017. During the last financial year we have taken specific and important steps in our aim to be a leading service company in environmental, social and corporate governance sustainability in Chile and the Region, through initiatives I will now mention.

## COMMITMENT WITH SUSTAINABILITY

Half way through the year, we began the process of transforming the operation of La Farfana and Trebal Mapocho from wastewater treatment plants into actual resource management centers, that we named Biofactories, which will convert all waste into usable elements and usable energy. The first step in this challenge was taken with the signing of a contract for resource management for the operation of the plants. This is how we approach our commitment to achieve a sustainable operation that aims at energy self-sufficiency, minimizing environmental impact and seeking the preservation of biodiversity.

In this regard, I would like to highlight with great pride, that all the efforts made by the company since 2000 have allowed us to reach 100% wastewater collection and treatment, we have been able to see life returning to the Mapocho River, with the observation of the presence of three types of fish in its course at the Padre Hurtado district, which is a great legacy for the natural environment of the Metropolitan Region.

#### ASSURANCE AND QUALITY IN OPERATIONS

The main priority of the people who work at Aguas Andinas is to deliver potable water and sanitation services to our more than two million customers, with quality, continuity and assurance. We know that we must respond satisfactorily to the growing demands of people living in the areas we serve, in an environment that is becoming more complex and dynamic, with changes in both climate conditions and society overall.

That is why during the year we again made a great investment effort, which amounted to the historic figure of 131 billion pesos. A large part of these funds were used to provide our infrastructure with greater resilience and robustness, in order to better cope with extreme weather events, such as those that occurred again in February and April 2017 and which forced us into massive supply interruptions due to the extreme turbidity that was observed in the Maipo River.

Among these investments, the Pirque tanks project stands out, which includes the construction of a set of 6 tanks, whose surface area will be close to 40 hectares, which will allow us to have greater availability of water, increasing the autonomy to 34 hours by 2019. During the year, after an exemplary environmental process, its Environmental Impact Study was approved and construction work began immediately.

In addition, during the financial year the Company began to build the Complementary Emergency Works, which will be operational during the first quarter of 2018 and will extend the autonomy of the potable water system by two hours.

These works are also being accompanied by proactive management of emergency situations, which includes coordinated action with the authorities and municipalities. During the year, our company matched its alert system with that of the National Civil Protection System in order to jointly communicate emergency events to the citizens in the same way. At the same time, 31 protocols of a public-private nature were signed with municipalities in the Metropolitan Region, which define tasks, specify alternative supply sites, the service to critical customers, among other issues.

The aforementioned efforts, aimed at reducing the impact of extreme turbidity events, are in addition to the investments the Company is making to increase its production capacity and to face periods of drought that could become more frequent as a result of climate change phenomena. Among these investments it is worthwhile mentioning the construction of a new potable water plant in the Chamisero area, which will have an initial production capacity of 500 liters per second and will be supplied with water transported from the Maipo River.

**“The year was a period of great development for our sanitary, in which we gave concrete and important steps in our purpose of being an environmental services company, benchmark in sustainability in Chile and the region, thanks to an efficient management of natural resources.”**

## CUSTOMER-ORIENTED

All of these actions are focused on our clients. With this aim, during the financial year we launched our new virtual agency, which involved an important technological upgrade capable of offering customers a unique integrated internet relationship space. It is accompanied by a new website, which displays a more modern and friendly design, as well as a real estate portal designed for more efficient management of the requirements of new customers who join the network. Always in tune with the clients, in 2017 the Customer Counsel began to operate, responsible for resolving conflicts between the client and the company, acting with absolute impartiality, objectivity and fairness between the parties.

## COMMITTED TO THE HIGHEST STANDARDS

In order to promote a management style with high integrity, transparency and ethics standards, the Company achieved ISO 37.001 certification, making Aguas Andinas the first company in Chile to be certified under this international standard.

Moreover, Aguas Andinas, in its commitment to promote sustainability among its suppliers, obtained the Pro Pyme Seal, a certification from the Ministry of Economy that certifies that the Company pays its smaller suppliers within a maximum period of 30 days. Timely payment is a great benefit for these companies, since it allows them to improve their financing conditions and have cash flow available to pay their obligations and materialize their projects, promoting their sustainability and development over time.

## ACKNOWLEDGEMENTS

These initiatives, together with dozens of others, allowed us to demonstrate a path that seeks the long term sustainability of the business, and were acknowledged by various organizations as well as the market. In 2017, for the third consecutive year; Aguas Andinas was selected to integrate the Dow Jones Emerging Markets Sustainability Index and the Dow Jones Sustainability Index Chile; it was certified as a Family Friendly company; was recognized as an ALAS20 2017 Company, which highlights leadership and contribution to sustainable development by the 2020 Sustainable Leaders Agenda; was also selected to be a component of the FTSE4 Good Emerging Index; and obtained the Energy Efficiency seal, Gold category, awarded by the Ministry of Economy.

## SERVICE-DRIVEN

Sustainability and shared value are at the heart of our development strategy, which is why we look forward to the medium and long term, working from now on in initiatives that create value for the future of Chile and its citizens.

In order for this to be possible, it is essential to assess those elements that have allowed the investment of significant resources in the water utility sector and that have led to the highest standards of coverage and quality in OECD countries. Specifically, it is necessary to preserve the sector's exemplary regulatory framework and to ensure that it is applied in such a way as to promote the development of higher

standards in the service of our clients, investment in infrastructure that enable us to face the challenges of climate change and care for the environment. In this sense, it seems important to us that the conditions are met for the development of the Biofactories project, which does not seek to do away with residues in our wastewater plants but to transform them into resources that can be used for agricultural activities and power generation.

Finally, I would like to thank the Aguas Andinas team for their commitment, willingness and enthusiasm to provide an excellent service to the people we serve every day.





## Letter from the CEO

**Narcís Berberana**  
CEO

From the Aguas Andinas Group we want to be a relevant partner for the country. Facing up to the challenges posed by the citizens. Specifically where we can contribute the most, in those areas related to sustainable development: social, economic and environmental.

### GOALS ATTAINED

Achieving clean cities, with 100% of their water purified, is a fundamental milestone that we must communicate repeatedly to highlight its value. It means that we have achieved environmental sustainability and added value to the country's competitiveness. The Mapocho River has recovered life, its natural ecosystems, and a fundamental milestone for the regeneration of biodiversity spaces. We have succeeded in eradicating enteric diseases associated with wastewater. We naturally integrate the exponential growth of cities, in size and population, guaranteeing the maintenance of 100% coverage of all services. And we also deliver on our commitments with the highest efficiency, at the lowest tariffs in the OECD.

In order to consolidate these advances, it is essential to operate with the highest standards of performance and transparency. That is why, with the guidance of the 7 strategic pillars we have implanted a simpler and more efficient new organizational structure, we co-created emergency management protocols with the proactive consensus of all authorities, we obtained ISO 37.001 certification for ethical compliance, the first masters degree at the Water School graduated, and the office of the Customer Counselor and the Virtual Office that allows customers to access all our services and systems directly from a simple cell phone began operating.

#### AND WE ARE GOING FOR BIGGER CHALLENGES.

In addition to assuring what has already been achieved, increasing the resilience of our services by combining the efforts of new investments in infrastructure with a comprehensive and efficient management, we have set ourselves a new challenge: to evolve from a water utility to an environmental services company with a business model based on the principles of circular economy. Summarized in the items: zero waste, zero pollutant emissions, renewable energy self-sufficiency, generation of positive social impact and preservation of biodiversity and generation of healthy urban spaces. The best example of this new challenge is the Biofactories. The transformation of our main treatment plants in Biofactories is not only a regional a milestone but also a worldwide one in the water industry. We will overcome the paradigm of treatment as waste to that of a resources regeneration factory.

#### AWARENESS - COLLABORATION

We have the path mapped out, including innovation, research, new ways of working where knowledge and conviction come together. It is a path that we must co-construct with the State and its different bodies. Integrating health benefits, community wellbeing, human development and the progress of other economic sectors into tariffs and investment decisions. We must ensure that we continue to offer the OECD's most competitive tariffs by incorporating investments and innovations in management, training, technology, artificial intelligence, essential to keep our cities at the forefront of environmental services.

An fascinating challenge. A challenge that we offer to our shareholders and society in general as a means of generating sustainable value for all.

***“An fascinating challenge. A challenge that we offer to our shareholders and society in general as a means of generating sustainable value for all”.***





## WHERE WE ARE GOING

**In 2017 we changed our outlook towards the circular economy, initiating a path that leads us to rethink and redesign sustainable solutions and initiatives for Chile and its citizens. We want to achieve zero emissions, zero waste, and minimal environmental impact in our operations, looking for shared value in a future that begins today.**



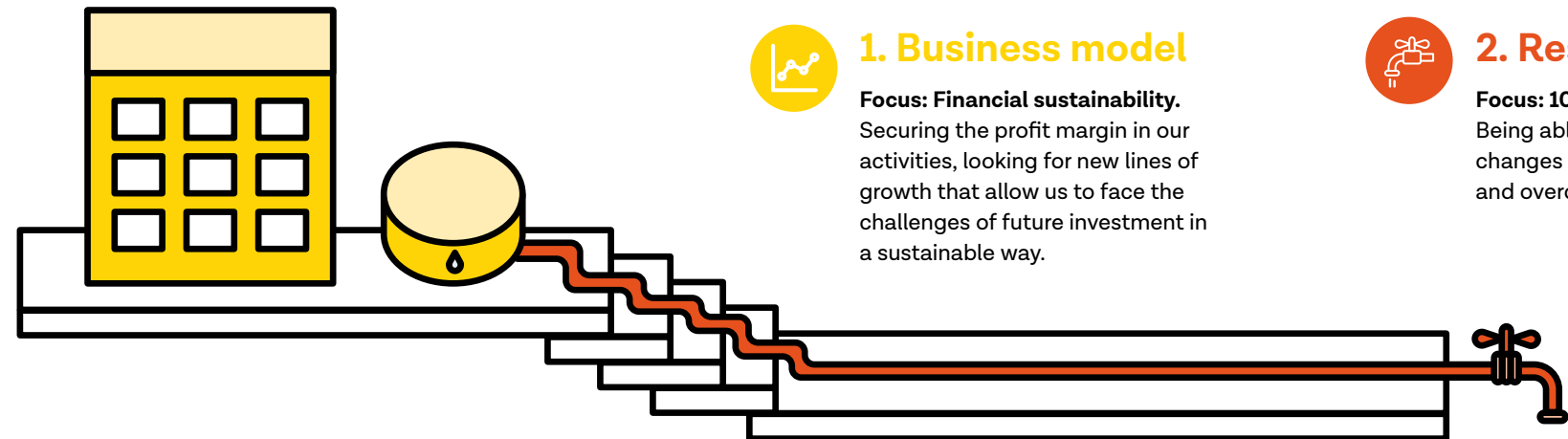
# Our Strategy:



**Santiago Deserves a 7** (SM7- Santiago Deserves an A+) is our corporate strategy, which will allow us to achieve our commitment to sustainable development, through its 7 pillars, which give the path and emphasis to our management.

## 5. Social Legitimacy

**Focus: Shared value.**  
Becoming integrated with the community, being considered as good neighbors and allies of citizens through the creation of social value.



## 1. Business model

**Focus: Financial sustainability.**  
Securing the profit margin in our activities, looking for new lines of growth that allow us to face the challenges of future investment in a sustainable way.



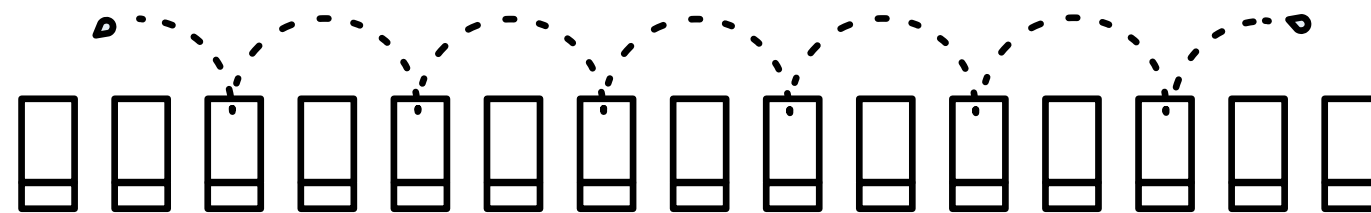
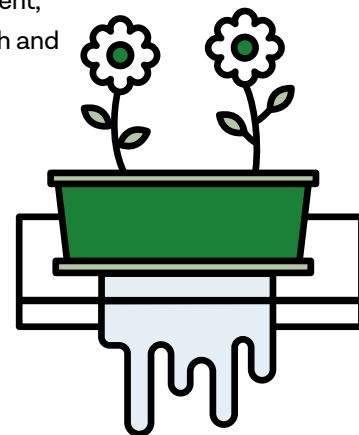
## 2. Resilience

**Focus: 100% continuity.**  
Being able to adapt to changes in the environment and overcome contingencies.



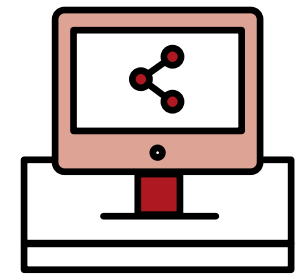
## 4. Circular Economy

**Focus: Zero Impact.**  
Achieving sustainability for our water utilities through the use and production of renewable resources and the preservation of the environment.



## 3. Digitalization

**Focus: Agility.**  
Using technology to serve interactivity between clients and the company and to achieve more agile and efficient processes. Industry 4.0.



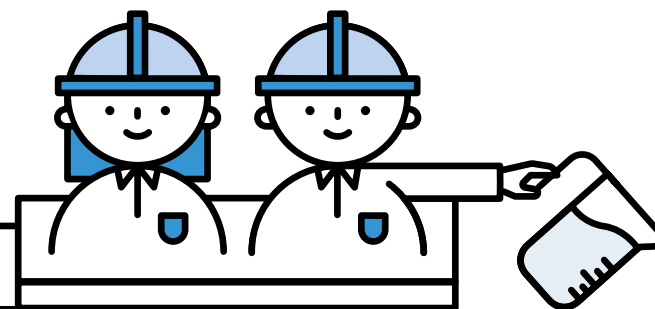
## 7. Water and quality of life

**Focus: Benefits of natural resources.**  
Promoting the creation of healthy environments, health habits, favoring the improvement in the life of citizens and awareness of the value of natural resources from our activity.



## 6. Innovation and people

**Focus: Value creation and adaptation.**  
Promoting innovative environments, fostering the well-being of workers and their flexibility to change.



# Our Challenges Our Commitments

Achieve zero emissions.

Transform our treatment plants into biofactories.

Reuse 100% of residues, transforming them into resources and energy in order to achieve energy self-sufficiency.

Drastically reduce our carbon footprint and that of the country overall.

## Aguas Andinas and the Sustainable Development Goals (SDGs)

**Aguas Andinas and its subsidiaries are contributing towards 15 of the 17 Sustainable Development Goals.**

Our company seeks to become the best ally of Chile and its citizens in fulfilling its commitments under the COP21 climate change agreement, proposed by the United Nations in September 2015 and establishing specific targets to be achieved by 2030.

Each initiative of the SM7 strategic plan is measured with its respective SDG.

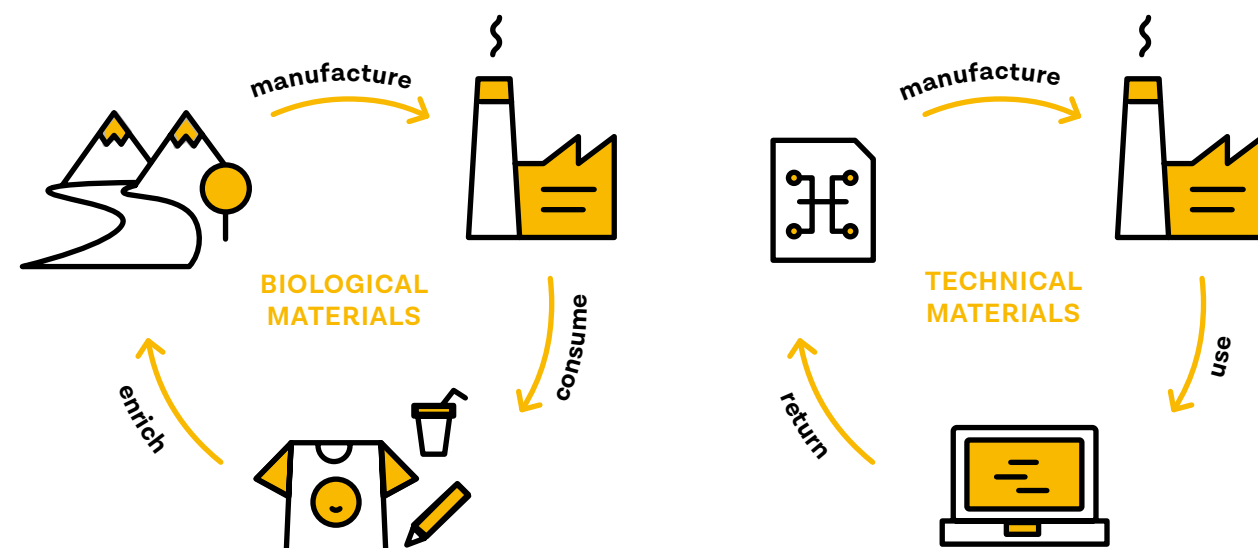


# Circular Economy, the Road to a Sustainable Future

Circular economy, build social, natural and economic capital instead of destroying it.

In 2017 we took a decisive step in our change of focus, from a linear to a circular economy, which involves taking advantage of residues and transforming them into resources.

Circular economy, instead of understanding the world as a machine, understands it as the metabolism of a living being. Living systems are an inexhaustible source of inspiration.







## The great milestone of circular economy: The Gran Santiago Biofactory is built

We're transforming the management of our two largest sewage treatment plants into the Gran Santiago Biofactory Complex.

The Biofactory is the only one in Chile and in the world.

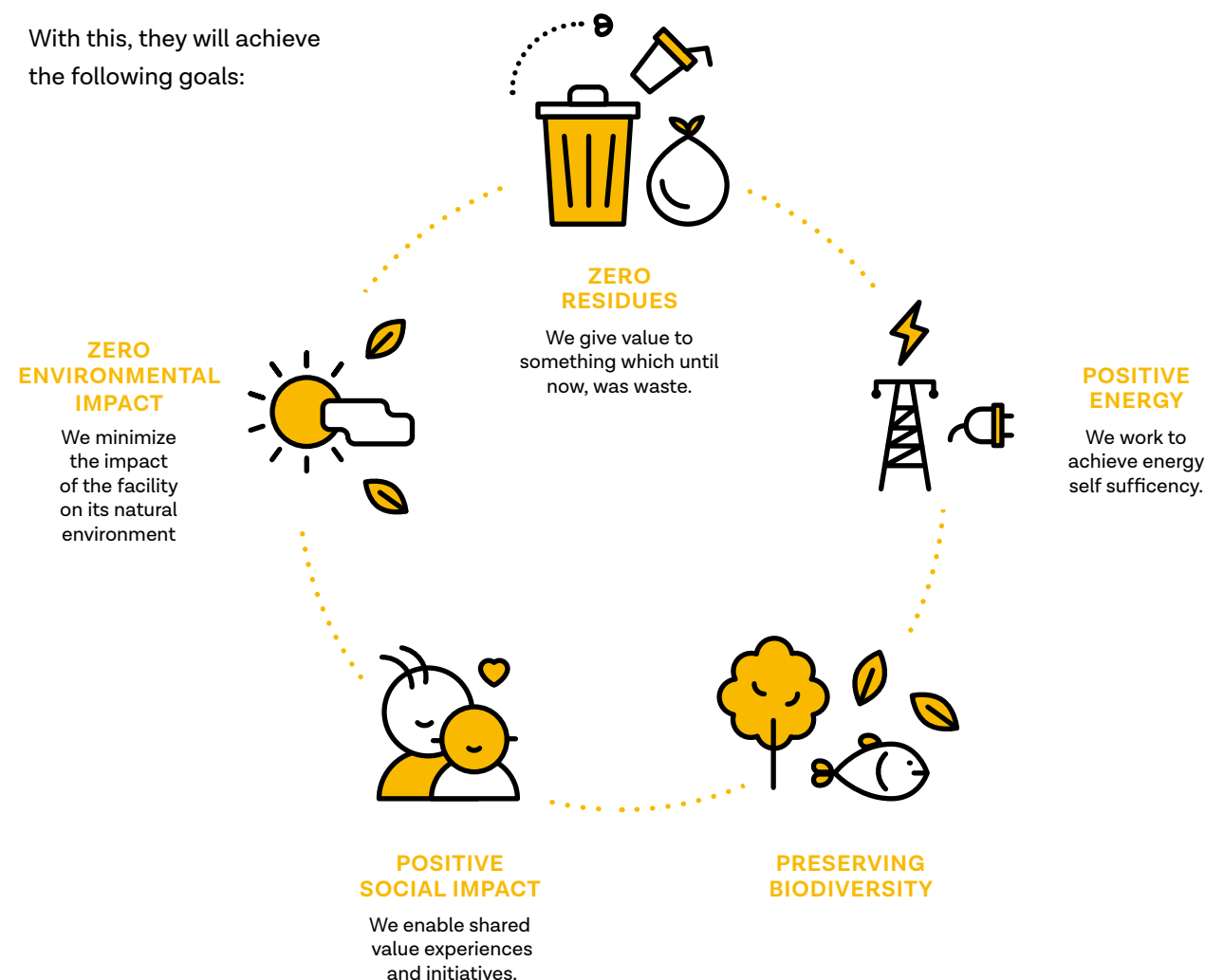


# What is a Biofactory?

We transform your residues into resources

What will be the results when they operate at 100%?

With this, they will achieve the following goals:



***“We created Biofactories in order to develop and implement the paradigm shift, with the evolution from treatment to resource management. Biofactories are production centers for valuable resources which do not generate waste or impact the environment, and do not use fossil fuels because they generate their own power to operate.”***



Narciso Berberana  
CEO Aguas Andinas

# Advances in 2017

In July 2017, the management as Biofactory was consolidated with a focus on two main aspects:

1. The management of resources starting with the evaluation of the million BTU of gas, the hectometers returned to the river, the megawatts of renewable energy, the tonnes of fertilizer and the hectometers of energy generated.
2. The management of projects where the management and infrastructure initiative are designed in order to guarantee the absolute development of the transformation into Biofactories.

In 2017 the actions required in order to ensure the 100% of the reuse of water and the development of biodiversity spaces which are already appearing in the river took place. Additionally, new cogeneration motors will allow the company to reach its objective of having 365 days of auto-efficient renewable energy.

# In 2017

**Auto-generated energy**

**51,792,240 kWh**

of electric power were produced by Aguas Andinas' cogeneration engines.

**Biosolids**

**137,649 tons**

of the biosolids generated were destined for the recovery of agricultural soils.

**Regenerated water**

**604 million m<sup>3</sup>**

was the volume of clean water returned to the waterways.

**Regenerated air**

**118,300 Nm<sup>3</sup>/h**

which is equal to a treated flow in the Mapocho-Trebal and La Farfana Biofactories.

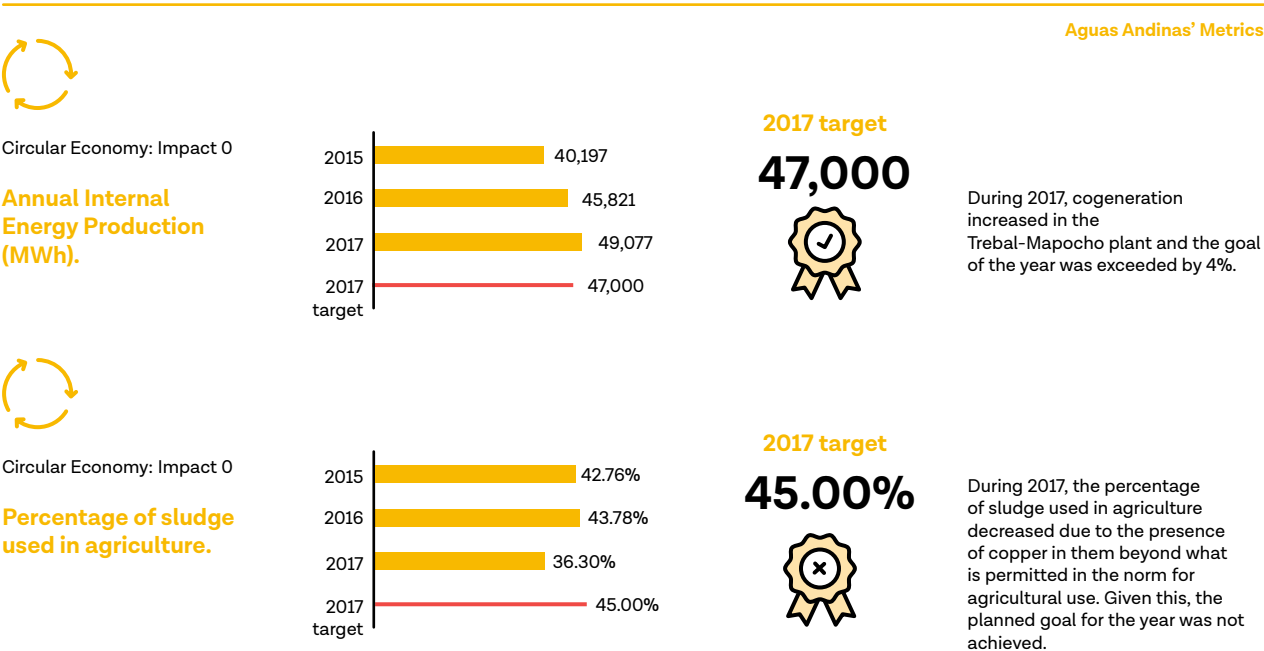
**Natural Gas**

**160,337 million BTU**

were generated through methanization in La Farfana.

**76.41%**

of the electricity demand of the Trebal-Mapocho plant was supplied through biogas.





# R+D+i Towards Circular Economy and Sustainability

Research, development and innovation are key to rethinking and redesigning new, and more sustainable alternatives. Creative and innovative responses to provide solutions and improve our services as well as generate new resources.

In 2017, through the Cetaqua Chile non-profit corporation, Aguas Andinas carried out important innovation projects in order to contribute to the new resource management vision within circular economy. Some examples are:

## Co-digestion project in digesters

**Purpose:** To decrease the amount sludge from the industrial market in the Metropolitan Region.

Taking advantage of existing facilities, a three year project is being conducted with the aim of co-digesting sludge from external industries. In this way, more biogas will be produced, thus contributing to the goal of energy self-sufficiency.

## Sludge characterization project

**Purpose:** To conduct research on new uses and new activities for the valorization of sludge.

The idea is to analyze possible treatments to achieve new possibilities in the use of sludge, such as its use in road construction or trench works.



**What is Cetaqua Chile?**  
It is a non-profit corporation whose mission is to promote, carry out and disseminate research, technological development and innovation in the comprehensive water cycle and the environment.

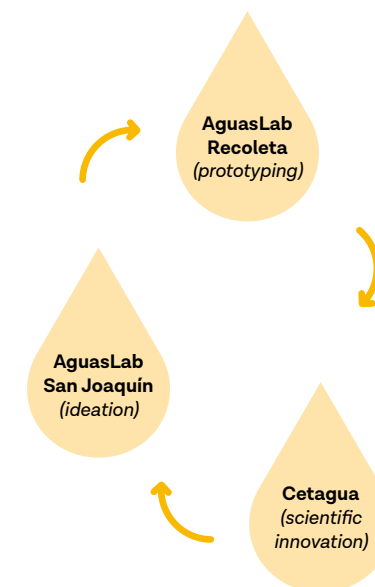
CETAQUA  
CHILE

Create, collect, promote drive and support knowledge and technological development in water management.

During the year 2017, \$1,350 million pesos were invested in R+D+i. This is equivalent to 0.6% of the Company's expenses.



## Innovation Network



Aguas Andinas strengthened its insertion into new ecosystems and into a collaborative economy through the inauguration of the new San Joaquín AguasLab. This lab is located in the UC Anacleto Angelini Innovation Center of the Pontificia Universidad Católica.

AguasLab San Joaquín is a space specially dedicated to ideation, which allows us to use the resources of the UC Innovation Center, as well as performing dynamics with university students in order to receive new ideas and points of view in our value chain, pursuing shared value and collaboration.

This new center joins **AguasLab Recoleta** -opened in 2016-, the first robotics hub in Chile and a meeting point for innovation projects regarding water and the environment. This center seeks to develop industries and technology at the service of the people and the city.

**During the year 2017, \$1,350 million pesos were invested in R+D+i. This is equivalent to 0.6% of the Company's expenses.**

### Aguas Andinas' Metrics



Innovation and People

**Number of ideas that have been evaluated as part of the innovation portfolio.**



2017 target

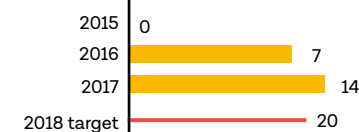


There was an increased number of ideas due to the open innovation processes conducted during 2017.



Innovation and People

**Number of projects in prototype phase.**



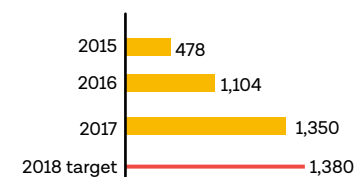
2017 target



During 2017 the number of projects in prototype stage doubled, surpassing the goal of 10 projects.

Innovation and People

**Investment in R+D+i (MM\$)**



2018 target

**MM\$1,380**



In 2017, innovation continued to be promoted through the three centers in which collaborative innovation was focused.





# HOW WE ARE DOING IT

The path to meet  
our challenges is  
through a sustainable  
operation cocreating  
with our customers,  
always centered on  
shared value.



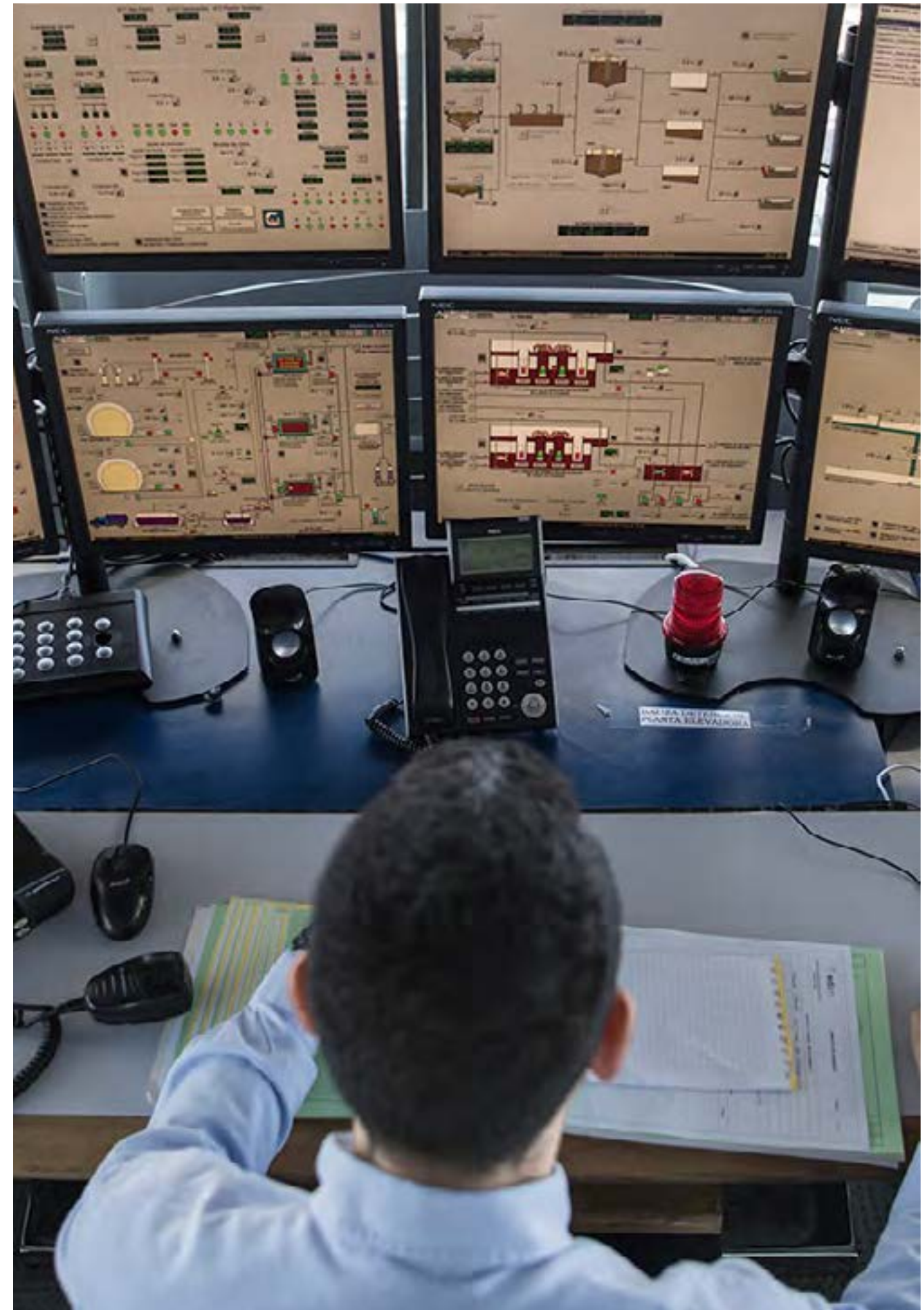
# A Sustainable Operation

## Investments that secure the future

In recent years there has been an increase in the frequency of convective rains in the Pre Andes area. These convective rains have had high zero isotherm. This rainfall, which is characterized by its high intensity and short duration, has caused avalanches in the tributaries of the Maipo River, increasing the levels of turbidity in the riverbed excessively.

Faced with this type of force majeure events, the Las Vizcachas and La Florida production plants must halt their operation. . The Company is forced to stop the plants given that during these events, the level of turbidity of the river surpasses the design treatment capacity of these facilities and could cause them to bog down. This would stop their production for a longer period of time than the duration of the weather event. When these events are longer than the company's autonomy, this causes a massive water cut.

**Aguas Andinas recorded high levels of investment in 2017, ensuring the company's future sustainability and resilience.**





## HISTORICAL HIGH TURBIDITY EVENTS IN THE MAIPO RIVER

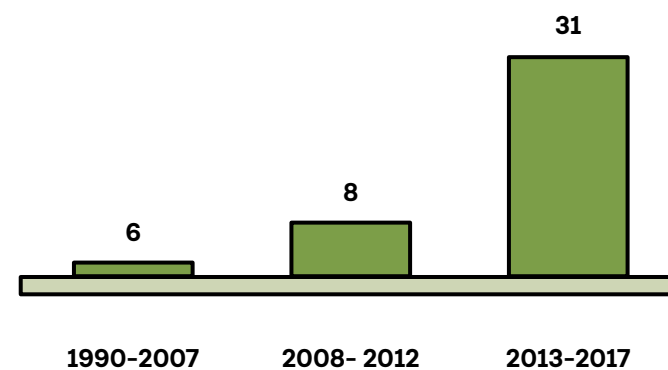
Event	Date of occurrence	Max. Turbidity	Total duration (hs.) (*)	Average turbidity of the event (NTU/hr) (*)
1	May 2008	43,750	69	10,830
2	January 2013	180,000	20	16,945
3	February 2013	382,500	75	36,861
4	April 2016	79,000	94	18,921
5	February 2017	238,000	46	38,940
6	April 2017	63,500	26	25,320

(\*)Turbidity > 3,000 NTU.

### Turbidity events occurred in the last 20 years

Intensity > 5,000 NTU

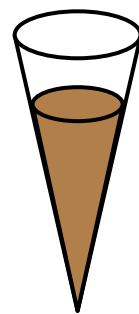
Graph: Aggregation of events with a duration longer than 12 hours with over 3,000 NTU with peaks over 5,000 NTU for the 1990-2017 period. From 1990 until 2012, there was only a daily statistic.



It is important to note that prior to May 2008 there are no records of high turbidity events which have led to an interruption in potable water supply.



LEVELS OF TURBIDITY



Turbidity  
1,000 NTU

1

Olympic pools filled with  
mud daily

When the river has a turbidity of 1,000 NTU, this means that for every liter of treated water, 1.1 grams are mud are removed, this is equivalent to almost 1 Olympic pool filled with mud daily (1,900 tones daily (Q=20 m³/s).



Turbidity  
10,000 NTU

3,6

Olympic pools filled  
with mud daily

When the river has a turbidity of 10,000 NTU, this means that for every liter of treated water, 5.3 grams are mud are removed, this is equivalent to 3.6 Olympic pools filled with mud daily (9,158 tones daily (Q=20 m³/s).



Turbidity  
212,000 NTU

650

Olympic pools filled  
with mud daily

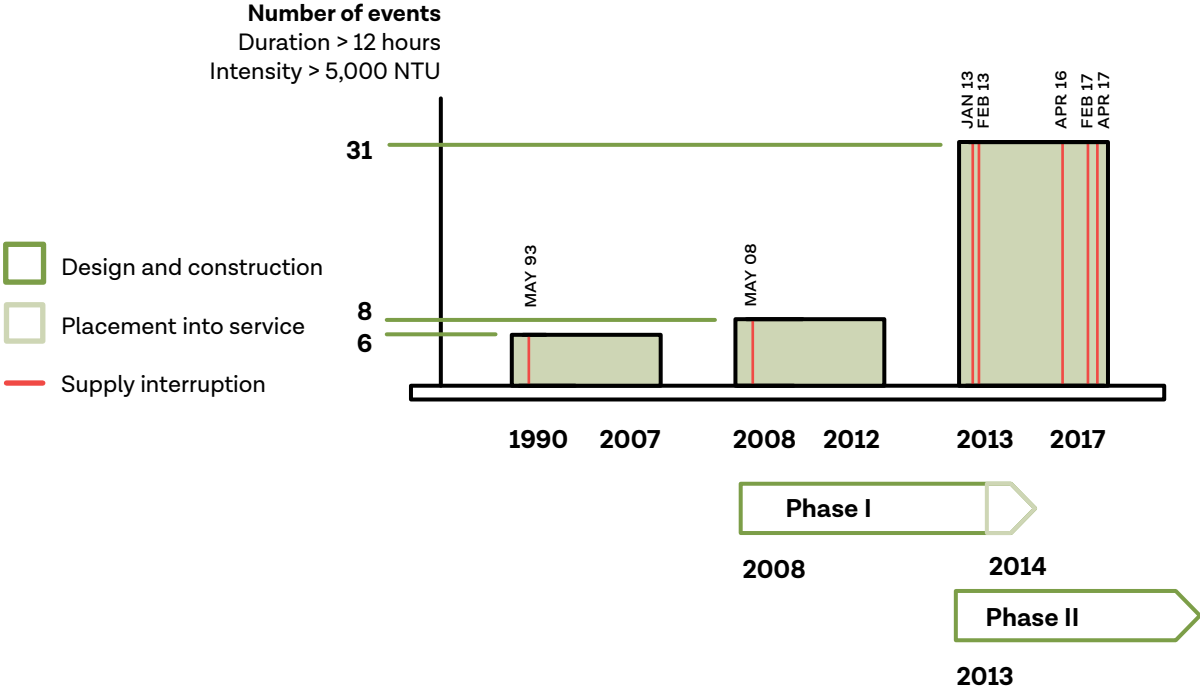
When the river has a turbidity of 212,000 NTU, this means that for every liter of treated water, 941 grams are mud are removed, this is equivalent to 650 Olympic pools filled with mud daily (1,624,320 tones daily (Q=20 m³/s).





# Safety Works to Increase Autonomy

Aguas Andinas’ last two development plans have included the progressive construction of safety works to mitigate the effects of extreme turbidity in the Maipo River.



### PHASE I WORKS

Completed

USD\$ 63 million

Operating since January 2014

4 to 9 hours of autonomy

#### What have we done?

25% more potable water reserves (225,000 m³).

Operation of the Cerro Negro wells with a 300 l/s flow rate.

Embalse El Yeso - Laguna Negra pipeline.

### COMPLEMENTARY EMERGENCY WORKS

In action

USD \$24 million

2018

From 9 to 11 hours of autonomy

#### What are we doing?

Construction of 9 tanks that will store 54 million liters.

Enabling 16 wells for the extraction of groundwater.

### PHASE II WORKS

Under construction

US\$121 million (estimate)

2019

11 to 34 hours of autonomy

#### What are we doing?

Construction of the Pirque Tank, with a capacity of 1,482,000 m³ of raw water.

In 2017, its Environmental Impact Study was approved and at the end of the year the works began.

### PHASE III WORKS

Under study

Goal: To achieve more than 48 hours of autonomy

4 possible alternatives:

A1. Increase raw water reserve capacity with a tank adjacent to the Pirque Tank, Phase II. Estimated investment: USD \$115 million.

A2. Coyanco Reservoir and pipeline to the Pirque Tank. Estimated investment: USD \$238 million.

A3. Recycle water, through the regeneration of the water treated in the Aguas Andinas’ sewage treatment plants and transporting it to the supply points. Estimated investment: More than \$500 million USD.

A4. Pipeline from El Yeso Reservoir to the Pirque Tank. Estimated investment: USD million\$410.

# Milestone in the Coordination of Emergency Management in Chile

The ability of the organization to continue delivering products or services at pre-defined acceptable levels after a disruptive incident.

(ISO 22301:2012 Definition of Business Continuity)

In 2017 there were two extreme turbidity events, one in February - coinciding with the peak demand for the resource - and another one in April, which caused massive supply interruptions for the citizens of the Metropolitan Region.

Concerned about this continuity altering situation, Aguas Andinas is working to strengthen the resilience of its operation, being able to adapt to changes in the environment in order to overcome contingencies.

In addition to the investments in safety works, which will give more autonomy to the potable water system, the company constantly continues investing to adapt its infrastructure and processes to the new environment, in order to provide continuity of supply.

This is how, from May onwards, the company prepared a document laying the foundations for a new emergency management with massive service interruptions. This includes:

- **Works Plan**, to increase the autonomy (explained in previous the point).
- **Early warning protocol**, which involves monitoring the conditions of the basin, as well as informing customers of the alert status through social media and the company’s website.
- **Coordination with municipalities**, through mayors and heads of security, identification of emergency supply areas, roles and functions, etc.
- **Communications campaign** with advice to educate the community on how to act in emergencies, training of neighbors, among other action.

## EARLY ALERT PROTOCOL



## Coordination with municipalities



**631**  
points of  
emergency supply.

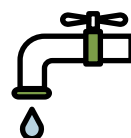


**251**  
municipal tanks.



**31** signed public-private  
protocols with the municipalities  
of the Metropolitan Region.

## Emergency Supply



**470**  
critical clients (who can't have  
service interruptions).



**Update**  
of cadastral data of critical  
customers.



**30**  
water storage trucks.



**380**  
tanks provided by Aguas Andinas



**App**  
for follow-up of the supply  
management.



Also, the company developed its **Incident and Emergency Management Plan (PGIE)**. This plan establishes what to do in the event of any kind of crisis, such as: increased turbidity, contamination of surface water sources -such as that which occurred in May 2017 with the spillage of paraffin in the Mapocho river-, operational breakdowns and power outages. This plan contains an Operational Plan, as well as establishing a chain of command and the necessary coordination within the company.

In these types of crises, public-private collaboration is relevant. This involves coordination with the Undersecretariat of the Interior, the Metropolitan Region Intendancy, Onemi and SISS, as well as private-sector collaboration for resilience, through SeCRO.

### What is SeCRO?

The Crisis Management and Resilience Service of the Organizations (SECRO) brings together several leading companies in responsibility and sustainability in order to carry out coordinated and joint actions, in addition to sharing crisis management best practices.

### Impact modelling of rainfall on the foothills of the mountains

As a priority resilience initiative, Aguas Andinas, with the help of Cetaqua, is working on a hydro-meteorological prediction model, which will provide a more precise background for forecasting convective rains for emergency management.

The expected result is the development of a comprehensive hydrological model for watershed management in the Metropolitan Region.





# Investments in order to Ensure the Sustainability of Urban Growth

## Upgrade of the Vizcachas Complex

Expansion, rehabilitation, modernization and improvement of the Vizcachas Complex (Vizcachas Plant, Vizcachitas and Antonio Tagle).

- Renovation and rehabilitation of the filters of the Vizcachas Plant.
- Total investment in the Upgrade plan: \$63 billion pesos.

## Improving the quality of water

Commissioning of the San Antonio Arsenic Abatement Plant:

- Allows the use of groundwater from underground aquifers.
- Operational since April 2017.
- Investment of \$6.7 billion pesos.

Capacity increase of the Arsenic Abatement Plant in Quilicura:

- Increased its flow rate from 100 l/s to 250 l/s.
- The first stage was completed at the end of 2017.
- Investment of \$1.7 billion pesos.

## New Chamisero potable water production plant

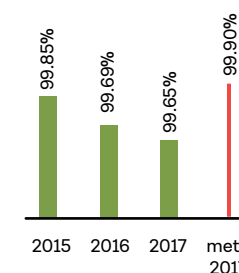
It will respond to the demand of the growing population in the Chamisero and Chicureo areas.

- In the final phase of construction.
- Operation: from May 2018.
- Investment of \$14.9 billion pesos.



Resilience

**Supply continuity index**  
(total non-programmed interruption time v/s total service time).



2017 target

**99.90%**



During 2017, there were two water cuts due to turbidity events in the river, which slightly decreased the supply continuity index.

Aguas Andinas' Metrics

# More Efficiency

## HYDRAULIC EFFICIENCY PLAN

It is a project that seeks to reduce water losses in the network, in order to recover 70 cubic hectometers of potable water. However, its results will go further, as it will allow us to provide a predictive view for the reduction of ruptures and the planning of actions in the distribution network, thinking about its long term sustainability.

**Its greater objectives:**

- Long-term sustainability of the service and commitment to the environment.
- Change of the operating model of the network by incorporating technology and changes in processes that will allow the company to be aware and monitor what is happening.
- Improvement in continuity and service quality.
- Greater knowledge of the network to make asset management decisions.

**Also, aligned with SM7 it will allow the Company to:**



Recover 70 billion  
liters of water  
per year.



Carry out predictive  
maintenance: “A  
repaired leak, a  
rupture avoided.”



Obtain data for  
proper asset  
and operations  
management



Create the Distribution  
Operational Control  
Center.

# What are the milestones of the Hydraulic Efficiency Plan?

## THE CHALLENGE OF THE OPERATIONAL BIG DATA

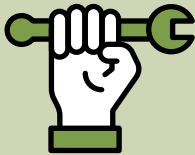
1º

Incorporation of  
technology to the  
network, with the  
installation of 5,862 new  
elements that allow for  
pressure management  
and awareness of what  
is happening inside of  
the network.



2º

Construction of 649  
pressure subsectors  
and 960 dynamic  
microsectors in more  
than 13,000 kilometers  
of the potable water  
network.



3º

Development of a new  
policy to replace 6,500  
micro-meters per year.



4º

Transmission of data  
(pressure and flow)  
from the field by  
means of more than  
2,200 GPRS devices.





CETAQUA RESEARCH STUDY:

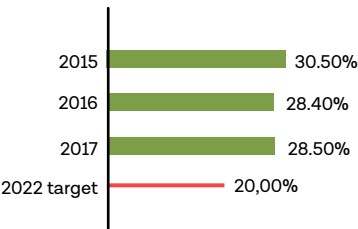
The search of equilibrium in the network

It is a two-year research study, which began in 2017 and aims to find out how networks made from different materials are deteriorating in Chile. This study also seeks to define a model for what will need to be renovated in the future and how these renovations are planned. The study will analyze the life cycle of the network in order to optimize its renovation.



Resilience

Percentage of water losses in the network (production vs billing).



2017 target

27.60%

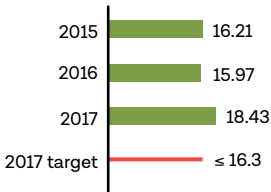


There were similar results during 2017 in comparison to 216 as the infrastructure which is being built in order to decrease leakages is still not in operation. Additionally, the paraffin contamination event caused by the La Parva Ski Resort generated an increase in ruptures and an increase in alerts which caused overruns in the system. Due to the latter, the goal for 2017 has not been met.



Resilience

Unprovoked ruptures with and without water cuts for every 100 kms.



2017 target

≤ 16.3



During 2017 there was an increase in ruptures in Aguas Cordillera due to the paraffin contamination event. Given this, the 2017 target was not achieved.

Aguas Andinas' Metrics







# OCC 2.0

The project to update the Operational Control Center, called OCC 2.0, started during this financial year. It is a project long awaited by the company that seeks to consolidate management modernization based on the intelligence of the data collected.

The OCC 2.0 has been divided into 5 sub-projects:

- **Typical installations:** Revision and update of all electrical works for control and instrumentation of standard facilities, seeking resilience, regulatory and environmental compliance as well as efficiency in the use of resources.
- **SCADA (Supervision, Control and Data Acquisition):** Platform and security update, renovation of the rear projection system, among others.
- **Technical information systems:** Develop a computer application integrated with SCADA, mathematical models and other applications to centralize information and add value.
- **Knowledge management:** Aquadvanced, expert decision making systems for advanced network management and water loss prevention.
- **Cyber security:** Implementation of the Information Security Plan action plan for operation technologies.

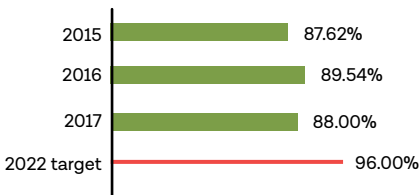
Part I Aguas Andinas 2017 How we are doing it

Aguas Andinas' Metrics



Digitalization

Percentage of telemetered facilities.

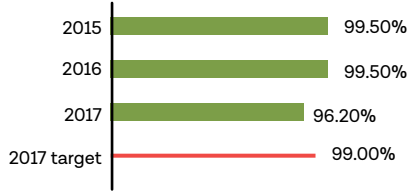


During 2017, new infrastructure which did not have integrated telemetering with the Operational Control Center was incorporated. Due to this change in the base, there was a decrease in the percentage of telemetered facilities.



Digitalization

Operational Control Center Availability (% of monthly hours that the OCC has been in operation).



During 2017, the WallDisplay was unavailable. This system was renewed in September as part of the CCO 2.0 (OCC 2.0) project).

# New Focus on Sewerage Management

Aguas Andinas developed a new sewerage management system called Advanced Collection Management. It aims to perform a more efficient cleaning of the system given that the plan incorporates the inspection of the network and then proceeds to clean only the sections that require it. The goal is to have the entire sewerage network inspected and cleaned in three years.

## How is Advanced Collection Management conducted?

- Carrying out a televised inspection before planning, this reduces the risk of activity.
- The network is better known and classified by load level.
- Random quality control.
- Information to customers on the execution of maintenance.

## More benefits

- Less obstruction risks.
- Fewer complaints about bad smells.
- Less risk of overflows into the streets.
- More efficiency.
- Truck fuel savings.
- Management cost optimization.
- More social legitimacy.



Part I Aguas Andinas 2017 How we are doing it

Aguas Andinas' Metrics



Resilience

Percentage of completion of the preventive equipment maintenance plan (Annual average)



Improvements plans were made to the operational maintenance plans during 2017. These plans include the itemization of equipment and new prevention plans which are specific for them. Given this, the goal for the year 2017 was exceeded.

# Focusing on Citizens

Strengthening the link between Aguas Andinas and the citizens is one of the company's objectives.

## NEW VIRTUAL AGENCY

Thinking of facilitating the relationship with its clients, Aguas Andinas' new virtual agency was launched in October, which allows online transactions, such as engaging in payment agreements, requests, claims, view their progress status, among other potentialities, which allows establishing a more direct and functional link between the company and its users.

The platform is omni-channel that is, it integrates all the requirements, independent of the channel through which they enter: Contact Center, Twitter, commercial agency. It is also complemented by a new website, with a modern design and consistent with Aguas Andinas' image, which allows the registration of customers, with access to specific information.

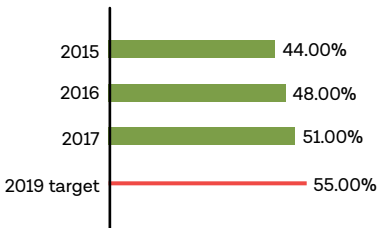
Aguas Andinas' new website is responsive, i.e. it automatically adapts to the resolution of a PC, mobile or tablet screen, allowing customers to be connected under the modality they choose, with a friendly design, which achieves an easy, pleasant and resolving interaction experience.

The virtual agency involved an important technological upgrade of the platform, able to offer clients a unique space for an integrated relationship.



Digitalization

Percentage of payments conducted through the website.



2019 target

55.00%



New remote payment methods were promoted and incorporated during 2017.

Aguas Andinas' Metrics



# ONLINE CUSTOMER SERVICE APPLICATION

## 100% access

The new virtual office is designed to facilitate the navigation of its users. It has a self-service tool, which allows you to respond to requests in real time (24/7).

With this new application, customers can:

- **Select alarms or warnings:** before account increase, re-invoicing, rate changes, automatic payment not applied, cut-off alarm, among others.
- **Choose the communication channel with the company:** e-mail, SMS or the same application.
- **Search for places of payment and attention graphically** in Google maps, with indication of the transfer times.
- **Make online payment agreements,** generate payment vouchers, pay, and subscribe to the electronic mailing of the ticket and the budget payment for other services.
- **Query all the commercial information** with history of consumption, billing, etc.
- **View the progress status** to the requirements, entered by any channel.
- **For firefighters:** search from your mobile phone for the hydrant closest to your GPS location in case of fire.

*\* Requirements that are served and closed at the same time, without the intervention of support persons or back office.*



+ 30

Automatic transactions for customers.



85%

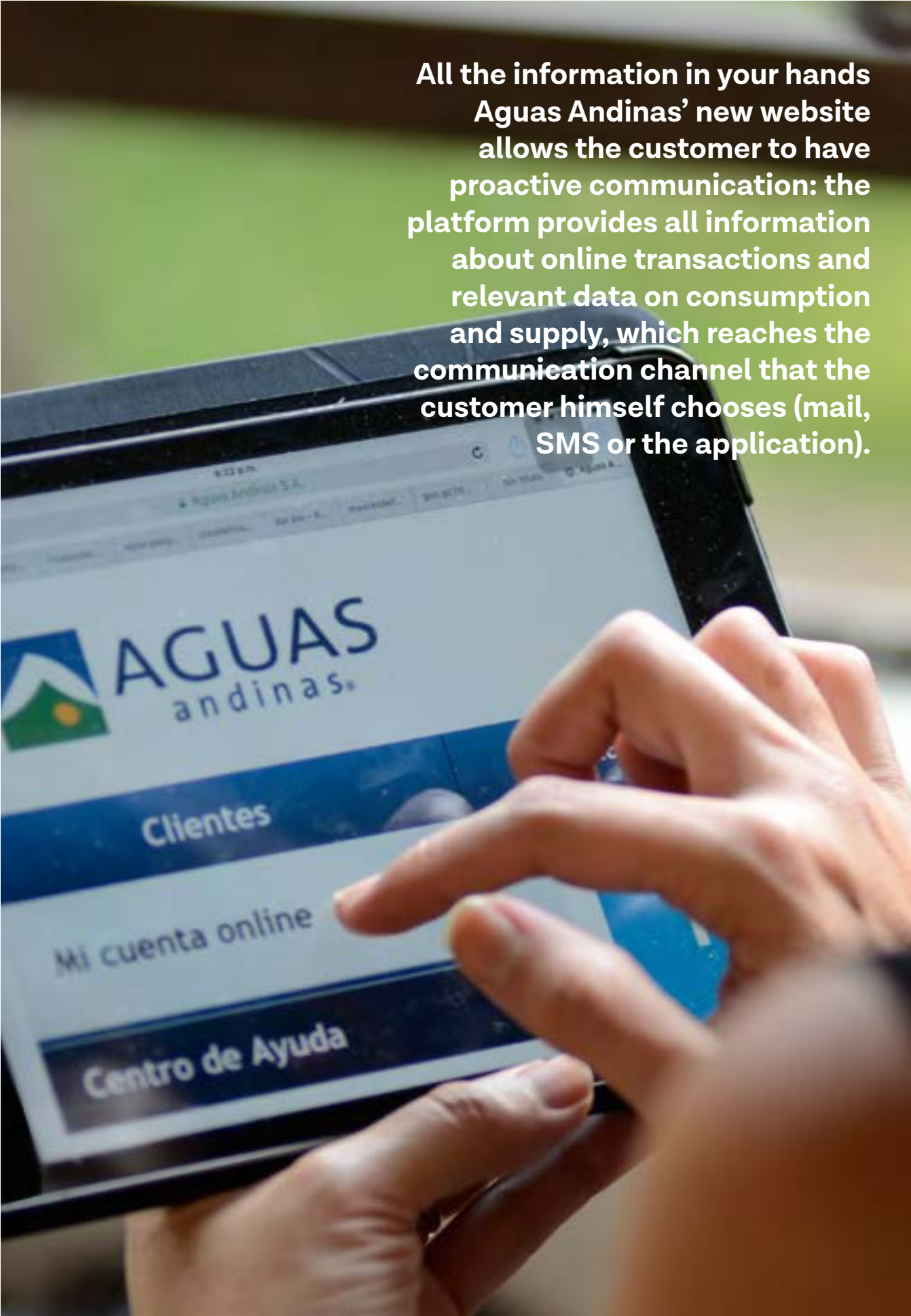
Service rate online\*.



+ 175 mil

Registered users

All the information in your hands  
Aguas Andinas' new website  
allows the customer to have  
proactive communication: the  
platform provides all information  
about online transactions and  
relevant data on consumption  
and supply, which reaches the  
communication channel that the  
customer himself chooses (mail,  
SMS or the application).





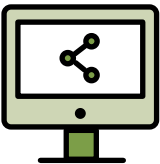


Greater comfort  
and efficiency with  
customers in mind.

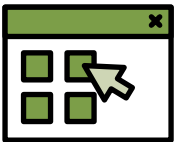
Real Estate Portal

In addition to this, the Real Estate Portal was also inaugurated. It has the capacity to remotely manage all the procedures related to new connections and their follow-up, which includes the input of the digitized plans, thus facilitating the work of real estate clients, builders, installers and designers.

Complementarily, and in an effort of the digitalization pillar, the 6th floor of the Corporate Building assigned to New Services was remodeled, and special equipment was provided so that engineers can review the plans on giant mobile screens, once again avoiding the use of paper.



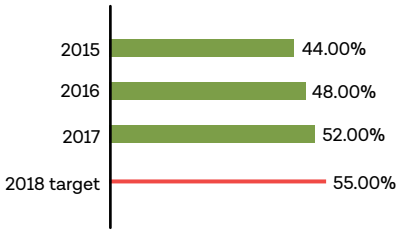
191,419  
clients registered  
on the website.



20,863  
requirements entered  
through the virtual agency.



Digitalization  
  
Remote bill  
payments



2018 target  
**55.00%**

Aguas Andinas' Metrics





## SOCIAL MEDIA

Aguas Andinas strengthened its digital strategy in social media during 2017 seeking to build a horizontal story between the company and its clients. This is being conducted through messages with a citizen focus and, at the same time, becoming a fast and efficient channel in the response to queries and complaints.

The messages published by the company relate to corporate information, community actions, awareness related to water and its care, citizen messages, among others. There is an average of two publications a day with specialized information for each platform.



**269,997**  
followers  
on Twitter. (+290%  
compared to  
December 2016).



**67,228**  
direct mentions  
in Twitter during  
2017.



**59,974**  
friends on  
Facebook (+313%  
compared to  
December 2016).



**7,411**  
on LinkedIn (+39%  
compared to  
December 2016).

**Aguas Andinas' social media: Twitter, Facebook, Youtube, LinkedIn and Instagram**



## SELF-SERVICE TERMINALS IN MUNICIPALITIES

An innovative project was developed during the financial year. This project seeks to bring the company closer to the citizens by reaching its neighborhoods through the installation of modern self-service terminals at points of high public affluence within the Metropolitan Region.

These terminals will allow clients to perform the same actions that are performed in a commercial agency, such as printing duplicate bills, entering payment agreements, etc., without moving from their municipalities. The terminals have a telephone that, without dialing, communicates customers with the company's Contact Center to interact directly with an executive. At the same time, they are equipped with a credit card reader that will allow you to pay your bill.

This project is approved by the SISS and will be implemented in the first quarter of 2018.

## CUSTOMER COUNSEL

With the aim of hearing and providing real and effective solutions to clients with an impartial look, in 2016 the new role of Customer Counsel was established. This role, which became operational in 2017, gives the company a robust internal resolution process and concern for customer problems. The Customer Counsel provides binding solutions for the company, which are a real stimulus to improve the service quality and a reinforcement to Aguas Andinas' corporate reputation.

One of its most relevant characteristics is its independence from company processes and areas.

In order for a case to reach the Customer Counsel, it must first have been addressed by the first line, through any of the service channels (commercial agency, website, Contact Center, among others). If the customer was not satisfied with the solution delivered, he can use this new figure.

The Customer Counsel does not work on claims related to emergencies.

**Bringing the company closer to the citizens.**



**395**

cases were managed by the Customer Counsel in 2017



**85%**

of the customers was satisfied with the agreed solution.

**In 2017, the innovative figure of the Customer Counsel, responsible for resolving conflicts between the client and the company, began operating in the country. It acts with absolute impartiality, objectivity and fairness between the parties.**

**Aguas Andinas te da la mano (lends a hand) is a real contribution to guarantee the right to potable water to the citizens of Santiago.**



**24,086**

social agreements  
signed in 2017.



**39%**

of these agreements  
are part of the Cuenta  
Amiga program.



**61%**

of these agreements  
correspond to the  
Aguas Andinas te da  
la mano program.



**72,734**

benefited (estimated).



**163,761**

clients with subsidies.



**7.39%**

of clients with  
subsidies at a  
consolidated level.

## FOCUSING ON CITIZENS

**Aguas Andinas te da la mano** (Aguas Andinas lends a hand)

Because one of Aguas Andinas' challenges is to facilitate access to water for all citizens, the company has established a new payment agreement program to "lend a hand" to its customers in vulnerable areas.

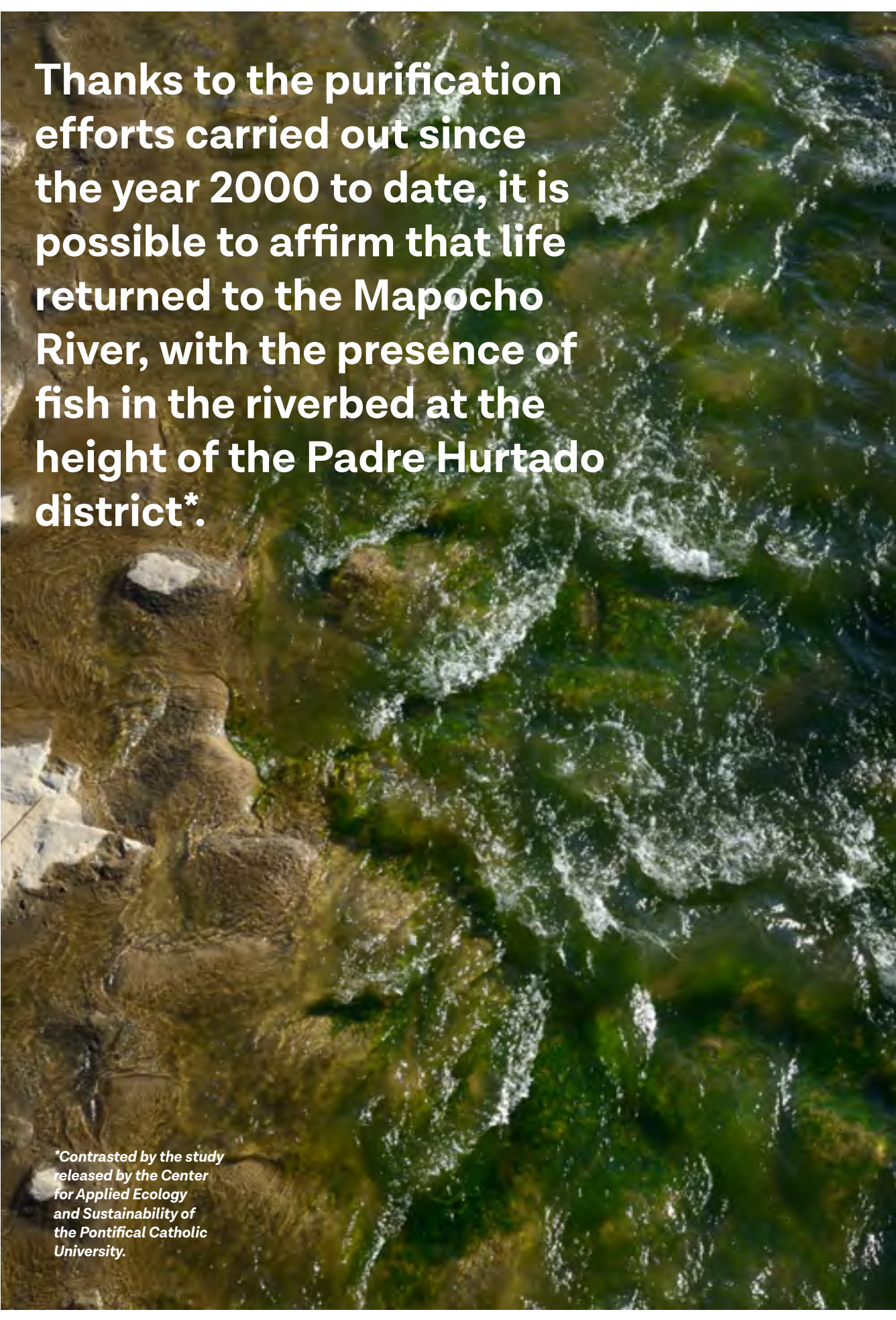
### What is it?

Customers who are in debt, can access a payment plan of 24 monthly installments without interest, each for an amount of \$2,500 pesos -regardless of the amount of the debt, which is forgiven on month 24 if the customer pays in a timely manner.

With regards to financing, in October, the subsidiary ESSAL conducted a successful bond issuance of two thousand bonds of Series C for a nominal value of one million UF for 23 years. The issuance was conducted in order to refinance liabilities and to finance the investments the the subsidiary will conduct during 2018.

**Aguas Andinas is concerned with developing actions that are valued by the community and that allow it to generate shared value both for its clients and for all the citizens of Santiago and the regions in which it operates.**





**Thanks to the purification efforts carried out since the year 2000 to date, it is possible to affirm that life returned to the Mapocho River, with the presence of fish in the riverbed at the height of the Padre Hurtado district\*.**

*\*Contrasted by the study released by the Center for Applied Ecology and Sustainability of the Pontifical Catholic University.*

## Creating Shared Value

**Preserving the biodiversity of ecosystems by 2022 is one of the challenges and aspirations that Aguas Andinas has set itself.**



**The small catfish, the Chilean silverside, and the mosquito fish** are the species that recovered the Mapocho river as its natural habitat.

Aguas Andinas is firmly committed to the common good, seeking to generate shared value for the environment, society, citizens, workers, suppliers and the company itself

### WITH THE ENVIRONMENT

#### Biodiversity in the Mapocho River

During the financial year, the results of the first ecological study of the Mapocho River were released by the Center for Applied Ecology and Sustainability of the Pontifical Catholic University, which aims to quantify and measure the impacts of the water treatment effort on the riverbed's biodiversity.

It is with great pride – and due to the investments in sewage treatment conducted from 2000 to date – that we can see that life has returned to the Mapocho River. The study was able to detect the presence of three species of fish in the river, near the Padre Hurtado district. These species are the small catfish, the Chilean silverside, and the mosquito fish.

**This great news shows that efforts to preserve ecosystems do yield positive results. Aguas Andinas plans to deepen these types of initiatives as a sustainability legacy.**



### **Climate Change and the Maipo River**

During 2017, the results of the study: Drought and Climate Change Plan were obtained, which makes it possible to evaluate the climatic conditions of the Santiago basin that could potentially affect water supply. The conclusions of this report analyze and forecast the evolution of demand together with the possibilities of reusing the resource.

It is worthwhile mentioning that the elaboration of a sustainable action plan to guarantee potable water supply in the Greater Santiago in the medium term, by 2030, is seen as a set of overarching measures that will imply reductions in consumption, synergies with other users, water reuse, new water sources and greater efficiency in potable water processes, among other actions.

**Aguas Andinas plans its actions in pursuit of resources sustainability, with long term perspective.**







Aguas Andinas' actions also affect the common good of Chilean society far beyond its concession areas.

WITH SOCIETY

Water school

The Escuela del Agua Chile (Water School), opened in 2016 by Aguas Andinas, delivers knowledge on water and the environment, aimed at both companies and workers in the world of water. Its proposal includes long courses, specialized technical courses and operator training.

A firm commitment to training, talent and knowledge transfer in service of society.

This process of knowledge transfer combines the academic rigor provided by prestigious universities and technical schools with Aguas Andinas' experience in the water utility industry.



Training applied to work position

Focused on the actual needs of water utility companies.



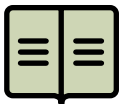
Highly qualified professional team

With experience in the sector and capacity to respond to the needs of the national client and from other geographies.



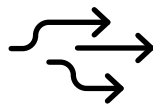
Training for technicians, professionals and managers

For all the workers of the sector.



All knowledge areas

Management, technical and educational, adapted to all audiences.



Maximum Flexibility

Methodology 100% adaptable to client needs.



More than 150 years of experience

In water and environment applied to all the programs.

2017 milestones

- The Master in Water program was held together with the Polytechnic University of Catalonia - BarcelonaTech.
- An agreement was signed with the Adolfo Ibáñez University to carry out joint training courses.
- And also with Duoc UC, to hold a diploma course for Network Operators.

First course

Asset Management

**25** students from all the water utilities in the country.

Second course

Circular Economy

**34** students.

A great example of shared value: the Water School operates in cooperation with leading training institutions, establishing itself as a bridge between the labor world and educational institutions.

Fostering social entrepreneurship and innovation is one of the focuses of Aguas Andinas' shared social value vision.

Promoting social entrepreneurship

In 2017 Aguas Andinas partnered with the Ashoka Foundation, an international organization that helps social entrepreneurship and innovation, with the aim of cooperating for three years to enable collaborative work to accelerate Chile's innovation ecosystem with water-related ventures.

The Ashoka Foundation chooses social entrepreneurs, who go through an arduous selection process, with projects that can have a positive impact on people's quality of life.

During the financial year, an Aguas Andinas "fellow" was chosen: an entrepreneur who developed an application (App) in the city of Los Lagos that will provide information on the water quality of the area's lakes, announcing any discharge or contamination that pollutes them. The company will accompany him for the first three years until his business is sustainable.

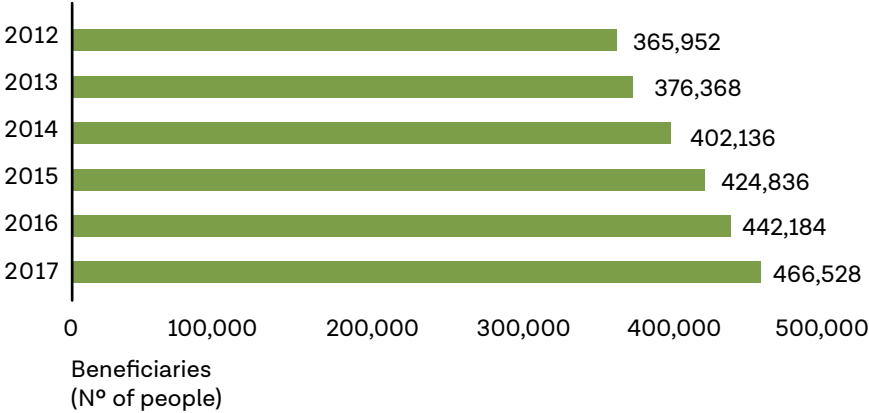
RPW, Rural Potable Water

Aware of its social role, Aguas Andinas has been actively collaborating for years with the Rural Potable Water Program, promoted by the Ministry of Public Works through the Board of Hydraulic Works (DOH).

During 2017, the contract was renewed for two more years, which includes providing technical, community, administrative and financial accounting advice to community organizations, along with acting as a technical unit. Our company is responsible for the execution of engineering and construction studies for different localities.

The new Rural Sanitation Services Act has already been enacted, but it will come into force as soon as the corresponding regulations are enacted. These are being drafted at this time. Meanwhile, Aguas Andinas continues to collaborating and providing its vast experience in water management to contribute to the development and social inclusion of underprivileged areas.

BENEFICIARIES OF THE RPW PROGRAMS



100%  
of coverage in concentrated rural localities.



116,632  
benefited families in the 3 regions where the company has presence.



466,528  
people benefited (estimated).

RPW is a tangible aid provided by Aguas Andinas in order to provide people with real access to potable water.



Shared value  
also begins at  
home, which  
means ensuring  
a good working  
environment and  
constant training  
and improvement  
of the employability  
of its workers.



**193**  
Line managers began  
leadership training in 2017.



**Good leaders**  
Improved working climate.

**WITH AGUAS ANDINAS’ WORKERS**

**Leadership Program**

In October, the Leadership Program began. This program aims to provide managers with tools to lead their teams in a more participatory way and thus improve the working environment.

The two-year program includes practical exercises to support leadership development. After this process, the company expects to attain a working climate equivalent to that of the best companies in the region.

**Aguas Andinas está formando a sus líderes para que potencien un buen clima laboral entre sus equipos de trabajo.**

**Chile Valora**

With the purpose of increasing the employability of its workers and improve their technical level, Aguas Andinas managed to include the positions of network and plant operators and water utility supervisors into the Commission of the National System of Certification of Labor Competences, Chile Valora.

At the end of 2017, the preparation process to certify these profiles was completed. Ther certification process will be completed during the first semester during 2018. With this Aguas Andinas expects to future certify approximately 284 of its workers.



**What is Chile Valora?**

It is a government agency that gives official recognition to certain labor competences which increase the employability of workers, raising their level of qualification and obtaining a greater professional versatility in the industry. In the case of companies, Chile Valora’s certification makes it possible to increase the quality of processes and services, along with improving their development and training plans.

# Innovations to make Aguas Andinas a better place to work.



**19**  
People enrolled in the Telework program in 2017.

### Teleworking

In order to improve the quality of life and make Aguas Andinas a better place to work, during 2017, the Telework pilot program was renewed, increasing the number of people who could access it.

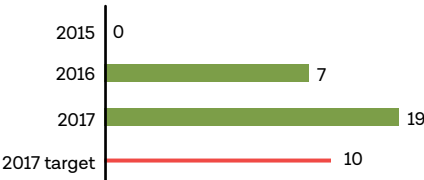
### What is Teleworking?

It provides the possibility of working one day a week from home (except Mondays and Fridays).

The company takes care to ensure good internet connections together with ergonomics.



Innovation and People  
**Number of people who work remotely**



Aguas Andinas' Metrics

2017 target

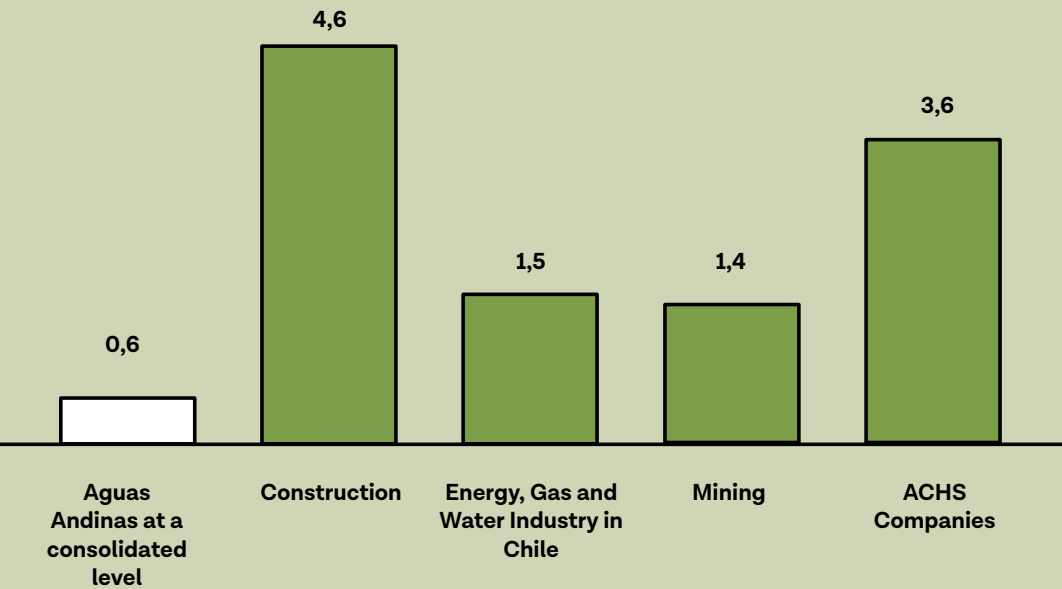
**10**



# Focused on the safety of our workers

Aguas Andinas is the best Company in Chile and one of the best in the world when it comes to health and security.

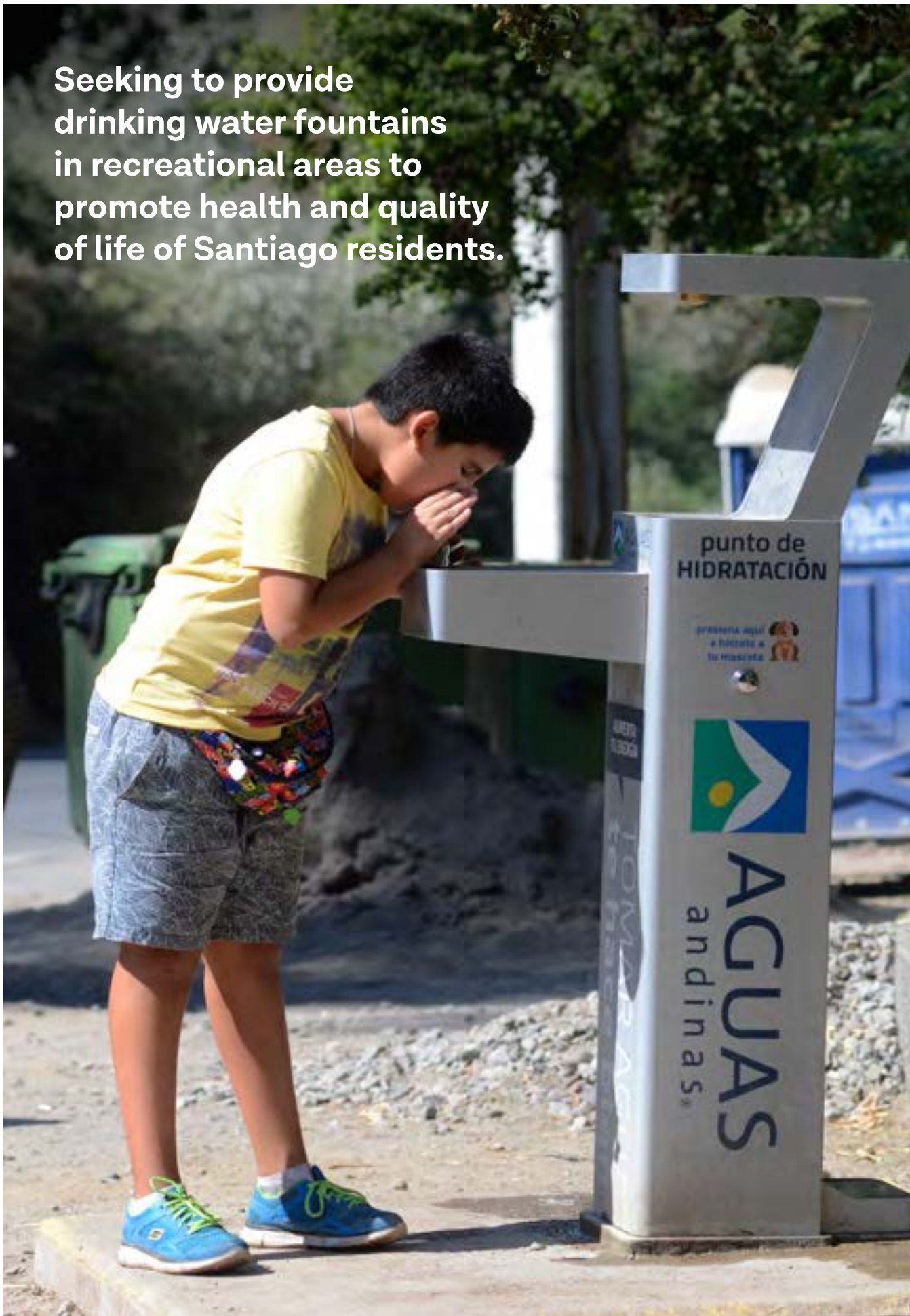
### ACCIDENT RATE\*



\*Industry accident rate reported by ACHS, 2016 data. Aguas Andinas' data point is 2017 data.



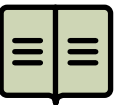
Seeking to provide drinking water fountains in recreational areas to promote health and quality of life of Santiago residents.



Creating informed and empowered leaders was the goal of the Aguas Andinas’ “In my neighborhood” program during 2017.



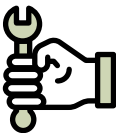
38 social leaders benefited.



52 hours of training.



15 drinking fountains were installed in 2017.



10 drinking fountains are planned to be installed in 2018.

WITH THE COMMUNITY

Leadership School for Social Leaders

During 2017 the effort of the community outreach program focused on working with social leaders, through the development of the School of Leaders. This program teaches them to exercise leadership, together with developing and executing projects, funded by public and private organizations.

Thirty-eight leaders from Renca were trained in different areas, from soft skills, personal development, conflict resolution, to a plumbing workshop to take care of their home installations.

Drinking fountains in different points throughout Santiago

This initiative, which consists of installing public drinking fountains in leisure areas of Santiago, responds to two strategic focuses of the company: water and health, and social legitimacy.

There are already drinking fountains installed in the Metropolitan Park, and in 2018 this project will be expanded, locating them in municipal parks, such as the Parque Forestal or on the trails of Cerro Manquehue (Manquehue Hill).

To provide tools that allows the development of projects to improve their localities.



The creation of an inclusive and communal space aims to give more life to the Aldea del Encuentro park in the district of La Reina for the use of all citizens.

Opening of the La Reina facility to the community

More shared value. This is the result of the project being carried out in the district of La Reina, between the company, the municipality and the community. The purpose of this alliance is to give more life to the Aldea del Encuentro park, a public space of more than 6 hectares, both for the residents of La Reina and for all the inhabitants of the Metropolitan Region.

Aguas Andinas has a semi-buried tank in this compound, so the project includes looking for a design that harmonizes with the environment of the park. The idea is to condition this infrastructure so that it can be used by the community without losing its condition of productive site.

The company has conducted a process of involvement with different social players in order to modernize the access to the park and to create an inclusive space for the community. The project proposes that the access to the park be through the company’s complex, so it will be suitable for pedestrians, with green areas and water mirrors. The architectural design is ready and construction is expected to begin in early 2018.

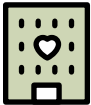
If successful, the goal is to work on other similar cases in different districts of the Company’s concession areas.



6,300 m²  
recovered  
for citizen use.



\$ 1,754 UF  
investment.



More  
social legitimacy.





WITH OUR SUPPLIERS

Supplier Management

It implies a new way relationship with Aguas Andinas’ suppliers, encouraging their development so that there is greater competition and, in this way improves quality standards and processes.

Better qualified and experienced suppliers allow us to improve the quality standards of Aguas Andinas’ operation.

Pro Pyme Seal

Aguas Andinas, in its commitment to promote the sustainability of its suppliers, subscribed to the Pro Pyme Seal, a certification issued by the Ministry of Economics that certifies that the company pays its smaller suppliers in a timely manner.

Committed to the sustainability of smaller suppliers, Aguas Andinas is committed to paying them within 30 days of receiving their invoices.

Timely payment is a great benefit for this type of companies, since it allows them to improve their financing conditions and have available cash flow to pay their obligations and materialize their projects, promoting their sustainability and development over time.



To obtain the Pro Pyme Seal

In order to obtain this seal, Aguas Andinas had to update and improve its procurement organizational processes and systems, as well as establishing requirements for the receipt of invoices, query response and payment management

- In addition to the following requirements:
- Having more than 5% of SMEs as suppliers.
  - Certification by an auditing company.
  - Accreditation in the Ministry of Economics.

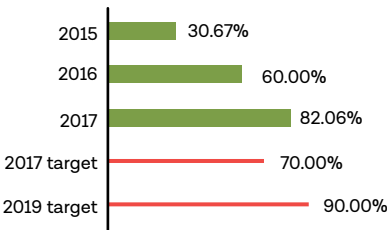
In 2017, work continued on digitalization and improving processes, with the focus on implementing a closer, more transparent and efficient relationship with our suppliers

Part I Aguas Andinas 2017 How we are doing it



Business Model

Percentage of suppliers who are included in the supplier registry with updated information.



2017 target  
70.00%

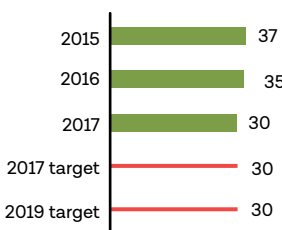


Supplier campaigns were conducted and registration incentives were provided during 2017 in order to increase registration numbers. These incentives included no cost tendering bases, less documentation, etc. Given this, the goal for the year 2017 was exceeded.



Business Model

Average payment days to suppliers.



2017 target  
30 days



During 2017, the company modernized its internal processes in order to ensure 30 day payments to suppliers.

## A Responsible Company

Being an economically sustainable company is one of the strategic pillars of Aguas Andinas.

### Risk classification

Fitch Ratings and ICR firms confirmed Aguas Andinas' AA+ risk classification.

### 2017 FINANCIAL YEAR

In accordance with its track record in recent years, Aguas Andinas' financial management had a stable and consistent performance in 2017, which reflects a behavior in line with the characteristics of the water utility sector itself.

This performance allowed the company to be selected -for the third consecutive year- to be part of the Dow Jones Sustainability Index for Emerging Markets and the Dow Jones Sustainability Index Chile. The company was also chosen to be a component of the FTSE4Good Emerging Index, which includes companies that meet high standards in the social, environmental, economic and corporate governance fields.

With regards to financing, in October, the subsidiary ESSAL conducted a successful bond issuance of two thousand bonds of Series C for a nominal value of one million UF for 23 years. The issuance was conducted in order to refinance liabilities and to finance the investments the the subsidiary will conduct during 2018.



**Aguas Andinas is part of the Dow Jones Sustainability Index of Emerging Markets and Dow Jones Sustainability Index Chile for the third consecutive year, which responds to its stable and consistent financial performance over time.**



## RISK FACTORS

Aguas Andinas has a Risk Map which is updated every six months and presented to the Board. Through this process, the risks and opportunities for the following areas are evaluated: legal/regulatory, reputation, finance, environmental, service, health and safety, and social risks.

From the evaluation of these risks, their impacts, occurrence probability and control level are evaluated at a process level. With this, each area generates mitigation plans and plans its investment projects accordingly. The update conducted during the second semester of 2017 identified 280 risks and 4 macro-opportunities for the Company. Within the identified risks, the main risks are regulatory, investment, climate and finance risks.

Finally, the effectiveness of the risk management process are measured based on follow-up indicators.

### COMPANY RISKS

#### Regulatory risk

The local water utility industry is highly regulated by the Chilean Government, due to its monopoly status. The legal framework regulates the exploitation of concessions and tariffs charged to customers. The tariff setting mechanism is applied every five years under technical criteria, with studies submitted by the water utility company and the Superintendence of Sanitation Services (SISS). If there are differences between the two reports, they are resolved by a commission of experts formed by representatives from each of the parties.

The current legislation has been characterized by its stability, creating the necessary conditions for investing large amounts in long-term works.

However, in December 2016, the House of Representatives approved Bill No. 10795-33, which seeks to amend the legislation applicable to water utility services regarding unregulated services, tariff setting and compliance with development plans by service providers. The bill was submitted to the Senate for its second legislative procedure and, at

the end of the year, was submitted to the Public Works Committee of the Senate. In this instance and throughout the year, two reports were requested: one to the Segpres (Ministry General Secretariat of the Presidency) on its constitutionality, and another one to the MOP (Ministry of Public Works) to deliver its formal position on the bill. In the first case, it was established that the initiative established that the initiative transgressed the rules on the drafting of the bill and that it merits rejection by the Senate; and in the second case, the MOP pointed out that it does not sponsor some changes, such as the reduction of the risk premium and the modifications to the composition and functions of the Committee of Experts of the tariff setting process, among others.

Also, in the last quarter of 2017, the bill to strengthen the National Consumer Service was passed, Bulletin N° 9369-03, which includes some modifications involving the water utility sector.

Among these, there is a risk of fines in the following circumstances case of stoppage, interruption or failure to provide basic potable water and sewerage services without justification, which will be sanctioned with a fine of up to 1,500 UTM.

It should be noted that the law states that the multiplicity of fines will not be applicable when the company has repaired the damage caused to all affected consumers in a complete and effective way, and that only a flat-rate amount would be charged, which may not exceed 30% of the sales during the suspension or double the economic profit. It also specifies that the fine may not exceed 45,000 UTA.

In the case of compensations, these will have the following characteristics:

- Compensation shall be direct and automatic to the affected consumer.
- For each day of interruption, compensation will be paid for an

amount equal to the average daily value of the previous bill times 10.

- It is understood as one day of interruption, 4 hours of continuous suspension or more, within a 24 hour period from the beginning of the event. In all other cases, proportionality shall apply.
- It shall only apply if the special law does not provide for compensation of this nature.

In addition, this law, which will come into force in May 2018, includes the concept of moral damage in class actions.

However, in January 2018, the Constitutional Court dictated sentence STC-4012-17 CPR on the constitutionality of Law 19.496 on Consumer Rights, Bulletin N° 9369-03.

This sentence declared that 13 of the precepts were unconstitutional, eliminating those which

This ruling declared unconstitutional 13 precepts, eliminating those that were related to the regulatory ability and the sanctioning ability of the norm.

In regards to utility companies, the norm that establishes automatic compensations for consumers in the case of unjustified service cuts using a standardized calculation in accordance to the days without service was maintained.

#### Investment risk

The development plans committed before the SISS require the company to meet a high level of investment. However, the tariffs charged by Aguas Andinas - and which are regulated by law - include these new investments, ensuring them a minimum profitability. In addition, the experience of the controlling group and the company itself guarantees the necessary experience to efficiently manage these investments.

#### Climate change risk

The effects of the climate change phenomenon could alter the availability

of raw water, which is essential for the processes of catchment and production of potable water, due to the occurrence of periods of drought as well as strong rainfall events that modify river flows and water quality in terms of turbidity levels. In order to mitigate this risk, Aguas Andinas is making important investments in water reserves in order to grant even greater autonomy to the system; hydraulic efficiency programs that optimize the distribution of the resource; and exploitation studies of other alternative sources of catchment, among other initiatives.

#### **Environmental pollution risk**

The Company is subject to various environmental pollution risks, including (i) possible environmental contamination as a result of discharges into natural watercourses; (ii) possible contamination by odor emanation from sewage treatment plants; (iii) possible presence of hydrocarbons in surface water sources; and (iv) possible saturation of the landfill sites where sludge from wastewater treatment plants is disposed of; (v) possible chlorine gas leakages; and (vi) possible obstructions in the sewerage system.

#### **Company's infrastructure risk**

Natural disasters of great magnitude, such as earthquakes, alluvions or volcanic eruptions, could cause serious breakdowns in aqueducts, matrices of potable water and sewage, etc., or structural failures in the dams owned by the Company, causing, in turn, the more or less prolonged suspension of the services that it grants.

### **FINANCIAL RISKS**

#### **Credit risk**

Credit risk is the potential for financial loss arising from the failure of our counterparties (clients) to meet their obligations.

Aguas Andinas and its water utility subsidiaries have a fragmented market, which means that the credit risk of a specific client is not significant.

The Company's objective is to maintain minimum levels of uncollectible accounts. There is a credit policy, which establishes the conditions and types of payment, as well as conditions to be agreed upon by delinquent clients. The management processes are: to control, estimate and evaluate the uncollectable in order to take corrective actions to achieve the proposed payment. One of the main actions and measures to maintain low levels of uncollectable is service interruption. The method for analysis is based on historical accounts receivable data from customers and other debtors.

#### **Liquidity risk**

Liquidity risk is the Group's ability to meet its obligations associated with financial liabilities that are settled by means of the delivery of cash or another financial asset and is unable to finance commitments, such as long-term investments and working capital requirements, at reasonable market prices.

- Management monitors the Group's liquidity reserve forecasts based on expected cash flows.
- Various preventive measures are used to manage liquidity risk, such as:
- Diversify funding sources and instruments.
- Agree with creditor's maturity profiles that do not concentrate high repayments in one period.

Aguas Andinas' revenue is related to inflation in the Chilean economy. In order to mitigate this risk, large part of its debt is issued in Unidades de Fomento (account unit readjustable monthly according to inflation). As of December 31, 2017, 89.20% of the company's debt was issued in UFs.

#### **Interest rate risk**

In terms of interest rates, 89.20% of Aguas Andinas debt is fixed-rate, which is made up of short and long-term bonds (66.92%) and repayable financial contributions (22.28%). The remaining 10.80% of the debt is on variable rate and corresponds to loans from local banks. All values recorded as of December 31, 2017.


**The Company's Risk Map allows evaluating the impacts, probability of occurrence and level of risk control in each of its processes.**



# Part II

## Corporate Governance





# AGUAS ANDINAS' BOARD OF DIRECTORS

**Aguas Andinas' Board of Directors is the company's main body of Corporate Governance, establishes guidelines and supervises management.**

#### **The Directors:**

- They are elected by the Shareholders' Meeting according to their competence and suitability.
- They serve for a period of three years.
- They can be re-elected indefinitely.
- They cannot perform executive functions.
- They can be shareholders of the company.

**Aguas Andinas' Board of Directors** is made up of seven named members, each of whom is elected with their respective alternates. The alternate director may replace the named director definitively in case of vacancy, and temporarily in case of absence or temporary impediment. All are elected by the Shareholders' Meeting in consideration of their competencies and suitability for the position.

After their election, directors undergo an induction about the company, its business, risks, policies and procedures, main accounting principles and legal framework. In addition, they have the necessary means to receive external advice for the proper performance of their functions, if required.

Directors serve for three years. At the end of that period, the Board of Directors as a whole must be renewed. Notwithstanding the foregoing, the Board of Directors may be revoked in its entirety before the expiration of its term in office by resolution of the Ordinary or Extraordinary Shareholders' Meeting, in which case the same meeting shall elect the new Board of Directors. Consequently, the individual or collective revocation of one or more directors is not applicable.



# Current Aguas Andinas’ Board of Directors

The current Board of Directors was elected for a statutory period of three years at the 26<sup>th</sup> Ordinary Shareholders’ Meeting held on April 27, 2016, and took over its functions at the ordinary Board of Directors’ meeting held on the same date.



PRESIDENT  
**Guillermo Pickering De La Fuente**

Chilean, Tax ID: 7.577.744-2, 58 years old
First election to the Board: 27/04/2016
Last renewal: 27/04/2016
Permanence in the Board: 2 years

Lawyer from Universidad de Chile and expert in regulated markets.

He was president of the Association of Water Utility Companies (ANDESS), advisor to Aguas Andinas and director of ESSAL. Since April 2016 he has been President of Aguas Andinas’ Board of Directors o and President of the Boards of Aguas Cordillera, Aguas Manquehue and ESSAL.



VICE-PRESIDENT  
**Herman Chadwick Piñera**

Chileno, Tax ID: 4.975.992-4, 72 years old
First election to the Board: 26/07/2011
Last renewal: 27/04/2016
Permanence in the Board: 6 years

Lawyer and graduate in Law from Pontificia Universidad Católica de Chile, he also practices law as a senior partner of the firm Chadwick & Reymond Attorneys at Law.

President of the Chile-Spain Business Committee (Sofofa), Vice-President of: Intervial Chile S. A., Ruta del Maipo Soc, Ruta del Maule Soc. Concesionaria S. A., El Bosque Soc. Concesionaria S. A., Ruta de la Araucanía and Ruta de los Ríos Soc. Concesionaria S. A. He is also a Director of Viña Santa Carolina S. A., Elective Counselor of the Sociedad de Fomento Fabril (Sofofa), member of the Academic Advisory Council for Research and Military Studies (CACEIM), Counselor of the Arbitration and Mediation Center of the Santiago Chamber of Commerce. President of Club El Golf 50, Enel Chile S. A. and of the Corporación para el Desarrollo de Zapallar. He has been a board member since 2011.



NAMED DIRECTOR  
**Ricardo Escobar Calderón**

Chilean, Tax ID: 8.483.513-7, 59 years old
First election to the Board: 29/08/2013
Last renewal: 27/04/2016
Permanence in the Board: 4 years

Lawyer from Universidad de Chile and Master’s Degree in Law from University of California at Berkeley, USA.

He was a member of the Foreign Investment Committee and then worked at Langton Clarke. He was a partner of Carey y Cía law firm and was director of the Internal Revenue Service from 2006 to 2010, partner of EY Chile until 2013 and currently partner of Bofill Escobar Abogados. Director of Aguas Andinas since August 2013.



NAMED DIRECTOR  
**Laureano Cano Iniesta**

Spanish, Tax ID: 25.374.056-6, 44 years old
First election to the Board: 27/04/2016
Last renewal: 08/05/2017
Permanence in the Board: 2 years

Graduate in Economics and Business Studies from Pompeu Fabra University of Barcelona. He has extensive experience in the Agbar Group, where he has served as Economic-Financial Manager and member of the Board of Directors of several water utility companies. CEO of IAM since May 2016, Alternate Director of Aguas Andinas since April 2016. He became Named Director in May 2017.



NAMED DIRECTOR  
(INDEPENDENT)  
**Rodrigo Manubens Moltedo**

Chilean, Tax ID: 6.575.050-3, 59 years old
First election to the Board 26/07/2011
Last renewal: 27/04/2016
Permanence in the Board: 6 years

Commercial Engineer, from Universidad Federico Santa María and Universidad Adolfo Ibáñez, Master of Science from London School of Economics and Political Science, London, United Kingdom. President of the Board of Directors of Banchile Seguros de Vida and SegChile Seguros Generales, Director of the Santiago Stock Exchange, Banco de Chile, Orión Seguros Generales and SM Chile. He has been a member of the board of directors of Banco de A. Edwards and Banco O' Higgins. He was also director and President of the Board of Directors of Endesa Chile S. A. Director of Aguas Andinas since July 2011.



NAMED DIRECTOR  
**Fernando Samaniego Sangroniz**

Chilean, Tax ID: 6.374.438-7, 52 years old
First election to the Board: 29/08/2013
Last renewal: 28/09/2016
Permanence in the Board: 4 years

Lawyer from Pontificia Universidad Católica de Chile. Partner of Prieto & Co. Member of the list of Arbitrators of the Mediation and Arbitration Center of the Santiago Chamber of Commerce and the National Arbitration Center. Alternate Director of Aguas Andinas since August 2013. He became Named Director since September 2016.



NAMED DIRECTOR  
(INDEPENDENT)  
**Pedro Sierra Bosch**

Chilean, Tax ID: 7.939.734-2, 57 years old
First election to the Board: 27/04/2016
Last renewal: 12/08/2016
Permanence in the Board: 2 years

Commercial Engineer with a degree in Economics from Universidad de Chile, and post-graduate degree in Economic Development and Planning Techniques from ISVE, Italy. Corporate Manager of CORFO. Director of the National Mining Company (Enami) representing CORFO. He has worked as a consultant to the Inter-American Development Bank (IDB) and the Ministry of Economy, in addition to a long career in the mining sector as an advisor to the Vice President of Development and Sustainability of Codelco, and as Manager of the Institute of Innovation in Mining and Metallurgy. Alternate Director of Aguas Andinas since April 2016. He became Named Director in August 2016.



# Alternate Directors

Christophe Cros	Loreto Silva Rojas
French, 58 years old	Chilean, Tax ID: 8.649.929-0, 53 years old
First election to the Board:29/08/2013	First election to the Board: 27/04/2016
Last renewal: 27/04/2016	Last renewal: 27/04/2016
Permanence in the Board: 4 years	Permanence in the Board: 2 years
Master in Economics from Université de Paris I. Senior Executive Vice President of Finance and Purchasing, and Chief Financial Officer, Suez Group. He has worked for the Suez Group since 1991, on different executive roles at Crédisuez, SITA and Suez Environnement. Director of Aguas Andinas since August 2013. Alternate Director of the President of the Board of Directors, Guillermo Pickering De La Fuente.	Lawyer from Universidad de Chile. Partner of Bofill Escobar Abogados. She was Minister of Public Works from 2012 to 2014 and previously Undersecretary of Public Works. She was also a partner of the law firm Morales & Besa and a lawyer with the Chilean Chamber of Construction. Director of Aguas Andinas since April 2016. Alternate Director of the Named Director Ricardo Escobar Calderón.
Sonia Tschorne Berestesky	Rodrigo Terré Fontbona
Chilean, Tax ID: 7.289.989-K, 63 years old	Chilean, Tax ID: 9.011.344-5, 52 years old
First election to the Board:27/04/2016	First election to the Board: 26/07/2011
Last renewal: 27/04/2016	Last renewal: 27/04/2016
Permanence in the Board: 2 years	Permanence in the Board: 6 years
Architect from Universidad de Chile, Master’s studies in Territorial Urban Development from Universidad Católica. Director of Neourbanism Management. Vast experience in the Chilean public sector, she was General Director of Public Works, Minister of National Assets, Minister and Undersecretary of Housing and Urbanism and National Director of Architecture. Director of Aguas Andinas since April 2016. Alternate Director of the Vice-President of the Board, Herman Chadwick Piñera.	Civil Industrial Engineer from the Universidad de Chile. He has had an outstanding management in companies such as Lucchetti, Inversiones Consolidadas Ltda., Canal 13 S. A., among others. Director of Aguas Andinas since July 2011. Alternate Director of the named Director Rodrigo Manubens Moltero.

## CHANGES IN THE BOARD OF DIRECTORS DURING THE YEAR

According to the Material Event of May 8,2017, as reported to the Financial Market Commission (previously known as Superintendence of Securities and Insurance), the resignation of Bruno Philippi Irrarrázabal to the position of Named Director of Aguas Andinas was received, and his alternate, Laureano Cano Iniesta, took charge in his capacity as Named Director.

## DIRECTOR PARTICIPATION IN THE COMPANY’S SHARES

Name	Tax ID	Shares	%
Asesorías e Inversiones Daramai SpA*	79.997.420-7	20,206,989	0.33%
Rodrigo Terré Fontbona	9.011.344-5	11,212,668	0.18%

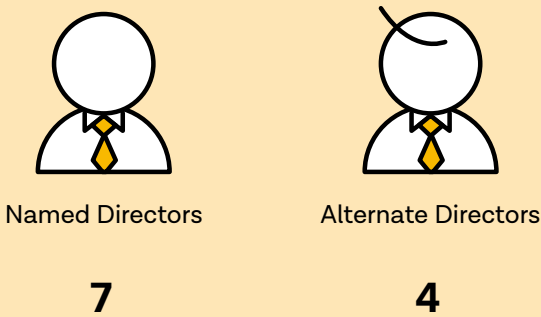
\*The Named Director Rodrigo Manubens Molledo participates in this company.

# Composition and Diversity of the Board of Directors

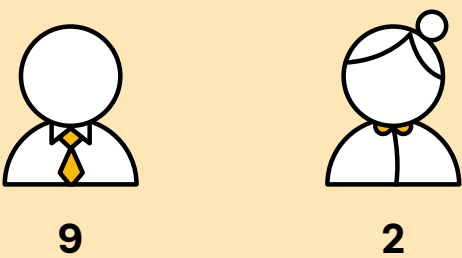
## NUMBER OF DIRECTORS BY BYLAWS



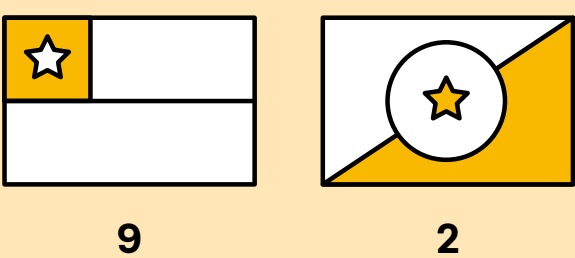
## NUMBER OF CURRENT DIRECTORS



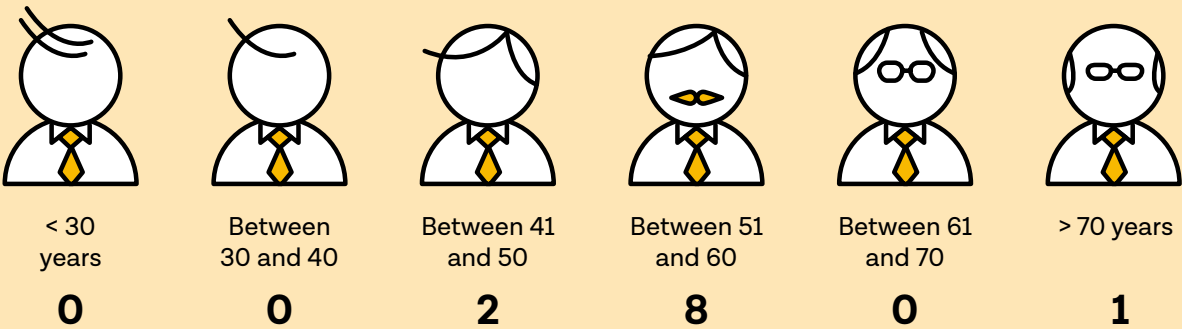
## NUMBER OF DIRECTORS BY GENDER



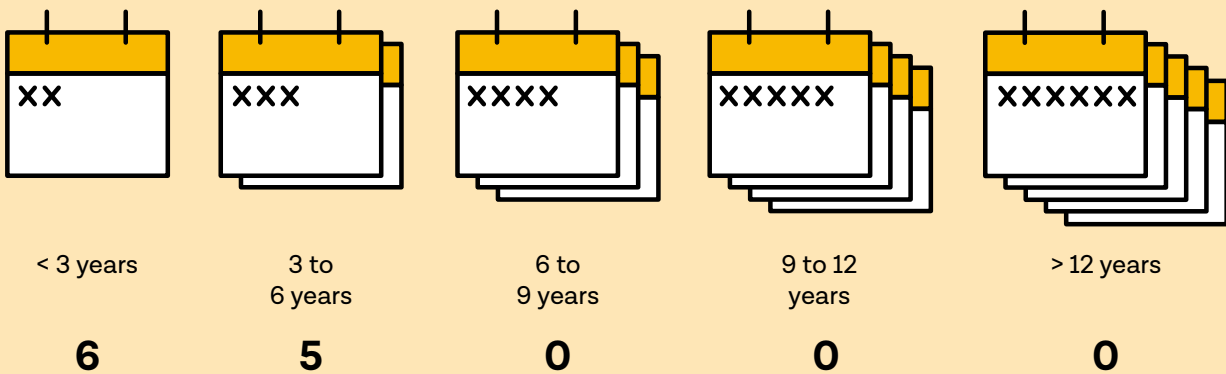
## NUMBER OF DIRECTORS BY NATIONALITY



## NUMBER OF DIRECTORS BY AGE



## NUMBER OF DIRECTORS BY SENIORITY



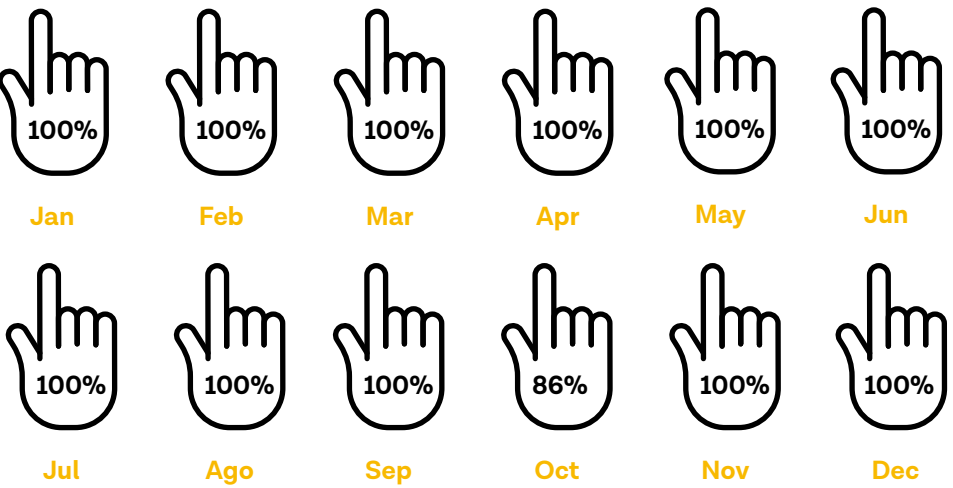


# Function

The Board of Directors meets in ordinary and extraordinary sessions. The first meetings are held on predetermined dates by the Board of Directors itself and there is at least one meeting per month. The second meetings are held when summoned by the President on his or her own behalf or by one or more directors, subject to a qualification of the need for the meeting by the President, unless it is requested by an absolute majority of the directors.

The quorum for the meeting is an absolute majority of its members. The resolutions are adopted with the favorable vote of the absolute majority of the attending directors, except for the resolutions that, according to Aguas Andinas S. A.'s bylaws, the Law and its Regulations or other special provisions, require a higher majority.

## ATTENDANCE TO BOARD MEETINGS



Total: 99%

# Directors' Training During 2017

In order to keep the members of the Board of Directors informed and up to date, so that they can carry out their functions on the basis of advances and trends, and in accordance with NCG CMF (Financial Market Commission previously known as Superintendence of Securities and Insurance) 385, during 2017 different training instances were held, such as informative talks and the delivery of relevant material.

Each of the directors was provided with a set of books prepared by the Corporate Governance Center of the Pontificia Universidad Católica de Chile, which deal with various relevant subjects such as the latest trends in sustainability and Corporate Governance, risk management in companies and national case-law in the different related domains.

In the session corresponding to the month of June, Mr. Carlos Díaz, a prominent commercial engineer from the Pontificia Universidad Católica de Chile, Master in Economics from the University of California, United States, made a presentation on the main risk management tools and the role that the Board of Directors plays in such management.

In the month of November, Juan Ignacio Piña, a lawyer from the Pontificia Universidad Católica de Chile, Doctor in Law from the University of Navarra, Spain, gave a talk to the Board of Directors focused mainly on the importance of implementing a preventive management system within companies, in matters of integrity and compliance, which also follows the logic of continuous improvement of the Company's Compliance area.

# Remuneration and Expenses of the Board of Directors

In accordance with Law No. 18,046, the Ordinary Shareholders' Meeting held on April 24, 2017, approved the remuneration of the Board of Directors, the Directors' Committee and its expenses budget for 2017.

The remuneration of the Board of Directors is divided into two types: a fixed monthly remuneration of UF 100 for the President, UF 75 for the Vice-President and UF 70 for named and alternate directors; and a variable remuneration of UF 80 for the President, UF 60 for the Vice-President, UF 20 for named directors and UF 20 for alternate directors, only when they replace the named directors.

It should be noted that the remuneration of the Board of Directors has remained constant since 2009.

## Expenses for 2017

The Board of Directors' expenses during the financial year amounted to \$57,872 thousand pesos, and mainly corresponded to representation expenses for \$54,669 thousand pesos and external technical advisories for \$3,203.

## BOARD REMUNERATION (Thousands of Pesos)

Directors	Role	Remuneration		Session	
		2016	2017	2016	2017
Guillermo Pickering de la Fuente	President/ Chairman	21,300	31,906	23,042	27,630
Herman Chadwick Piñera	Vice-President	21,883	23,609	7,290	16,503
Ricardo Escobar Calderon	Named Director	21,883	22,334	7,289	5,841
Bruno Philippi Irrarázabal*	Named Director	21,883	7,402	6,773	2,110
Rodrigo Manubens Moltedo	Named Director	21,883	22,334	8,340	6,381
Fernando Samaniego Sangroniz	Named Director	21,883	22,334	3,148	6,908
Pedro Sierra Bosch	Named Director	14,910	22,334	3,153	5,844
Loreto Silva Rojas	Alternate Director	14,910	22,334	1,051	535
Sonia Tschorne Berestesky	Alternate Director	14,910	22,334	1,050	0
Rodrigo Terré Fontbona	Alternate Director	21,883	22,334	0	526
Felipe Larrain Aspillaga*	Named Director	20,017	0	19,709	0
Gonzalo Rojas Vildósola	Named Director	6,973	0	2,579	0
Lorenzo Bernaldo de Quiroz	Alternate Director	6,973	0	0	0
Jaime Cuevas Rodriguez	Alternate Director	6,973	0	0	0
Nicole Nehme Zalaquett*	Named Director	5,715	0	1,559	0
<b>Total</b>		<b>243,979</b>	<b>219,255</b>	<b>84,983</b>	<b>72,278</b>

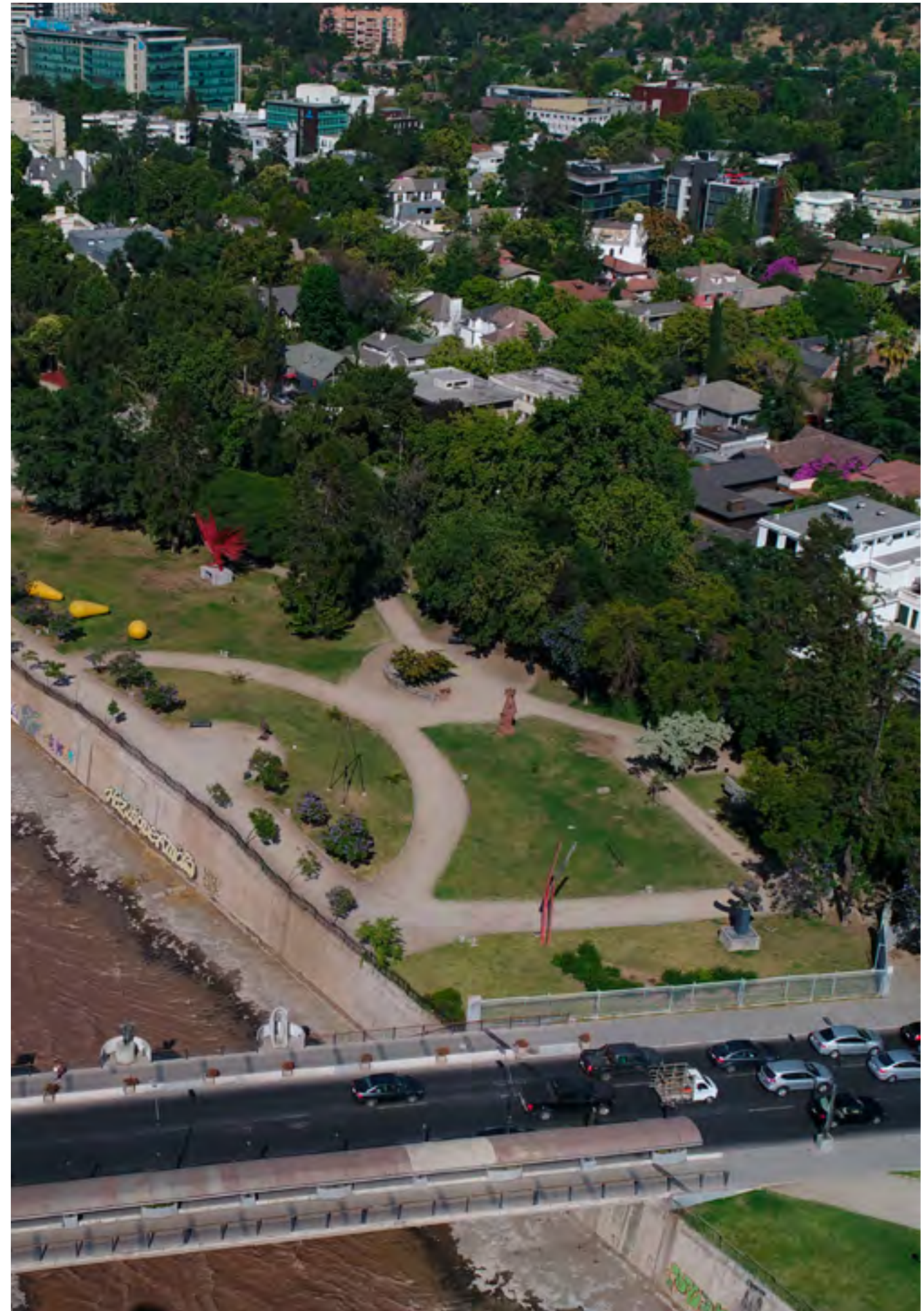
\* Director presented his/her resignation



## Evaluation of the Board

The Board of Directors of Aguas Andinas has a formal continuous improvement procedure, which aims to detect and implement eventual improvements in its organization and operation, which considers the advice of an expert from outside the company for the detection and implementation of these strengths biannually.

During 2016, a self-assessment process for the members of the Board of Directors was carried out with external advice. This self-assessment began with an individual interview with the President of the Board of Directors and each of the directors, in order to gather background information regarding their performance. Following these interviews, a confidential online survey was prepared and answered by each of the members, which addressed issues related to the functioning of the Board, such as coordination, information, and compliance.







# DIRECTORS' COMMITTEE

**This corporate governance body holds ordinary sessions once a month.**

## Main functions and powers

- To examine the reports of the external auditors, the balance sheet and other financial statements, and to provide an opinion on them prior to their submission to the shareholders.
- Propose to the Board of Directors names for external auditors and private risk classifiers.
- To examine and report on the history of the operations mentioned in Title XVI.
- Examine the compensation systems and compensation plans of the company's managers, chief executives and workers.
- Prepare an annual management report, including its main recommendations to shareholders.

## Composition and operation

As required by Law, the Directors' Committee is composed of three members, the majority of whom must be independent. It should be noted that the President of the Board of Directors may not serve on the committee or its subcommittees, unless he is an independent director.

The Directors' Committee holds ordinary meetings once a month and extraordinary meetings whenever required, in order to deal with the matters entrusted to it by Article 50 bis of Law 18,046 on Corporations. The minimum quorum for a meeting is 2 members.

The deliberations, resolutions and organization of the Committee must be governed by the regulations relating to meetings of the Aguas Andinas' Board of Directors. The Committee shall communicate to the Board of Directors the manner in which it will request information, as well as its agreements.



Current  
Directors’  
Committee

Currently, the Directors’ Committee of Aguas Andinas is composed of the following directors:

President of the Committee, Independent Named Director

Rodrigo Manubens Moltedo

Independent Named Director

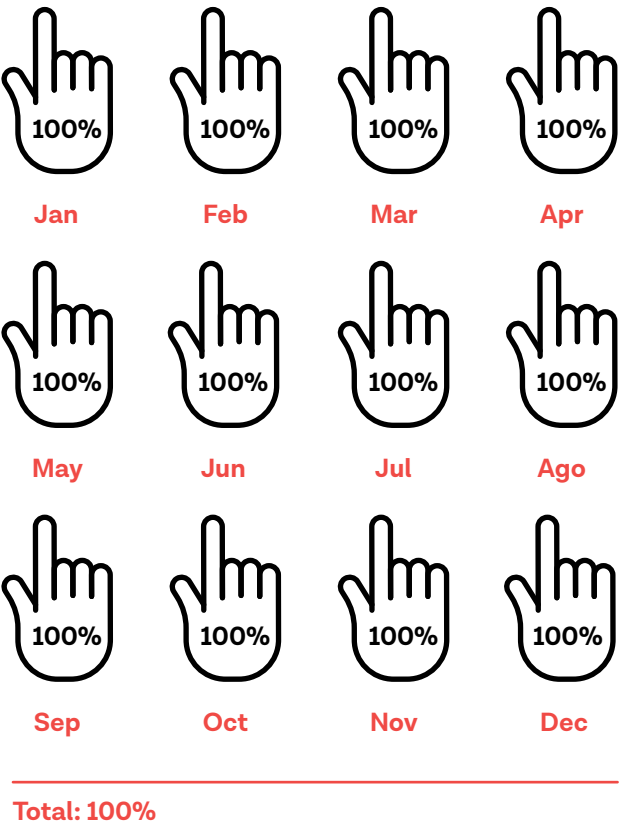
Pedro Sierra Bosch

Named Director

Fernando Samaniego Sangroniz

All elected for a statutory term of three years, at the 456th ordinary meeting of the Board of Directors, held on April 27, 2016.

ATTENDANCE TO MEETINGS OF THE  
DIRECTORS’ COMMITTEE



## Remuneration and Expenses of the Directors' Committee

The remuneration of the Directors' Committee consists of a fixed monthly remuneration of UF 25 for each member, and a variable remuneration of UF 20 for attending each session for named and alternate directors, only when the latter replace the named directors.

For the 2017 financial year, a budget of UF 3,000 was agreed upon. The activities carried out by the Directors' Committee corresponded to those that are authorized by the Law. Expenses incurred in 2017 amounted to \$58,538 thousand pesos of which \$45,197 thousand pesos corresponded to the remuneration of the secretary and the remaining \$13,341 thousand pesos for technical advisories

### DIRECTORS' COMMITTEE REMUNERATION (IN THOUSANDS OF PESOS)

Directors	Role	Remuneration		Session	
		2017	2016	2017	2016
Rodrigo Manubens Moltedo	Named Director	7,815	7,977	9,918	7,440
Pedro Sierra Bosch	Named Director	3,284	7,977	4,728	7,440
Fernando Samaniego Sangroniz	Named Director	1,973	7,977	4,205	7,440
Gonzalo Rojas Vildósola	Named Director	2,490	0	2,061	0
Nicole Nehme Zalaquett*	Named Director	2,041	0	2,603	0
Felipe Larrain Aspillaga*	Named Director	3,352	0	2,603	0
<b>Total</b>		<b>20,955</b>	<b>23,931</b>	<b>18,851</b>	<b>22,320</b>

\* Director presented his/her resignation





# 2017 DIRECTORS' COMMITTEE REPORT

In compliance with the provisions of Article 50 bis), paragraph 8, No. 5 of Law 18,046 on corporations, the activities and management carried out by the Directors' Committee during the financial year ended in December 31, 2017 during the financial year ended on December 31, 2017 are reported below. They must be presented in the annual report and reported at the ordinary shareholders' meeting. Also, the main recommendations of this Directors' Committee are reported to the Shareholders during 2017.

## **I.- MEMBERSHIP AND OPERATION OF THE COMMITTEE**

The Directors' Committee members in 2017 were: Rodrigo Manubens Moltedo and Pedro Sierra Bosch, both as independent directors and Fernando Samaniego Sangroniz. Rodrigo Terré Fontbona also served as alternate director of Rodrigo Manubens.

The Committee was chaired throughout 2017 by the independent director Rodrigo Manubens Moltedo.

The Committee held ordinary sessions once a month, and several extraordinary sessions whenever necessary to deal with the matters entrusted to it by Article 50 bis of Law 18.046.

## **II.- ACTIVITIES AND ACTIONS OF THE DIRECTORS' COMMITTEE DURING 2017.**

### **II. 1.- REVIEW OF RELATED PARTY TRANSACTIONS:**

In all cases that were reviewed by the Directors' Committee, related party transactions were conducted on the basis of information provided by the Company's management. The Directors' Committee recommended their approval only when such transactions copulatively complied with the following conditions: that they were intended to contribute to the corporate interest; that they adjusted in price, terms and conditions to those prevailing in the market at the time of their

# 2017 Directors' Committee Report

approval; and that they were within the normal business line and policy of the company. Regarding to the fact that they were conducted in price, terms and conditions similar to those prevailing in the market at the time of their approval, it should be borne in mind that almost all the operations were subject to a public, open, informed and competitive bidding, in compliance with article 67 of the Sanitary Services Law and the Regulations of the aforementioned article.

a) The proposal for awarding part of the items of the public bidding for the supply of materials and potable water meters to the related company SUEZ was examined, in those cases in which its particular bid was the lower priced of the item or specific type of material or meter bid. The following companies took part in the public bidding process: Bermad, Dinagal, Aquamarket, Termodinámica, Saint Goban, Suez, DNK, Multiaceros (DOROT) and Mercoval.

The Committee recommended the approval of the awardment to the SUEZ Company in the following items: butterfly shut-off valves and automatic AC valves, for an amount of \$ 233,555,275. -; automatic opening and closing valves for micro-sectorization, for a total of \$ 683,557,593. - items for \$ 505,491.985 in the area of network materials, specifically in accessories for PE pipes, brass fittings, other accessories, braces and industrial supplies; and items for \$ 1,502,045,000. - In the area of potable water meters, corresponding to 62,710 units of 9 types of meters.

b) The committee examined the proposal and background provided by the Management for the modification of the contract, to include additional works for the San Antonio Sewage Treatment Plant, entered into by the subsidiary Aguas Cordillera with the Consortium formed by companies related to AQUALOGY Chile (today SUEZ Medioambiente Chile) and Ecoriles S. A., also subsidiary of Aguas Andinas, recommending approval of this modification.

c) The committee examined the proposal and background provided by the management for the lease of the second floor of

Aguas Andinas' Los Pozos Agency, located in Av. Cuarto Centenario, Las Condes, to CETAQUA CHILE, for a period of 36 months beginning on April 1, 2017, at a monthly rate of 42.5 UF plus VAT, recommending its approval.

d) Examined the Bidding Offer of the Operational Control Center, whose only Bid was from the related entity SUEZ, and the Committee recommended that the bidding be declared null and void and that amendments be made to the terms and conditions of a new public bidding.

After including the modifications to the BALIs requested by the Committee and the Board of Directors, these goods and services were publicly tendered again and SUEZ remained the only valid Bidder.

In view of the foregoing, and specifically that a new public tender process was carried out, with free access for the interested parties that were called for by publishing in the newspapers and directly, and in which the requirements of this Committee regarding the previous bidding were included, the Directors' Committee unanimously agreed to recommend awarding the tender to the related company Suez Medioambiente Chile.

e) Examined the proposal and background information provided by the Administration to award the AQUAMBIENTE - EDAM Consortium, the public tender called "DEVELOPMENT OF THE PLAN FOR CONVERSION INTO BIOFACTORIES OF THE WASTEWATER TREATMENT PLANTS IN THE GRAN SANTIAGO AREA AND THE MANAGEMENT OF THE RESOURCES GENERATED" for the terms and conditions indicated in the Bidding Rules, in the Question and Answer Series, and in the Bid. The Committee recommended its awardment, taking into consideration that this bidding was made after a preventive examination by the Committee, with independent technical advice on the business model and the bidding rules; that an international public bidding process was carried out in

accordance with the requirements of article 67 of the General Law on Sanitary Services and its Regulations, with free access for interested parties, in which 16 companies or consortia participated, and that the Offer submitted in relation to the Management of Resources for the operation and maintenance of the Plants is estimated to be 2.7% lower than the prices of the current contracts. In view of the above, the Committee recommended that the Board of Directors:

- To contract for now only the Resources Management for the operation and maintenance of the Plants, and none of the investments and project management proposals presented in the bid, considering that according to the Bidding Rules, Aguas Andinas S. A. reserves the right to execute all or part of the Projects defined by the Bidder.
- Regarding the Offer for Project Management, considering that chapter 16.2. of the Administrative Rules, establishes that "The Company reserves the right to execute all or part of the Projects defined by the Bidder", the Committee recommends that the investment or Project Management projects included in the Bid of the AQUAMBIENTE - EDAM Consortium be evaluated each on their own merit, considering their need and financing as well as considerations of costs and specific profitability; the tariffs and other income associated with their entry into operation; and the effects of their execution on the Company's Balance Sheet and other relevant Financial Statements.
- To continue the specific and merit-based evaluation of the projects on "Nitrogen Treatment in Sludge Dewatering Returns" in both Plants and "Cogeneration in the PTAS (WTP) Mapocho-Trebal", which has already been initiated in the Committee. To this end, it is agreed to request Management to issue a report during the month of April in which these three investment projects contained in the Offer are to be evaluated, a report that should be complemented with the opinion of the independent expert Mr. Rolando Chamý,

# 2017 Directors' Committee Report

analyzing in particular their urgency and the investment amounts, so that the Committee and the Board of Directors are in a position to make a final decision on them, and on the desirability of executing them within the framework of this contract.

- To request the Management to submit the Report of the Evaluation Commission of the Bid for this Tender, prepared in accordance with article 27 of the Administrative Rules.
- To record that the transaction with a related party examined is part of the company's usual policy, it is necessary for the corporate interest of Aguas Andinas S. A. and that regarding the management of resources for the operation and maintenance of the Plants, it is adjusted in price, terms and conditions similar to those prevailing in the market at the time of this approval, having complied with the requirements of Articles 147 et seq. of Law 18,046 on Corporations.

f) It examined the background and the proposal of awardment submitted by the Management regarding the public bidding of the Detailed Engineering contract for the Hydraulic Efficiency Plan, which consists of the Engineering services for Phase II of the PEH 2017-2019. Only three companies submitted bids: SUEZ MEDIOAMBIENTE, HIDROSAN, and U2G INGENIERIA.

It agreed to recommend that it be awarded to the related company SUEZ MEDIOAMBIENTE for a total value of 15,885 UF, consider it to be an Offer that met the technical qualification requirements; and it is the lowest and most suitable Economic Offer for the company's interests.

g) It reviewed the background information submitted by the Management and the Bid Evaluation Commission, and the report contracted from the independent expert Mr. Rolando Chamy on the two Nitrogen Treatment projects in sludge dewatering returns, one of the PTAS (WTP) La Farfana and the other of the PTAS (WTP)

Mapocho-Trebal, offered by AQUAMBIENTE-EDAM within the framework of the public tender called "DEVELOPMENT OF THE ADAPTATION PLAN INTO BIOFACTORIES FOR SEWAGE TREATMENT PLANTS OF THE GRAN SANTIAGO AND MANAGEMENT OF THE RESOURCES GENERATED", and that according to the Bid submitted, requires an investment of UF 1,135,112. The Committee unanimously agreed to recommend the execution of these specific projects submitted, specially taking the following into consideration:

- That the background submitted to the Committee by the Company's Management and the Bid Evaluation Committee, point out the need and urgency of carrying out this project, and the reasonableness of the prices offered when compared to the prices paid for similar items in other engineering projects developed by Aguas Andinas S. A. during the last two years.
- That these are projects that are already included in the Development Plan of Aguas Andinas S. A. committed to the SISS, which are mandatory in accordance with the current water utility regulations and that it is necessary to execute them from 2017 onwards.
- That the technical evaluation of these projects by the Bid Evaluation Commission resulted in a grade or score of 6.5 out of 7.
- That according to the report named "Evaluation of Proposals for the Implementation of ANAMMOX Technologies in the Trebal-Mapocho and La Farfana Plants" submitted by the independent expert Mr. Rolando Chamy, and who examined these specific projects and their prices, concluding that it is appropriate to approve the proposal from the Bidder, the AQUAMBIENTE-EDAM consortium, to execute the sludge dewatering return projects of the Trebal-Mapocho and La Farfana plants in order to eliminate ammoniacal nitrogen, given that this is the correct technology, both from an economic and environmental standpoint, being the

cheapest and most environmentally sustainable option since it has been offered at an investment value as well as a somewhat lower operating cost than the existing one for similar plants, and with a rigorous and detailed design.

h) It examined the background provided by the Administration and the Bid Evaluation Commission, on the "COGENERATION IN THE PTAS MAPOCHO-TREBAL" project presented by the AQUAMBIENTE-EDAM consortium in the framework of the public tender called "DEVELOPMENT OF THE PLAN FOR ADAPTING THE BIOFACTORIES OF WATER TREATMENT PLANTS SERVED BY THE GRAND SANTIAGO AND MANAGING THE RESOURCES GENERATED". The Committee agreed to recommend the execution of this specific project presented by the AQUAMBIENTE-EDAM consortium, taking the following into consideration:

- According to the Bid submitted, this cogeneration project requires an investment of UF 225,390.77 and has an adequate profitability.
- That the background presented to the Committee by the Company's Management and by the Bid Evaluation Committee, indicates the convenience of carrying out this project as soon as possible, considering its high profitability, the reduction of costs it will represent for Aguas Andinas once executed, as well as the reasonableness of the prices offered.
- That this project of "Cogeneration in the PTAS Mapocho-Trebal" is part of the projects established by the company in the bidding documents, as part of the Minimum Adaptation Plan for Biofactories of wastewater treatment plants in the Greater Santiago Area.
- The Technical Bid of this specific project was graded with a 6.3, taking the value 1 as unacceptable and the value 7 as excellent, which reflects that the Technical Bid is between Very Good and



# 2017 Directors' Committee Report

Excellent. The Commission that reviewed the technical quality of this project states that it responds faithfully to the requirements of the Rules, has a high quality and a very significant degree of development of its engineering.

- It is an Economic Bid which is suitable for the interests of the company, received within a public bidding process, with free access of interested parties, so it is a transaction that is in price, terms and conditions, similar to those prevailing in the market at the time of this approval.

i) It examined the background information provided by the Management regarding the public tender for the start-up, operation and comprehensive maintenance of the micro-sectorization, and the Management's proposal to award it to the related company Suez Medioambiente. The Committee recommended the awarding of the contract to this company because the bid fulfills the requirements established in the rules; that a benchmark was made of the hourly prices of the professionals and technicians who will take part in the project offered by the bidder, considering a comparison with the prices of the Association of Engineers and Aguas Andinas' own personnel, from which it turns out that the most relevant item of the bid made is within the ranges of the market prices at the time of the bidding.

j) It examined the background provided by the Management regarding the public tender for the supply of the absorption medium in arsenic abatement plants, to comply with the water quality established in Chilean Standard 409. This is a contract of 1 plus 1 years. In year 1, the plants of Quilicura, of Aguas Andinas, Lo Pinto, and Alto Lampa of Aguas Manquehue are approached. In year 2, the plants of Quilicura of Aguas Andinas are approached, with an

additional load vector; the San Antonio Plant of Aguas Cordillera; and those of Lo Pinto and Alto Lampa of Aguas Manquehue with additional load vectors. The Committee recommends that the bidder SUEZ is awarded the contract.

k) It examined the background submitted by the Management of the convenience of contracting the related company Sociedad de Canal de Maipo for the Project Management and Technical Inspection of the works in the Batuco Canal, necessary for the expansion and improvement of the facilities of said Canal, as part of the feasibility of raw water porting of 1 m<sup>3</sup>/s to the PTAP of Aguas Manquehue in the Chamisero and Chicureo sectors. The Committee agreed to recommend its approval to the Board of Directors.

l) It examined the background provided by the Management regarding the public tender for the repair of breakdowns, in its Stage II, within the framework of the Hydraulic Efficiency Plan and its proposal of awarding the contract to the sole bidder, the related company Gestión y Servicios S. A., a subsidiary of Aguas Andinas S.A. The Committee unanimously agreed to recommend said awarding

m) It examined the background provided by the Management regarding the public tender of the Technological Test for Leakage Search in the distribution network with gas and acoustics, within the framework of the Hydraulic Efficiency Plan and the proposal of the Management to award zone 2 to the related company Suez Medioambiente Chile for \$46,900,222. -, unanimously agreeing to recommend this, given that:

- That the contract was subject to a public tender with free access for interested parties and bidders, in which there were 5 interested parties that bought the Tender Rules.
- That only SCR Chile-Fluvius and the related company Suez Medioambiente Chile submitted bids, which met the technical

requirements established in the rules.

- That both bidders submitted nearly identical economic bids for each zone in which the work area was divided and also for the total of both zones, and that the economic bid of the related company Suez Medioambiente Chile for zone 2 is lower than that of the other bidder, so that the bid submitted and which the Management proposes to award to the related company Suez Medioambiente Chile is within the ranges of prevailing market prices at the time of the approval.

n) It reviewed the background and the proposal submitted by the Management to contract an expert in drainage to advise on the rainwater issue of the Aguas Group and to participate in the AIDIS Congress round table. To this end, it is agreed to recommend contracting with the related company AQUATEC (SUEZ) so that through its expert Péré Malgrat, who is the Director of Urban Drainage of AQUATEC, with 32 years of experience dedicated to the design and advanced operation of urban drainage systems, for a total value of 10,880 Euros (Approx. UF 310). The Committee agreed to recommend contracting it.

o) Took note of the Management's proposal for the first draft of the PROTOCOL FOR THE ORGANIZATION OF BIOFACTORY DEVELOPMENT PROJECTS, within the framework of the contract "DEVELOPMENT OF THE PLAN FOR ADAPTING THE PTAS (WTP) OF THE GRAND SANTIAGO INTO BIOFACTORIES AND MANAGEMENT OF THE GENERATED RESOURCES" between Aguas Andinas S.A. and Suez Biofactoría Andina SpA., SUBIAN, of June 19, 2017. The Committee requested the Management to make a simulated pre-analysis of the first of the projects to be evaluated in the future in order to review the practical operation of the rules of the Protocol draft. Notwithstanding further review of the text of the draft.

# 2017 Directors' Committee Report

## II.2.- REGARDING REMUNERATION AND COMPENSATION FOR MANAGERS, EXECUTIVES AND WORKERS.

The Directors' Committee reviewed the remuneration and compensation system for Managers, Chief Executives and Workers of Aguas Andinas S. A., and concluded on the basis of the background submitted by the Management to the Committee, that there are no comments to be made on the general model of remuneration, compensation and benefits of the company, since it is based on a remuneration policy linked to the organization, culture and values of the company, and because it has as a benchmark, the market income for equivalent positions based on PriceWaterhouse Compensation Studies, for companies of the same size.

## II.3.- REGARDING THE PROPOSAL OF EXTERNAL AUDITORS AND RISK CLASSIFIERS.

The Committee reviewed the alternatives and proposals and suggested to the Board of Directors as Private Risk Classifiers for the 2017 period the companies ICR and Fitch Ratings, and as External Auditors for the 2017 financial year, EY Audit and as a replacement, Deloitte, due to all of them having made the most economical offers of the quoted ones; due to their appropriate performance in previous years as risk classifiers and external auditors of Aguas Andinas and its subsidiaries, respectively; and for the experience that these auditors and risk classifiers have in companies in the water utility industry. The risk classifiers and external auditors were suggested to the Board of Directors and the Shareholders' Meeting and approved by it.

## II.4.- REGARDING THE BALANCE SHEETS AND FINANCIAL STATEMENTS EXAMINED DURING 2017:

a) It reviewed the balance sheet and financial statements as of December 31, 2016, its reasoned analysis, the essential facts report for the 2016 period, and the report of the external auditors,

and agreed to approve them without comment. The Directors' Committee also unanimously agreed to record that it reviewed the External Auditors' Reports on 2015-2016 Financial Statements; and on compliance with Circular 979 of the SVS on intermediation, and agreed to approve them, bearing in mind that such reports do not contain any comments of any kind by the External Auditors.

b) It examined the balance sheet and other financial statements as of March 31, 2017, including their reasoned analysis and essential facts for the period, and agreed to approve them without comment. Notwithstanding the foregoing, the committee requested the Management to review and monitor the insolvencies and non-collectability of customers or users, as well as review the penalty policy for provisions made for such concepts.

c) It examined the balance sheet and other financial statements as of June 30, 2017, including their reasoned analysis, essential facts of the period, and the partial audit report of the External Auditors, and agreed to approve them without observations. Notwithstanding the foregoing, it requested that the Management continues monitoring the insolvencies and non-collectability of customers or users, as well as the review of the policy of penalties for provisions made for such concepts.

d) It examined the balance sheet and other financial statements for the third quarter ended on September 30, 2017, including its reasoned analysis and essential facts for the period, and agreed to approve them without comment.

e) It examined the Internal Control system and the follow-up of solutions to the comments from 2016 made by the External Auditors to the Management, noting that there are no significant weaknesses or significant deficiencies.

f) It followed up quarterly on the solution of comments from the

Letter to the Management on Internal Control issued by the External Auditors at the end of 2016.

g) It examined the Report to the Management submitted by the External Auditors in December 2017, a report that does not report significant weaknesses or significant deficiencies, and shows a high degree of progress in resolving the comments made in previous years by the Auditors.

## II.5.- REGARDING ADDITIONAL CONTRACTS WITH THE COMPANY'S EXTERNAL AUDITORS:

a) It examined and approved the Management's proposal to contract EY Audit for the Review of Approved IT Project Management Processes, Change Management, Third Party Management, System Operation, Security and Access Management, and Water Sales, the purpose of which is to evaluate and improve internal control systems in the developed activities. At the Committee's request, it was requested to incorporate the aspects related to collections, doubtful accounts and provisions into the review of the water sale process, that the work be carried out under the direction of an EY partner and with a work team other than that in charge of the company's external audit. The Committee noted that there is no inconvenience in hiring the external company EY Audit to provide these services that are not part of the external audit, because they are not forbidden in accordance with article 242 of Law No. 18,045, and because the nature of such services does not create a risk of loss of independence for the auditors.

b) It examined and approved the Management's proposal to contract the EY Audit Company for the comprehensive review of the ISO 22301, ISO 9001, ISO 14001, OSHAS 18001 and ISO 50001 management systems for 2017. To this end, it considered that: i) there was no other company in Chile that had professionals in Chile

# 2017 Directors' Committee Report

with specialization in all the above-mentioned certifications and management systems; ii) that the EY Audit area in charge of this work or consultancy will not be the same as the one in charge of the external audit of Aguas Andinas S. A. and its subsidiaries; iii) that the partner of the EY Audit company in charge of this project will not be the same as the partner in charge of the external audit. iv) That it is not inconvenient to contract EY Audit for the provision of these services because they are not part of the external audit, because they are not forbidden to do this, in accordance with article 242 of Law No. 18,045, and because the nature of such services does not create a risk of loss of independence in the auditors.

## II. 6.- OTHER MATTERS ADDRESSED BY THE DIRECTORS' COMMITTEE:

- a) It reviewed the report of fines applied by the SISS to Aguas Andinas and other companies of the Aguas Group in comparison with the industry, which places this company in an excellent position in relation to the rest of the industry, except in the case of ESSAL.
- b) It examined the information and analysis provided by the Management regarding transactions with related parties carried out during 2017, their nature and amount, and their percentages of total expenses and total investments of the company.
- c) It examined the information and analysis provided by the Management regarding transactions with related parties carried out during 2017, of the public tenders in which related companies participated but which were not awarded to them, indicating their nature and amount, and on their percentages of total expenditure and total investments of the company.
- d) It monitored compliance with the Committee's annual work agenda and carried out a self-assessment of the Committee.

## III.- ANNUAL BUDGET AND EXPENSES OF THE COMMITTEE DURING 2017.

The annual Budget of the Directors' Committee established by the Ordinary Shareholders' Meeting in 2017 was UF 3,000, which was used 100% in fees for the hiring of the independent advisors of the Committee Mr. Gabriel Bitrán and Mr. Rolando Chamy, as Economic Expert and as Water Utility Expert, respectively, and in the monthly fees of the lawyer and Secretary of the Committee Mr. Alejandro Reyes.

## IV.- RECOMMENDATIONS OF THE COMMITTEE TO SHAREHOLDERS:

As of the date this report was approved, at the 231th meeting of the Directors' Committee on February 27, 2018, the Committee has no recommendations to make to shareholders.

The Committee's recommendations on the external auditors and private risk classifiers to be chosen for the 2018 financial year will be sent to the Board of Directors and will be presented to the Ordinary Shareholders' Meeting once the Committee has reviewed the proposals and reached an agreement in this regard during March.





# OUR ADMINISTRATION

The management of the economic, social and environmental aspects of Aguas Andinas is led by its main executives.

## Direction Committee

The **Direction Committee** (Codir) is led by the company's CEO and consists of its main executives.

It meets periodically in order to get acquainted with, analyze and discuss the execution and implementation of the main activities and operations that form the day-to-day management of the company.

# Simplifying the Organization

In August of 2017, a new organizational structure began, adapted to the company’s strategic vision, whose purpose is to provide stability to the daily management as well as accelerating the development of Santiago Deserves a 7 (SM7). The change in the model translates to the creation of new organizational units and the restructuring of the current units, establishing three lines of action:

### DIRECTIONS RESPONSIBLE FOR THE STRATEGIC AXIS

They encompass the areas which are responsible for pushing forward the strategic aspects of SM7. Their main function is: the acceleration of the search of new business models, digital transformation, sustainability and innovation development, infrastructure construction processes, integrated risk management, tariffs, and social legitimacy.

### DIRECTIONS RESPONSIBLE FOR SERVICE MANAGEMENT

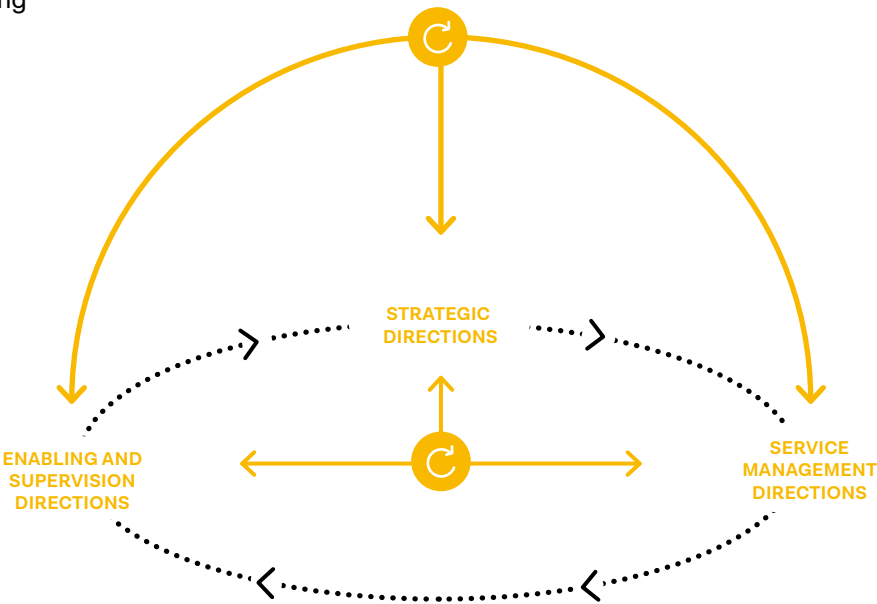
They encompass the areas responsible for Client Service, Operations, and Planning, Engineering and Systems whose main function is to ensure operational excellency, complying with the conditions established by the Superintendence of Sanitation Services and making it compatible with the implementation of the actions derived from the Company’s strategy.

### DIRECTIONS RESPONSIBLE FOR THE ENABLING AND SUPERVISION OF THE BUSINESS

This encompasses the areas which are responsible of managing the support activities for Service Management and the Strategic Axis.

This reorganization responds to the fact that during the recent years, the organization has been exposed to regulatory, tariff, human capital development, digitalization, service continuity, and social legitimacy challenges which motivate the organization to find different and innovative ways to work in an integrated manner.

Due to this new circular structure, all of the Company’s workers can forthrightly say what their main role is in the company without losing sight of its compliance and collaborative work with other areas.





# Senior Executives

Alberto  
Blanco

Gonzalo  
Valenzuela

Narciso  
Berberana

Iván  
Yarur

Eugenio  
Rodríguez

Sandra  
Andreu

Jorge  
Cabot

Manuel  
Baurier

Camilo  
Larraín

Javier  
Irazábal

José  
Sáez





# Senior Executives

CEO  
(CHIEF EXECUTIVE OFFICER)

## Narciso Berberana Sáenz

Civil Industrial Engineer, Master of New Company Management Technologies from the School of Industrial Organization of Madrid, and in Executive Development Planning from Instituto de Empresa, IE of Madrid, Spain, among others.

A professional with more than 22 years of experience, he has held positions of responsibility in different global water utility companies. He was Corporate Manager of Aguas Andinas between 2005 and 2007 and, from 2016, its General Manager (now CEO).

SUSTAINABILITY AND  
DEVELOPMENT DIRECTOR

## Sandra Andreu Pezareix

Graduated in Civil Engineering from the Higher School of Hydraulics and Mechanics in Grenoble, France, with an MBA in Explorer Training from GDF Suez University and with training in, Legal, Personnel and Management Control, among others.

Shee joined Aguas Andinas in 2015. With 19 years of experience in the Suez Group, she has been Director of Water Resources and Subsidiary Manager of Suez Consulting and Cabinet Director of Suez Water Europe.

SERVICE  
MANAGEMENT DIRECTOR

## Eugenio Rodríguez Mingo

Commercial Engineer from Universidad de Chile.

In Aguas Andinas since 2005, he has served as Commercial Development Manager and Mapué Zone Manager, to take position as Corporate Customer Service Manager in March 2012. Before joining the company, he was commercial manager of Inmobiliaria Piedra Roja, ENEA Project of Grupo Enersis and Santander Leasing S. A.

SOCIAL LEGITIMACY,  
COMMUNICATIONS AND  
INSTITUTIONAL RELATIONS DIRECTOR

## Gonzalo Valenzuela Medina

Journalist from Universidad de Chile, with a degree in Political Science and Government from University of Arizona and International Management MBA from Thunderbird School of Global Management.

He joined Aguas Andinas in September 2017. Previously, for 5 years he was manager of Corporate Affairs at Walmart Chile. He was also a partner and Communications Director at Extend Communications and Public Affairs Manager at the Ministry of Mining and Energy.

RESILIENCE AND FINANCE  
DIRECTOR (CFO)

## Iván Yarur Sairafi

Civil Industrial Engineer and Master's Degree from Universidad de Chile, Master of Science in Accounting and Finance from London School of Economics and Political Science, London, United Kingdom.

He joined Aguas Andinas in 2000. Between 2011 and 2013 he was CEO of Inversiones Aguas Metropolitanas S. A. (IAM), parent company of Aguas Andinas.

DIRECTOR OF OPERATIONS  
AND CIRCULAR ECONOMY

## Manuel Baurier Trias

Industrial Engineer from Universitat Politècnica de Catalunya, Spain, and MBA from the Business School of Barcelona (Polytechnic University of Catalonia) and PDD from the ESADE Business School, Barcelona, Spain.

He joined Aguas Andinas in 2015. With 19 years of experience in the water utility sector, he has been Director of Concessions in Catalonia, Spain (Agbar) and member of the Board of Directors of companies such as Aigües de Sabadell and Drenatges Urbans del Besòs.

LEGAL AFFAIRS  
DIRECTOR

## Camilo Larraín Sánchez

Lawyer from Universidad Diego Portales and Master in Law from Universidad de Los Andes.

Has been part of Aguas Andinas since 2000, has worked as a tax advisor for Aguas Cordillera and as a lawyer for the Enersis Group. Director of the subsidiaries Aguas Manquehue S.A. and Empresa de Servicios Sanitarios de Los Lagos S.A., Sociedad Canal del Maipo and Eléctrica Puntilla S. A.

PLANNING, ENGINEERING AND  
SYSTEMS DIRECTOR

## Jorge Cabot Plé

Road, Canal and Bridges engineer from Universitat Politècnica de Catalunya, Spain.

With 31 years of experience in the water utility sector and water engineering, he has been Director of Planning at the Catalanian Water Agency, Director of Exploitation at CLABSA (Barcelona's sewerage system) and Director of Sanitation of the Barcelona Metropolitan Area in Aigües de Barcelona. Member of the Urban Drainage Expert Group of UNHABITAT. Has been part of Aguas Andinas since 2015.

# Senior Executives

CUSTOMER SERVICES  
DIRECTOR

**José Sáez Albornoz**

Commercial Engineer Universidad de Santiago, Magister (c) in Human Behavior and Organizational Development from Diego Portales University.

He joined Aguas Andinas in 2008. With 30 years of experience in the water utility industry, he has been General Manager of ESSAL S. A., Area Manager, and Commercial Development Manager in Aguas Andinas.

ORGANIZATION, PEOPLE AND WORK  
ENVIRONMENT DIRECTOR

**Javier Irazábal Beltrán**

He studied Labor Relations at the Universitat de Lleida; Industrial Labor Relations at the Universitat de Oberta de Catalunya and Law at the same university.

He joined Aguas Andinas in September 2017. Previously, he worked for 3 years as Director of HR and Organization at Suez Spain in Alicante, Director of Human Resources at Agbar and Head of Labor Relations and People Development at Agbar.

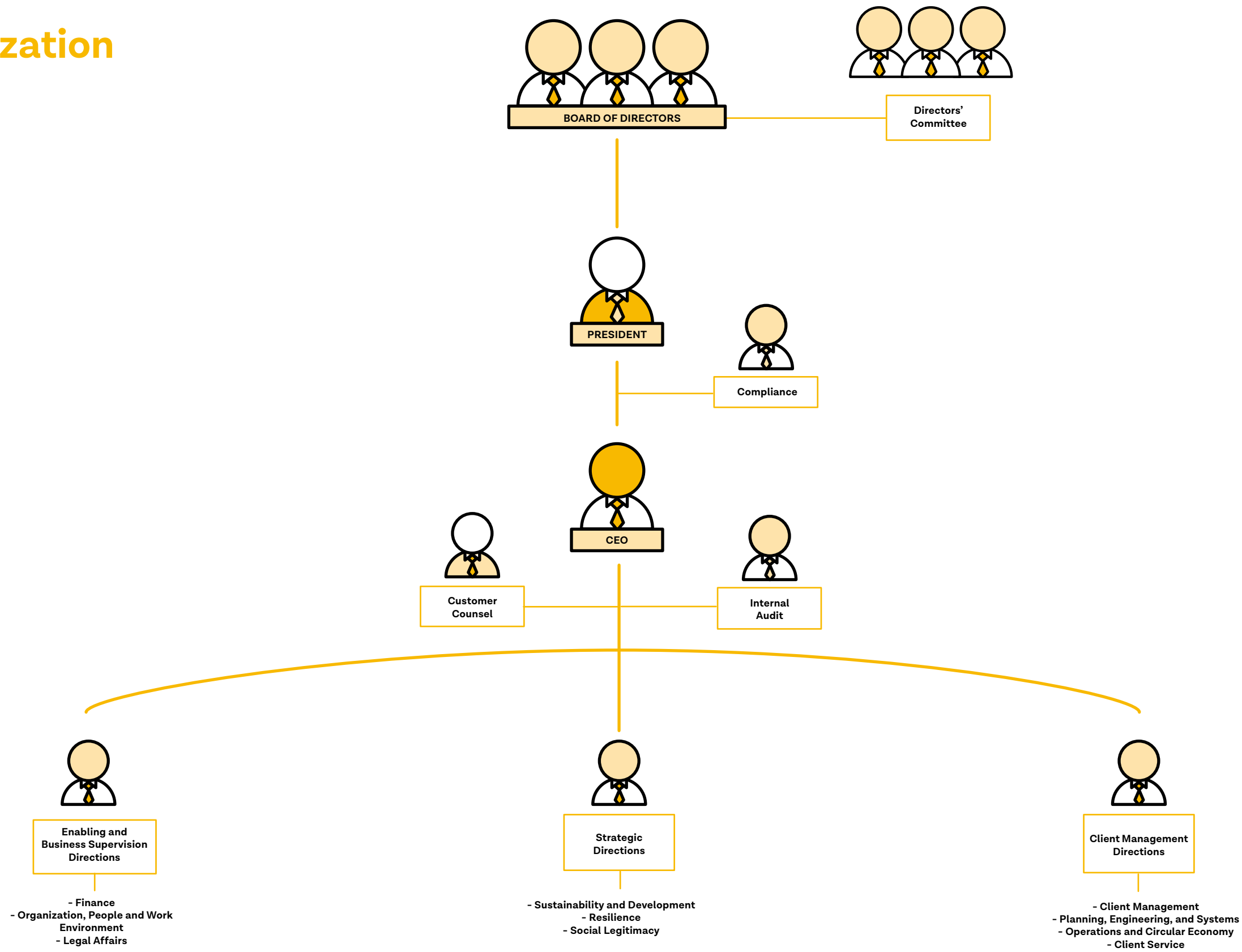
CONSTRUCTION  
DIRECTOR

**Alberto Julián Blanco Marengo**

Road, Canal and Port Engineer from Universidad Politécnica de Madrid and Master Executive MBA from the Instituto de Empresa (IE) in Madrid, Spain.

Has been part of Aguas Andinas since September 2017. With 18 years of experience in the construction of large civil infrastructures, he has taken part in some of the largest public works in Spain in the last decade, such as the Barajas Airport in Madrid, AP36 Cartagena Vera Highway, and Somport Tunnel. During the last 5 years he has been director of a construction company dedicated to large hydraulic public works.

# Organization Chart





# Remuneration of the Senior Executives

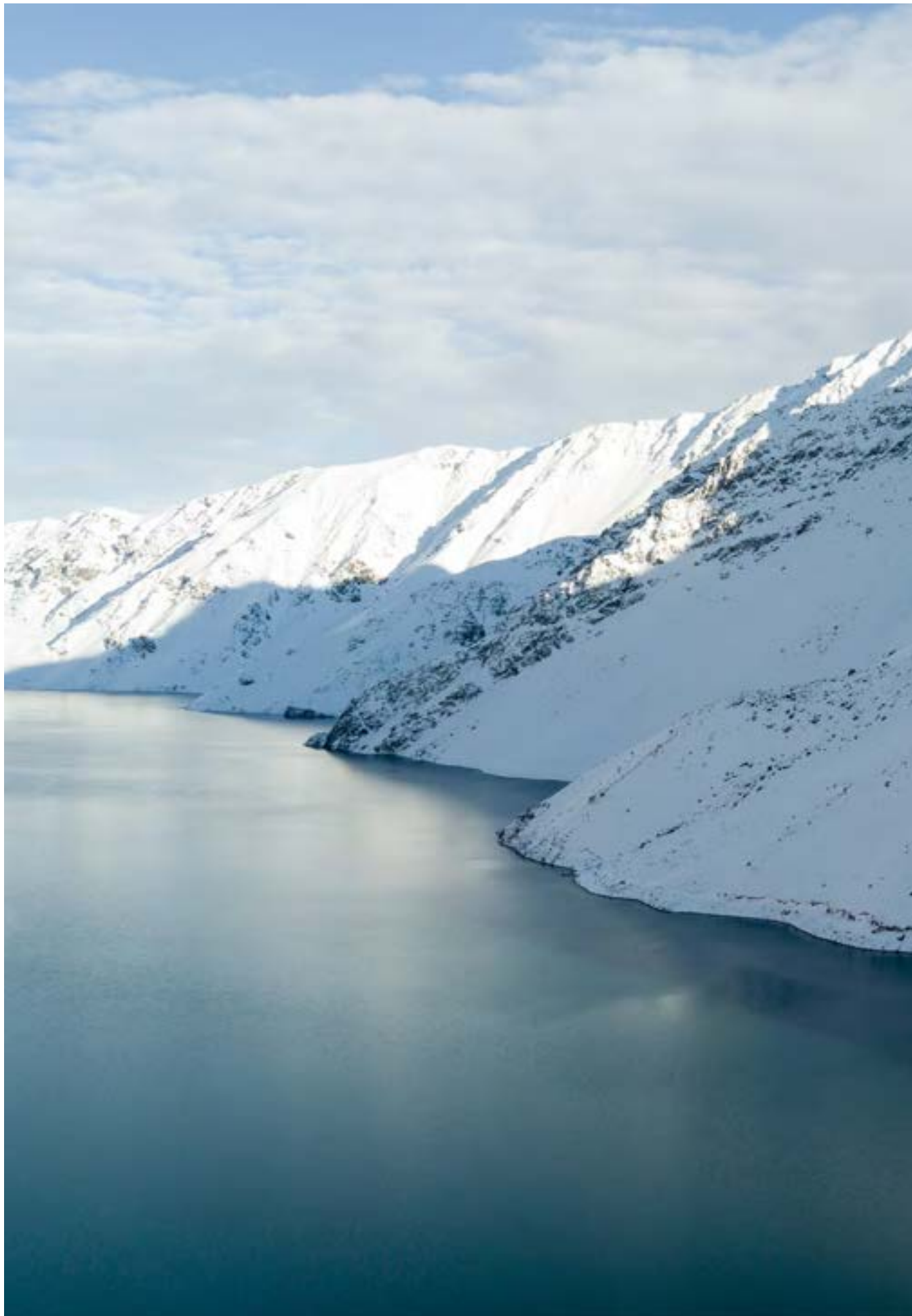
As of December 31, 2017, at the individual level, Aguas Andinas’s senior executive payroll is made up of 70 employees. The total remuneration received in the year was \$7,613 million, a 3% increase over the previous year. The remuneration for years of service reached \$58 million, which is equivalent to a decrease of 91% when compared to 2016.

The metrics of the total remuneration of the directions and management are determined according to average market incomes, by company size and specialization of the activity, with variable remuneration components that are in accordance to the results of the company and the individual objectives set for the whole year. The company does not have any remuneration plans or special benefits for its senior executives, other than the variable remuneration mentioned above.

## REMUNERATION FOR KEY EXECUTIVES

Details	Fixed		Variable		Total	
	2016	2017	2016	2017	2016	2017
Remuneration for Key Executives	6,278	6,488	1,090	1,125	1,090	1,125





WAGE GAP BY GENDER

Differences between the income of men and women are produced only by general conditions that cannot be assigned to gender, such as seniority or bonuses for special jobs (zone assignment, shifts or working on holidays).

The gender pay gap in Aguas Andinas is less than 5% and is mainly explained by seniority for equivalent positions. In the case of administrative positions, this gap favors women (20%).

The Company’s initiatives and criteria to close the gender gap are the following:

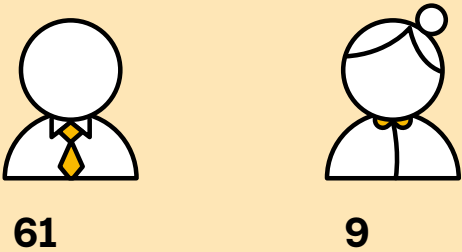
- In the annual income review process, each manager is given external competitiveness data for each of the workers he or she is responsible for, regardless of their gender, in order to manage income increases objectively and with a focus on allocation criteria.
- Compliance with the policy of allocating income increases in internal promotions is ensured, regardless of the gender of the worker and the position to which he or she is assigned.
- The entry of new employees is performed according to the hiring policy, whose objective is to ensure equal income (regardless of gender).

Average Gross Base Salary by Strata		
Strata	Ratio of female remuneration versus male remuneration	Percentage difference between female and male remuneration
Executives	88.66%	-11.34%
Line Managers	80.38%	-19.62%
Professionals	84.57%	-15.43%
Technicians	77.09%	-22.91%
Administrative staff	124.56%	24.56%
Operators	96.90%	-3.10%
Total	92.4%	-7.59%

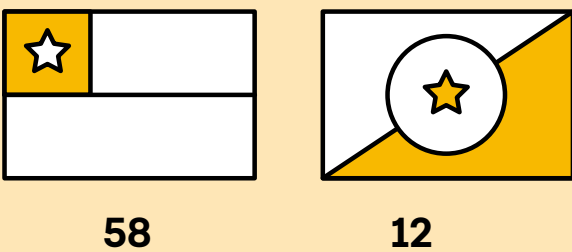
# Diversity in the Administration

About the Directions or Managements that report directly to the CEO.

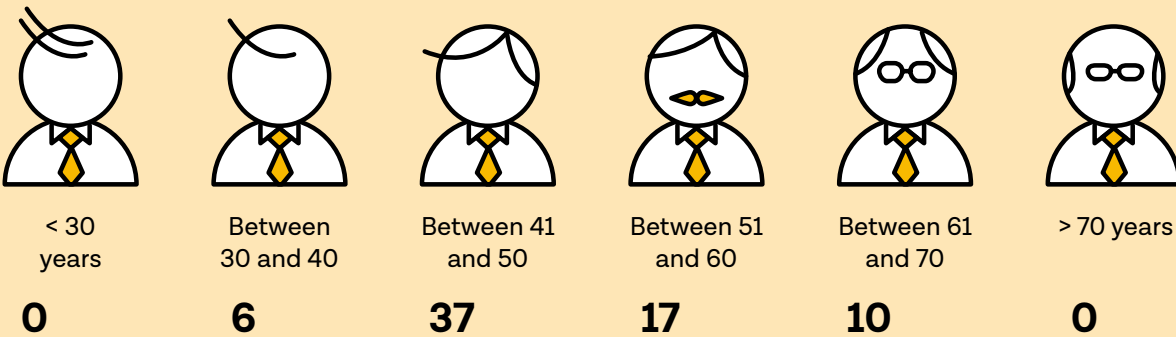
## NUMBER OF PEOPLE BY GENDER



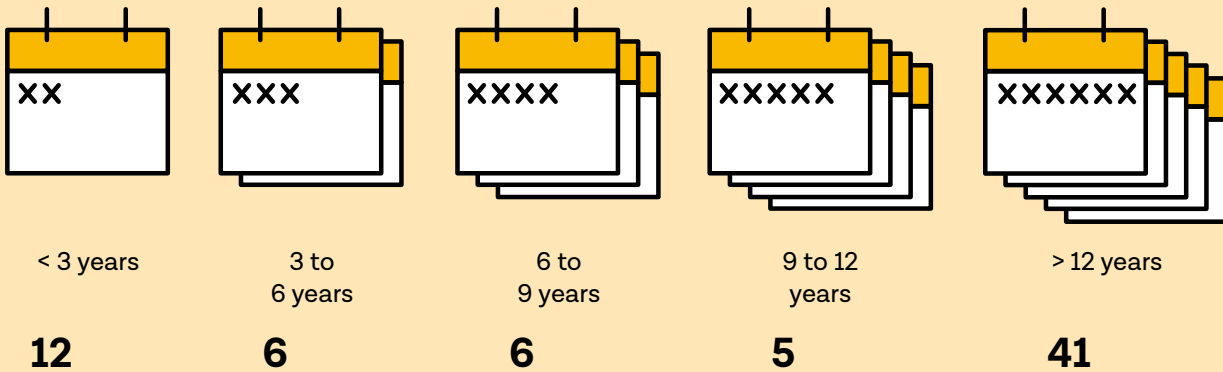
## NUMBER OF PEOPLE BY NATIONALITY



## NUMBER OF PEOPLE BY AGE



## NUMBER OF PEOPLE BY SENIORITY





**PARTICIPATION OF SENIOR EXECUTIVES  
IN THE COMPANY’S OWNERSHIP**

Name	Tax ID	Shares	%
Inversiones Palguin Ltda. (Luis Alberto Faúndez Pérez)	77.429.760-K	895,879	0.01%
Inversiones Los Patricios Ltda. (Patricio Norambuena Duncan)	77.431.180-7	509,421	0.01%
Inversiones Certeza Ltda. (Julio Muñoz Anrique)	77.431.190-4	672,703	0.01%
Rodrigo Andrés Reyes Cea	12.087.571-K	123,451	0.00%
Enrique Andrés Ruz Gálvez	12.570.985-0	5,590	0.00%
Sebastián Acevedo Walker	6.639.714-9	4,300	0.00%







# OTHER CORPORATE GOVERNANCE INSTANCES

## More bodies that add value to Corporate Governance.

### Audit and Internal Control

Reporting directly to the CEO, its mission is to support management in meeting its objectives by providing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, internal control and corporate governance processes.

The Internal Audit function carries out an independent and objective activity, consisting of monitoring and evaluating the implementation and effectiveness of administrative, financial, operational and information systems and controls. The internal control and risk management system, includes the execution of self-assessment processes, risk testing of approved business processes, compliance monitoring with audit action plans and the internal control letter issued by the external auditors.

# Chief Compliance Officer

For Aguas Andinas, Compliance is much more than compliance with regulations and standards, it implies the creation of a culture of corporate integrity and ethics that guides the behavior and decision-making of all employees within our company.

The Compliance area reflects Aguas Andinas’ commitment to generate and maintain an efficient regulatory compliance system that commits the entire organization to building a culture of integrity and respect for the ethical standards that the company promotes.

The **Chief Compliance Officer** reports directly to Aguas Andinas’ Board of Directors, and is responsible for assessing and managing the risk of non-compliance with internal procedures and legal regulations, as well as the obligations related to the corporate ethical structure, promoting the development of appropriate policies and procedures, disseminating them and training all workers in these matters, as well as in best corporate practices. It ensures compliance with the Crime Prevention Model, the Code of Ethics and the confidential management of investigations arising from complaints in the channel that the company has implemented and disseminated on its corporate website.

### Compliance Management System

It is the set of processes, policies, procedures and practices of organizational management whose purpose is the implementation of best practices that allow us to comply with the principles of ethics and integrity promoted by our company.

The Compliance Management System is developed on the basis of risk management, generating a unique Compliance risk matrix.

The documents related to the Compliance Management System are:

- Code of Ethics
- Compliance Policy
- Crime Prevention Model
- Anti-Corruption Policy
- Donation and Sponsorship Policy



### ISO 37.001 Certification

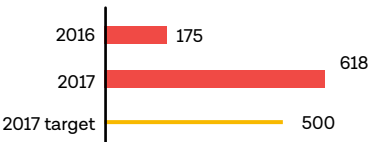
During 2017, Aguas Andinas and its subsidiaries Aguas Manquehue and Aguas Cordillera achieved the certification of their Compliance procedure, which is a milestone in the field of corporate integrity in the country.

In this way, the company is the first one in Chile to obtain ISO 37.001 certification of the Anti-Corruption Management System, after a thorough on-site review of the correct implementation of the standard carried out by the international certification body AENOR.



Business Model

Number of workers who have been trained in anti-corruption and crime prevention.



Aguas Andinas’ Metrics

During 2017, training was carried out about the Compliance Management System of the Aguas Group. Facilities were visited (La Florida, ESSAL, Lira, Talagante, Corporate Building AA, ANAM Laboratory and Ecoriles) and training was provided to the Board of Directors. The training sessions conducted in the corporate building were conducted by speakers with recognized prestige in the field. A high percentage of those trained received a knowledge test at the end of their training.



## Code of Ethics

Aguas Andinas has a **Code of Ethics**, which contains the following fundamental principles: Complying with laws and regulations, rooting the culture of integrity, displaying loyalty and honesty, and respecting all people. These principles should be applied to shareholders, clients, competitors, the local community and the environment, and should guide the actions of all company employees.

The Code of Ethics can be read or downloaded from Aguas Andinas' website. [Click here](#).

## Code of Conduct

As part of the implementation of good corporate governance standards framework, Aguas Andinas S. A. has a **Code of Conduct** applicable to the company's directors regarding conflict of interest situations that they may face.

This code contains, among others:

- Identification of the main situations that make up a conflict of interest.
- Mechanisms to avoid conflicts of interest.
- Procedure for reporting conflicts of interest.
- How to resolve conflicts of interest.

The code additionally mentions situations that, although not specifically contained in the law, if they are poorly resolved, could end up affecting the social interest.



## Crime Prevention Model

Aguas Andinas and subsidiaries has implemented a **Crime Prevention Model**, certified in accordance with the Law, which seeks to prevent and deter the commit of the offenses referred to in Law No. 20,393.

This model establishes rules, protocols and procedures such as crime prevention measures that every person in the company must follow, including suppliers and contractors. For greater control, the Board of Directors appointed a Crime Prevention Officer, a person in charge of ensuring compliance with the model.

The Crime Prevention Model can be read or downloaded from Aguas Andinas' website. [See here.](#)

## Anti-Corruption Policy

The Code of Ethics of Aguas Andinas and its subsidiaries acknowledge integrity as one of the basic principles of its corporate ethical culture, disapproving corruption in all its forms. The company maintains that equity, integrity and impartiality must preside over the relations between workers, managers and representatives, as well as those that are generated with all those who relate directly or indirectly to Aguas Andinas, natural or physical persons, whether they come from the public or private world.

In this context, **Aguas Andinas' Anti-Corruption Policy** aims to specify these principles and serve as a guide for the actions of Aguas Andinas' personnel, guiding them on what the company expects and demands of their behavior when dealing with government officials and in general with third parties, including suppliers and the company's own collaborators.

The Anti-corruption policy can be read or downloaded from Aguas Andinas' website. [See here.](#)

## Investment and Expenditure Committee

Under the direction of Aguas Andinas' CEO, this Committee -which is also made up of the corporate directors and other related executives- meets weekly to analyze and submit for approval each and every one of the company's investments and expenses that exceed 1,000 UF excluding VAT and 500 UF for the case of IT services.

The Committee prepares and approves the company's investment budget and permanently and systematically monitors its correct fulfillment, in terms of cost, term, quality and safety.

## Donations and Sponsorships Policy

Aguas Andinas has implemented a Donations and Sponsorship Policy, which is mandatory for all employees of the company. The main focus of this policy is the care of water and the environment, charity, commitment to social, environmental and cultural interests, as well as the sustainable and innovative development of the environment and local communities, in line with the values recognized in the company's Code of Ethics.

The Donations and Sponsorship Committee, which meets quarterly, is in charge of evaluating and approving initiatives and projects, whose final authorization is determined by the Board of Directors.

Projects can be sent to the e-mail address [compliance@aguasandinas.cl](mailto:compliance@aguasandinas.cl).

The Donations and Sponsorship policy can be read or downloaded from Aguas Andinas's website. [See here.](#)



## Investor Relations

Aguas Andinas' **Investor Relations** area is responsible for managing relations and providing timely information to the company's investors and shareholders.

In order to provide information on a continuous and updated basis, the website [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl) is available, which includes financial analysis tools, corporate presentations, news and related events.

The area holds permanent individual meetings and conference calls with institutional investors, both local and international, and participates in local and international conferences. In particular, during 2017, results breakfasts were organized with different banks covering the company in order to provide greater access to information and maintain a closer relationship with its investors.

During 2017, ALAS20 Chile received the recognition of second place in ALAS20 Chile's Leading Company in Investor Relations.





## Risk Management

Every company or institution has risks of various kinds in its operation. Aguas Andinas is not exempt from these risks that may arise in its operating processes.

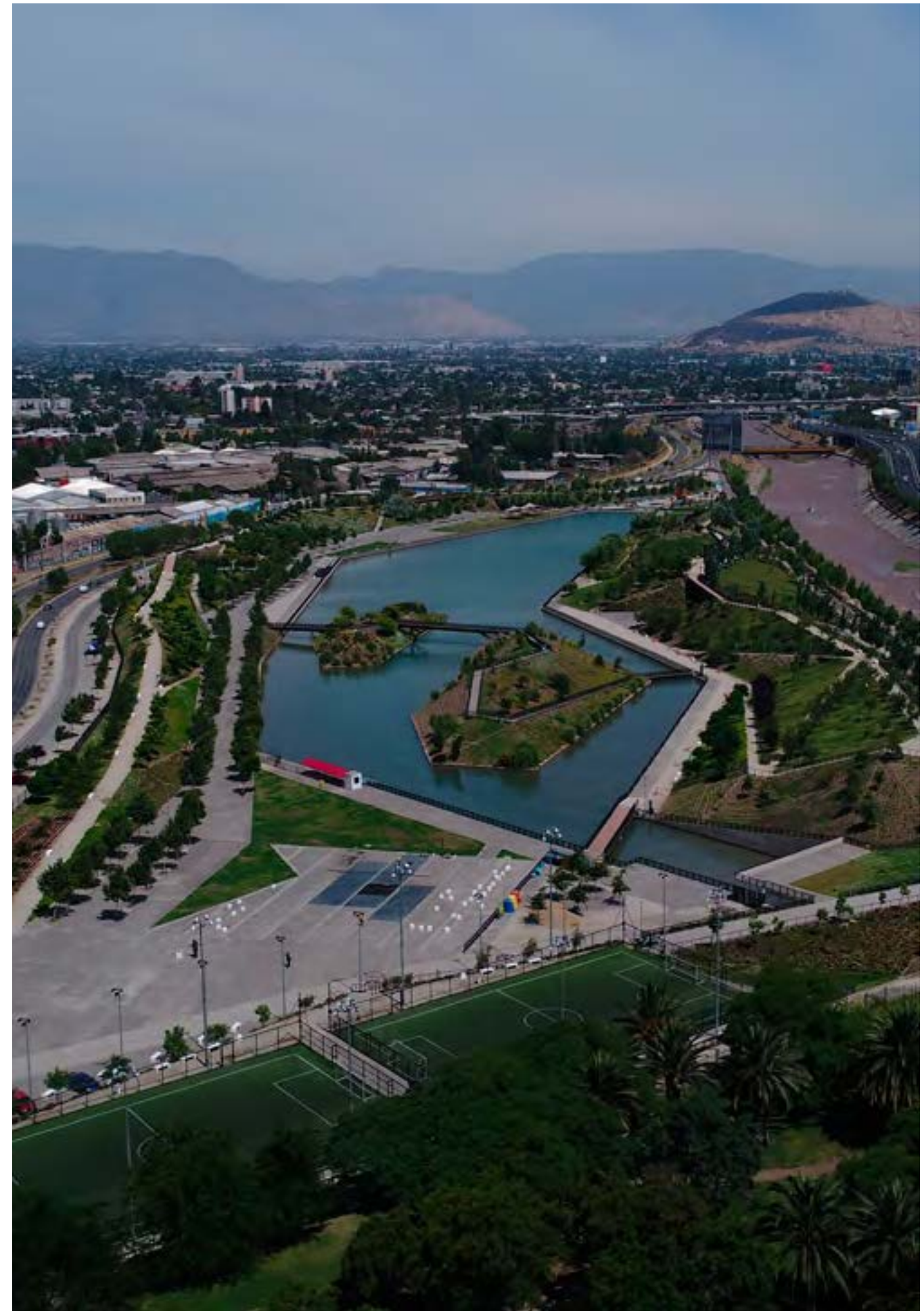
As a risk management and control policy, every year the company's management carries out an assessment of its main risks and proposes mitigation actions. For this purpose, there are several corporate tools, including the **Risk Map**.

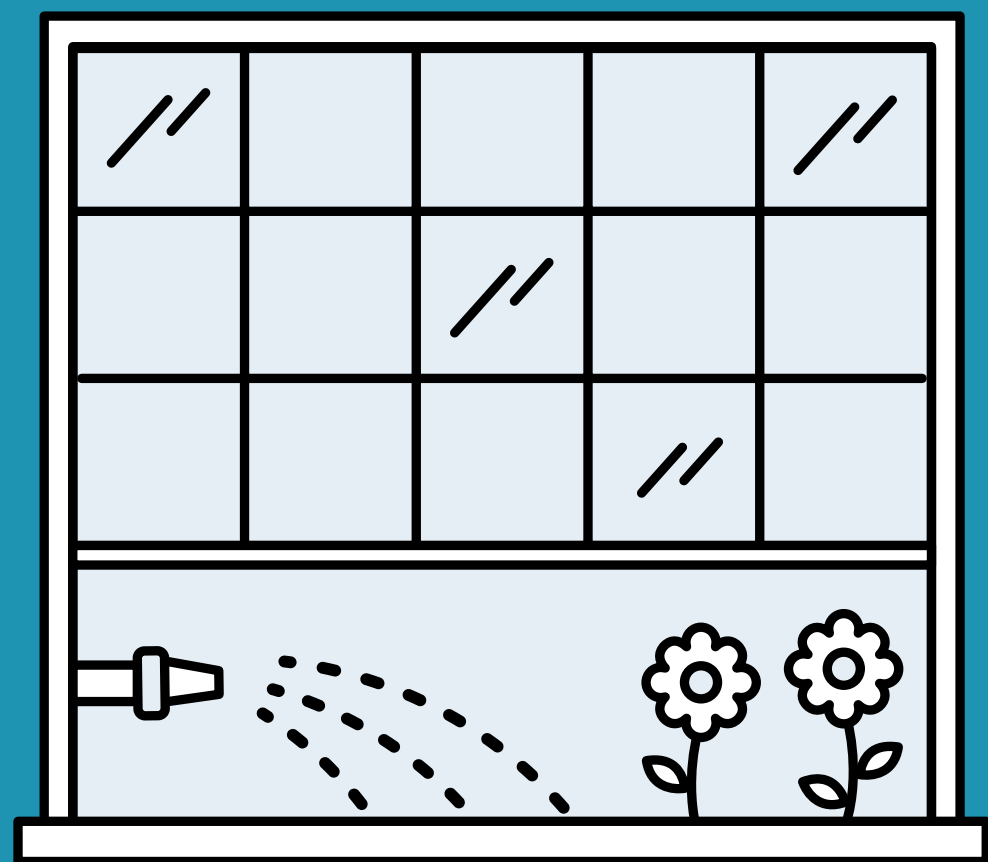
The **Risk Map** allows us to identify and evaluate significant risks of each process, define action plans and then carry out these mitigating actions, following an exhaustive control of compliance, in a continuous updating process.

In addition, each risk is assessed according to its level of impact, probability of occurrence and how controllable they are.

This Risk Map is updated every six months and presented to the Board. Through this process, the risks and opportunities for the following areas are evaluated: legal/regulatory, reputation, finance, environmental, service, health and safety, and social risks.

From the evaluation of these risks, their impacts, occurrence probability and control level are evaluated at a process level. With this, each area generates mitigation plans and plans its investment projects accordingly. The update conducted during the second semester of 2017 identified 280 risks and 4 macro-opportunities for the Company. Within the identified risks, the main risks are regulatory, investment, climate and finance risks. Finally, the effectiveness of the risk management process are measured based on follow-up indicators.





# Part III

Relevant information  
for 2017





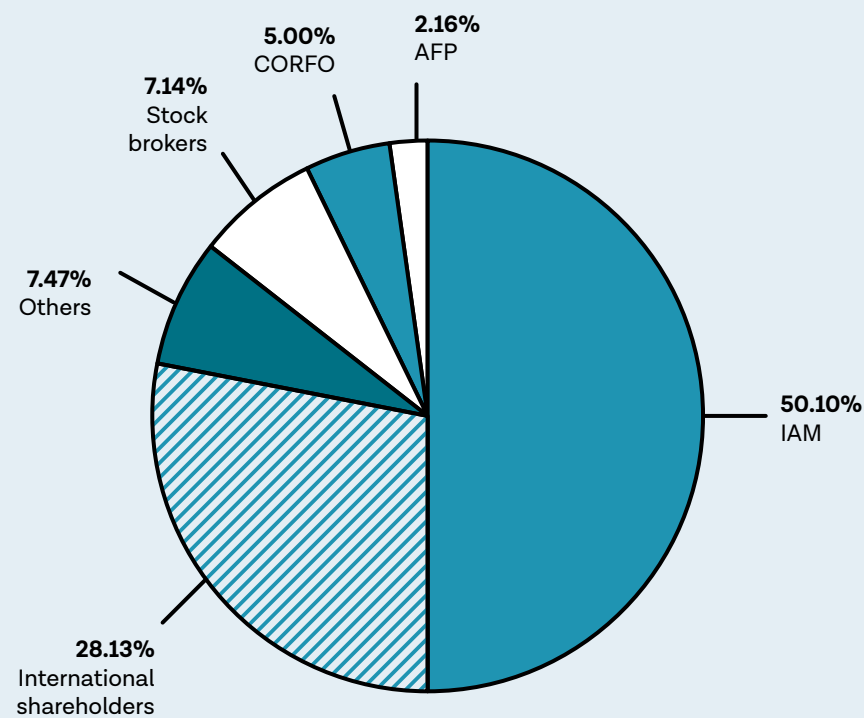
# COMPANY OWNERSHIP

## Aguas Andinas' Share Capital as of December 31<sup>st</sup> 2017

Aguas Andinas's share capital is made up of 6,118,965,160 fully subscribed and paid-in shares distributed among 1,639 shareholders, of which 94.97% correspond to series A, equivalent to 5,811,031,417 shares; and 5.03% correspond to series B, with 307,933,743 shares, as of December 31, 2017.



DISTRIBUTION BY SHAREHOLDER TYPE



MAIN SHAREHOLDERS AS OF DECEMBER 31, 2017

Name	Tax ID	Shares	Series	%
Inversiones Aguas Metropolitanas S A	77.274.820-5	3,065,744,510	A	50.10%
Banco de Chile for Non-Resident Third Parties	97.004.000-5	785,963,051	A	12.85%
Banco Itaú Corpbanca for Foreign Investors	97.023.000-9	565,482,134	A	9.24%
Banco Santander for Foreign Investors	97.036.000-K	320,288,691	A	5.23%
Corporación de Fomento de la Producción	60.706.000-2	305,948,258	B	5.00%
Banchile Corredora de Bolsa S.A.	96.571.220-8	107,878,435	A	1.76%
Asociación de Canalistas Sociedad del Canal de Maipo	70.009.410-3	70,426,696	A	1.15 %
Larrain Vial S.A. Corredora de Bolsa	80.537.000-9	63,646,968	A	1.04%
Credicorp Capital S.A. Corredores de Bolsa	96.489.000-5	61,145,760	A	1.00%
Bethia S.A.	78.591.370-1	59,989,534	A	0.98%
Bci Corredora de Bolsa S.A.	96.519.800-8	55,736,993	A	0.91%
Banco Santander-HSBC Bank PLC London Client Account	97.036.000-K	44,788,364	A	0.73%
Others (1,601 Shareholders)		609,940,281	A	9.98%
Others (26 Shareholders)		1,985,485	B	0.03%
TOTAL		6,118.965.160		100.00%

Part III Relevant information for 2017 Company ownership

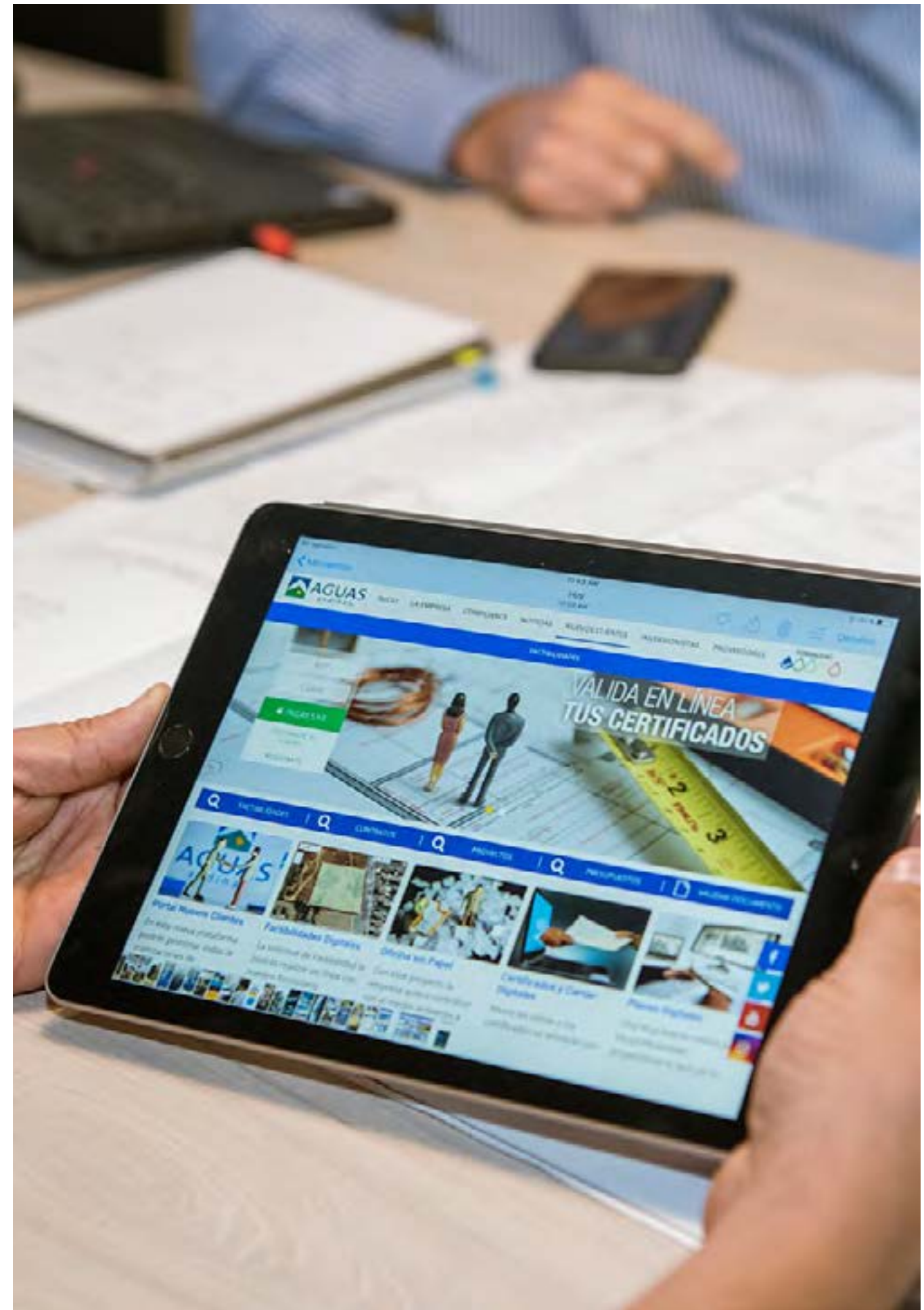
## About Series A and B

It is necessary to take into account the preference of Series B, contained in Article 5 of the Company's corporate bylaws, which consists of the special quorum required from the Extraordinary Shareholders' Meeting held on March 29, 1999 to decide on acts and contracts regarding Aguas Andinas' water rights and water utility concessions.

Series B shares will be automatically extinguished by the transfer to any title of such shares and by their exchange for Series A shares, in which case the transferred or exchanged shares will be converted to Series A shares. They shall also cease to exist after 50 years from the date of legalization of the amendment to the bylaws approved at the Extraordinary Shareholders' Meeting and in the event that the Series B shares represent less than 5% of the total issued share capital of the company, in cases in which, if any of these circumstances are verified, Series A and B shares will be eliminated and all the shares forming them will automatically become common or ordinary shares.

Aguas Andinas's bylaws are available on the following company website: [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)

[www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)



## RELATED PERSONS SHARE TRANSACTIONS

Name	Date of the transaction	Date of reporting to the CMF	Sale	Purchase	Unit price in pesos	Total amount of the transaction in pesos	Observations
Inversiones Los Olivos S.A	14/09/2017	15/09/2017	-	682,145	\$ 398,73	\$ 271,988,304	Reported by Inversiones Los Olivos S.A., a company related to a board member for IAM.
Inversiones Los Olivos S.A	07/09/2017	08/09/2017	-	3,550,377	\$ 404,00	\$ 1,434,352,120	Reported by Inversiones Los Olivos S.A., a company related to a board member for IAM.
Inversiones Los Olivos S.A	01/09/2017	04/09/2017	-	749,232	\$ 400,00	\$ 299,692,800	Reported by Inversiones Los Olivos S.A., a company related to a board member for IAM.
Inversiones Los Olivos S.A	01/09/2017	04/09/2017	-	3,870,948	\$ 400,11	\$ 1,548,824,132	Reported by Inversiones Los Olivos S.A., a company related to a board member for IAM.
Inversiones Los Olivos S.A	22/08/2017	23/08/2017	-	3,700,000	\$ 401,01	\$ 1,483,728,000	Reported by Inversiones Los Olivos S.A., a company related to a board member for IAM.
Rodrigo Terré Fontbona	03/01/2017	05/01/2017	-	27,248	\$ 354,00	\$ 9,645,792	Reported by Mr. Rodrigo Terré, Alternate Director of Aguas Andinas.
Rodrigo Terré Fontbona	03/01/2017	05/01/2017	-	146,426	\$ 353,30	\$ 51,732,308	Reported by Mr. Rodrigo Terré, Alternate Director of Aguas Andinas.
Rodrigo Terré Fontbona	03/01/2017	05/01/2017	-	20,000	\$ 353,99	\$ 7,079,800	Reported by Mr. Rodrigo Terré, Alternate Director of Aguas Andinas.
Luis Faundez Perez	18/12/2017	19-12-17	37,680	-	\$ 400,00	\$ 15,072,000	Reported by Sr. Luis Faundez Perez, Aguas Andinas' Executive.

## SECONDARY MARKET SHARE TRANSACTIONS

## Santiago Stock Exchange

2017	Average price (\$)	Units	Amount(\$)	Market presence
Total 1 <sup>st</sup> quarter	364,66	295,831,924	107,878,490,762	100.00%
Total 2 <sup>nd</sup> quarter	379,91	379,919,263	144,334,792,176	100.00%
Total 3 <sup>rd</sup> quarter	403,17	265,556,421	107,064,844,442	100.00%
Total 4 <sup>th</sup> quarter	389,98	292,096,461	113,910,335,317	100.00%
2017	383,64	1,233,404,069	473,188,462,697	100.00%

## Electronic Stock Exchange

2017	Average price (\$)	Units	Amount(\$)	Market presence
Total 1 <sup>st</sup> quarter	368,58	10,227,434	3,769,675,552	100.00%
Total 2 <sup>nd</sup> quarter	380,76	11,394,810	4,338,733,924	100.00%
Total 3 <sup>rd</sup> quarter	406,17	14,325,931	5,818,766,814	100.00%
Total 4 <sup>th</sup> quarter	391,06	7,271,637	2,843,620,223	100.00%
2017	388,03	43,219,812	16,770,796,513	100.00%

## Brokers Stock Exchange – Stock Exchange

2017	Average price (\$)	Units	Amount(\$)	Market presence
Total 1 <sup>st</sup> quarter	351,437	190,370	66,902,981	100.00%
Total 2 <sup>nd</sup> quarter	386,142	1,053,790	406,912,184	100.00%
Total 3 <sup>rd</sup> quarter	408,216	1,998,198	815,695,627	100.00%
Total 4 <sup>th</sup> quarter	406,211	5,409,540	2,197,417,051	100.00%
2017	403,025	8,651,898	3,486,927,843	100.00%





# DIVIDEND POLICY

The Board of Directors agreed as a dividend policy to distribute 30% of the net income as mandatory dividends and the remaining 70% as an additional dividend.

This policy will remain in force for as long as the company's current level of capitalization continues and is compatible with the investment and financing policies established for each financial year.

## DISTRIBUTABLE PROFITS

Net income for the 2017 financial year	139,620,280
Accumulated distributable earnings	15,818,751
Provisional dividends based on 2017 earnings	-41,984,668
Remaining distributable earnings	113,454,364
% of dividends distributed over distributable earnings	30.07%



The Company distributes 100% of its profits, as defined by its dividend policy.

DIVIDENDS PAID PER SHARE

\$ per share	2013	2014	2015	2016	2017
Book value	100.76	99.81	100.87	103.64	105.02
Profit	19.07	19.52	21.08	24.61	22.81
Dividends paid	14.02 <sup>(1)</sup>	19.07 <sup>(2)</sup>	19.52 <sup>(3)</sup>	21.08334 <sup>(4)</sup>	22.1184 <sup>(5)</sup>

(1) Final dividend of Ch\$14.02414 per share, paid on May 22, 2013.

(2) Includes two items: An interim dividend of \$6.0468 per share, paid on January 14, 2014; and a final dividend of \$13.02105 per share, in interim of 2013 earnings, paid on May 26, 2014.

(3) Includes two items: An interim dividend of \$6.35 per share paid on January 13, 2015 and a final dividend of \$13.1667 per share paid on May 26, 2015, in interim of 2014 earnings.

(4) Includes two items: An interim dividend of \$6.294 per share paid on January 13, 2016 and a final dividend of \$14,4539 per share paid on May 25, 2016, in interim of 2015 earnings.

(5) Includes two items: An interim dividend of \$6.8614 per share paid on January 18, 2017 and a final dividend of \$15.257 per share paid on May 22, 2017, in interim of 2016 earnings.

N° dividend	Closure date	Payment date	Historical dividend (\$)	Type of dividend
52	16-05-11	23-05-11	11.5579	Final
53	17-11-11	23-11-11	5.5985	Interim
54	16-05-12	23-05-12	12.62015	Final
55	07-11-12	13-11-12	5.7945	Interim
56	15-05-13	22-05-13	14.02414	Final
57	08-01-14	14-01-14	6.0468	Interim
58	19-05-14	26-05-14	13.02105	Final
59	07-01-15	13-01-15	6.35	Interim
60	19-05-15	26-05-15	13.1667	Final
61	07-01-16	13-01-16	6.6294	Interim
62	19-05-16	25-05-16	14.4539	Final
63	12-01-17	18-01-17	6.8614	Interim
64	16-05-17	22-05-17	15.257	Final





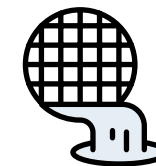
# 2017 OPERATIONAL FIGURES

## Clients



**2,259,245**

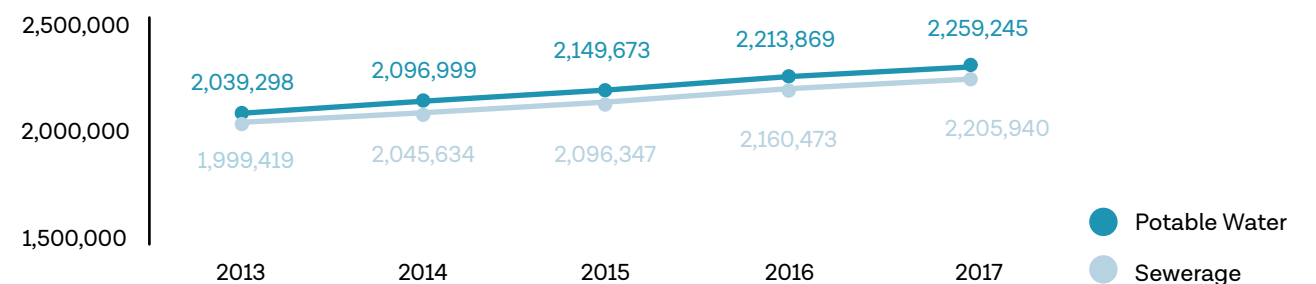
Potable water clients  
at a consolidated level.



**2,205,940**

Sewerage clients at a  
consolidated level.

### EVOLUTION OF THE NUMBER OF POTABLE WATER AND SEWERAGE CUSTOMERS, 2013-2017



The term “client” refers to the natural or legal person who lives and/or resides in the property that receives the public service of potable water distribution, sewerage collection or both. The number of clients reported consider those clients who have been billed as of the end of the year.



CLASSIFICATION OF POTABLE WATER CLIENTS, 2017



Residential  
Clients  
**92.7%**



Commercial  
Clients  
**6.4%**



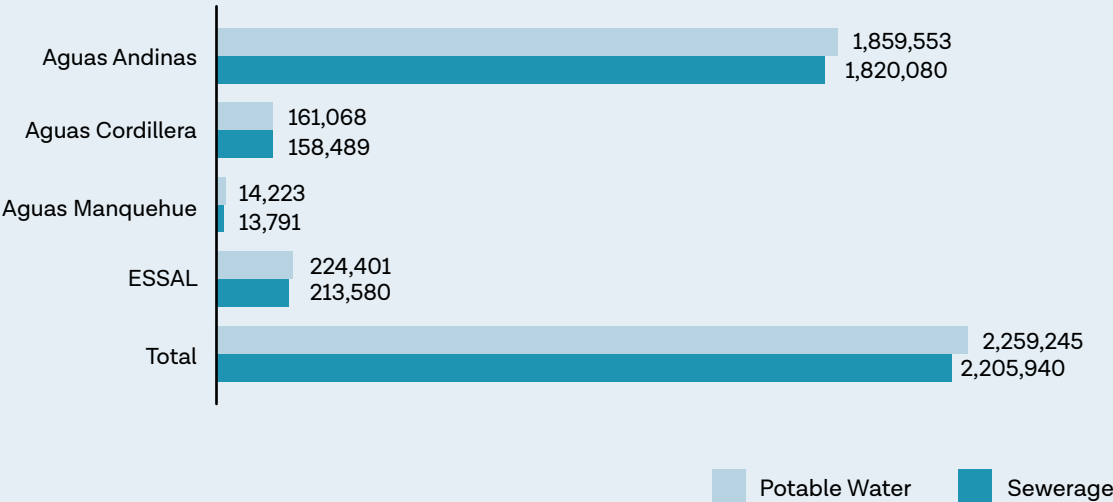
Industrial  
Clients  
**0.1%**



Others  
**0.8%\***

*\*Others: This definition is provided by the SISS and refers to those customers not associated with a property, such as green areas.*

NUMBER OF CLIENTS PER WATER UTILITY PROVIDER



NEW CLIENTS



**45,376**

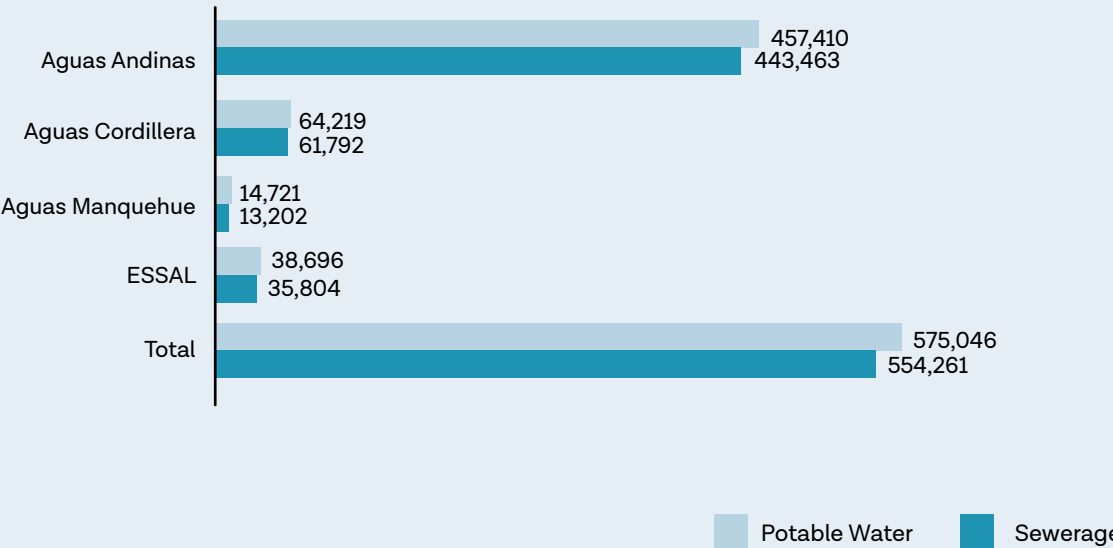
new clients were added to Aguas Andinas' network in 2017.



**125 hectares**

of concession expansion.

CUBIC METERS INVOICED IN 2017 (THOUSANDS M³)



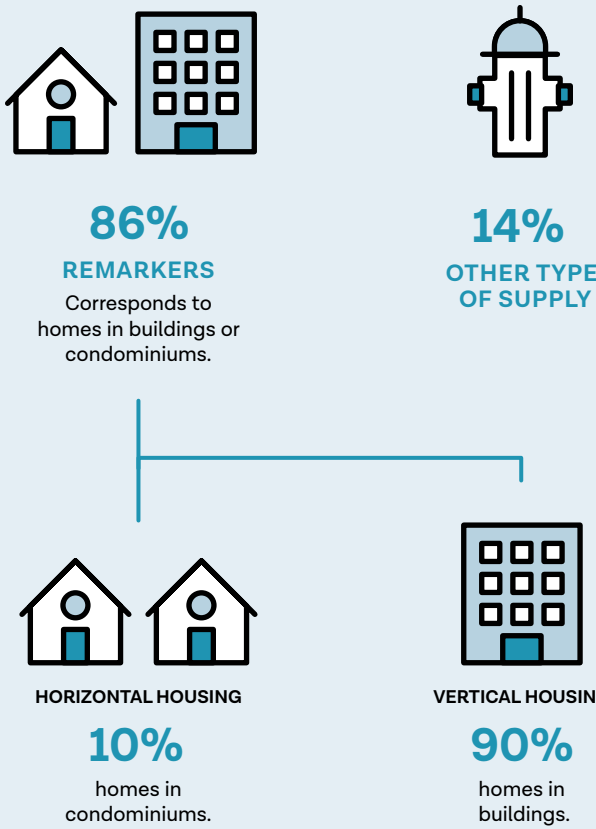
CONCESSION AREA EXPANSION

(WHOSE DECREE PUBLICATION APPEARED IN THE OFFICIAL NEWSPAPER IN 2017)	Commune	Surface (ha)	Clients (N°)	MOP Decree		Publication in the Official Newspaper
				N°	Date	
Sector Camino a Punta de Lapas (Escuela)	Quellón	0,45	1	258	09-01-17	01-02-17
Salvador Silva N°2665	Peñaflor	0,3	20	240	28-10-16	01-02-17
Sector 12 de Octubre y Áreas Verdes	Quellón	11,98	197	268	24-01-17	15-02-17
Sector Calle Circunvalación	Fresia	0,62	38	275	03-02-17	01-03-17
Aguasin	Lampa	4,8	1	3	12-01-17	15-03-17
Sector Galvarino Riveros Norte II	Castro	3,35	105	257	03-03-17	01-04-17
Sector Cesfam Caracoles y Sector Villa Los Aromos y Río Pudeto	Ancud	24,88	254	24	29-03-17	17-04-17
Padre Ricardo	Futrono	4,92	48	46	25-04-17	15-06-17
Sector Llantén II	Puerto Montt	11,49	287	45	23-05-17	15-06-17
Miraflores N°1367	Peñaflor	0,3	22	39	12-04-17	01-07-17
Balmaceda, Lotes A1B y A2B	Talagante	5,3	267	55	23-05-17	01-08-17
Los Parques de Buin	Buin	18,4	912	72	28-06-17	15-09-17
Parque Intercomunal Lotes A1B y A2B	Talagante	3	1	80	14-07-17	15-09-17
Los Copihues Lote 5-C	Paine	4,1	258	69	20-06-17	15-09-17
Las Terrazas II	Peñaflor	0,6	30	79	12-07-17	15-09-17
Condominio Sinergia	Buin	5,2	137	97	04-09-17	15-12-17
Costado Oriente Autopista Central	Buin	13,5	418	111	29-09-17	15-12-17



# Growth in Potable Water Clients

## Type of supply point



## Growth of potable water customers in the Metropolitan Region

Districts with greater growth:  
**Estación Central (+22.50%)**  
**Lampa (+11.10%)**  
**Independencia (+7.80%)**



## Growth of potable water customers in Los Lagos and Los Ríos Regions

Locations with greater growth:  
**Puerto Varas (+9.76%)**  
**Puerto Montt (+3.13%)**  
**Osorno (+2.03%)**





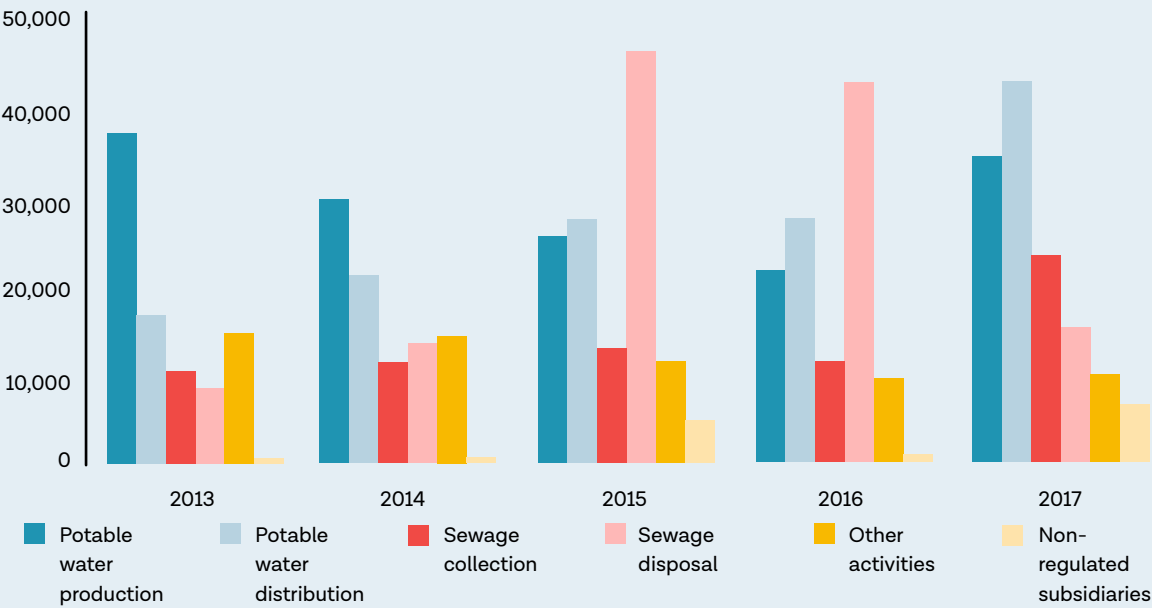
# Investments



131.5 billion

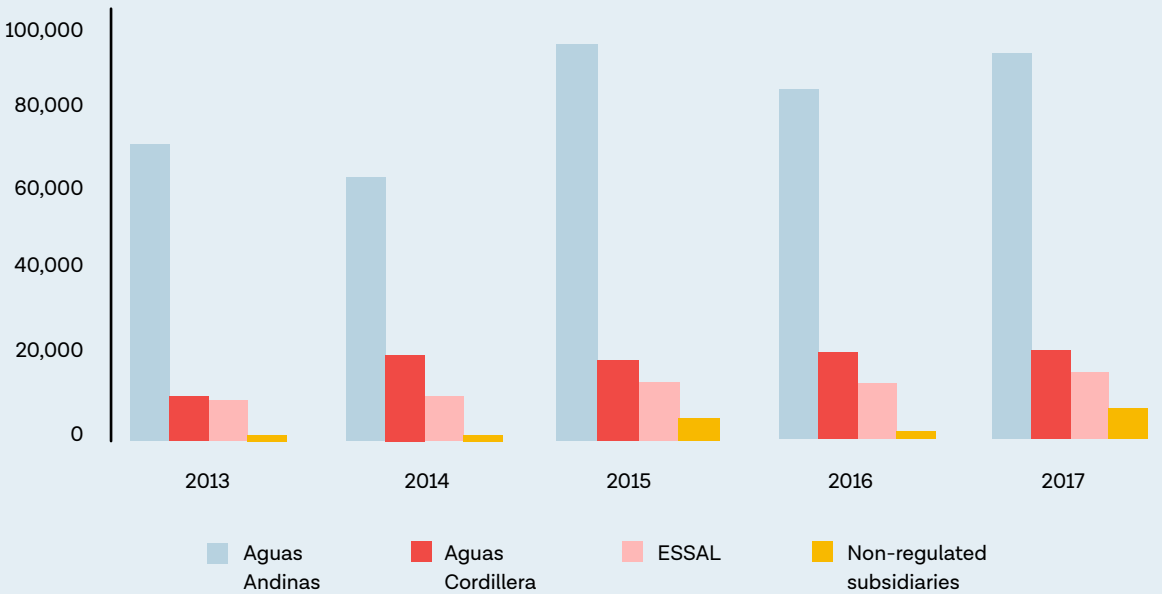
was the consolidated investment in 2017.

## INVESTMENTS 2017 BY ACTIVITY



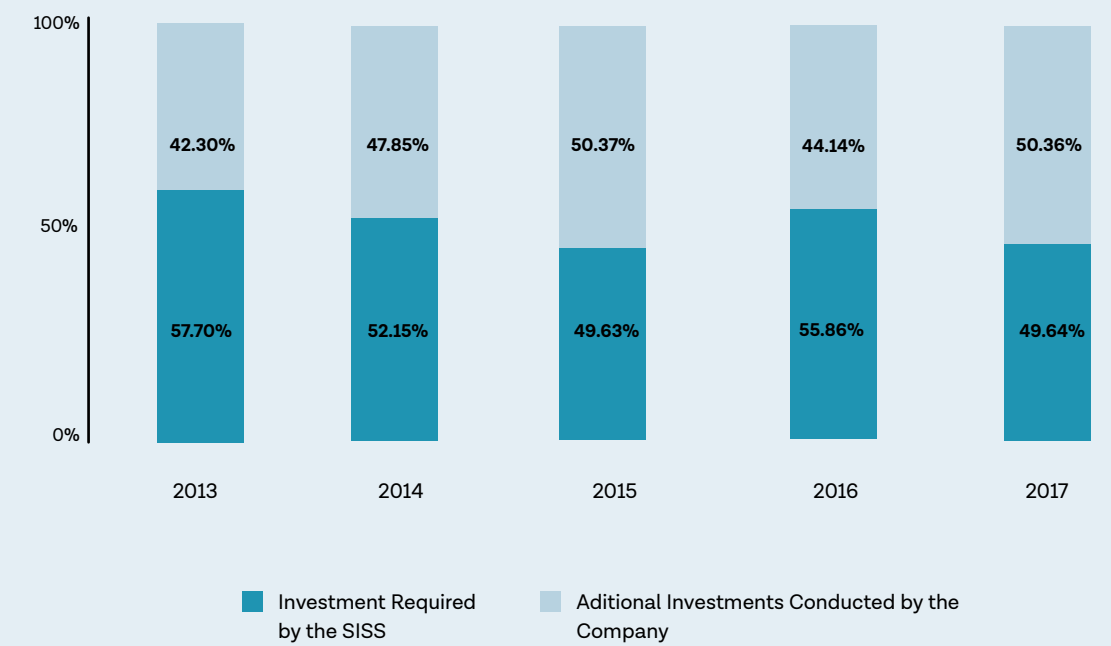
Investment Stage (Millions of Pesos)	2013	2014	2015	2016	2017
Potable water production	36,834	29,202	25,285	21,454	34,323
Potable water distribution	16,239	20,900	26,938	27,687	42,750
Sewage collection	10,289	10,938	12,658	11,304	23,167
Sewage disposal	8,129	13,194	46,142	42,682	15,018
Other activities	14,411	14,101	11,388	9,361	9,604
Non-regulated subsidiaries	98	509	4,447	490	6,640
Total	86,000	88,844	126,858	112,978	131,503

## INVESTMENTS BY SUBSIDIARY (2013-2017), IN MILLIONS OF PESOS



Subsidiary	2013	2014	2015	2016	2017
Aguas Andinas	68,196	60,091	91,212	80,507	89,337
Aguas Cordilleras	9,200	19,200	17,934	19,710	20,159
Essal	8,506	9,044	13,265	12,271	15,367
Non-regulated subsidiaries	98	509	4,447	490	6,640
Total	86,000	88,844	126,858	112,978	131,503

INVESTMENTS REQUIRED BY THE SISS VS ADDITIONAL INVESTMENTS CONDUCTED (MILLIONS OF PESOS)



INVESTMENTS IN MILLIONS OF PESOS (2013-2017)

Año	Investment Required by the SISS	Additional Investments Conducted by the Company	Total Investment
2013	49,619	36,381	86,000
2014	46,330	42,514	88,844
2015	62,958	63,900	126,858
2016	63,109	49,869	112,978
2017	65,272	66,231	131,503







# Pieces of land reserved for the development of future projects in 2018

NAME	Company	Name	Surface (m2)	Note
Pirque Raw Water Tank	Aguas Andinas	Pirque	750,000	No current infrastructure
Gamboa Safety Raw Water Tank	ESSAL	Castro	16,000	Existing company infrastructure
Paine 4 Tank	Aguas Andinas	Paine	14,894	Existing company infrastructure
Malloco 2 Tank	Aguas Andinas	Peñaflor	7,525	Existing company infrastructure
El Monte 2 Tank	Aguas Andinas	El Monte	5,583	Existing company infrastructure
Chamisero Medio Tank	Aguas Manquehue	Colina	3,100	No current infrastructure
Semienterrado El Zorro 2 Tank	Aguas Cordillera	Lo Barnechea	2,053	No current infrastructure
Semienterrado Nogales Tank	Aguas Cordillera	Lo Barnechea	1,525	No current infrastructure
Lo Herrera Sewage Elevator Plant 1 & 2	Aguas Andinas	San Bernardo	1,328	No current infrastructure



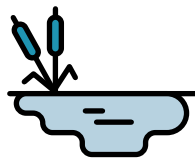
# Production and Distribution of Potable Water



### Sources

Main sources of raw water collection:  
Rivers Maipo and Mapocho in the Metropolitan Region.

Secondary sources: Natural aquifers that cross the concession area.



### Water reserves in the Greater Santiago area

**Laguna Lo Encañado:**  
50 million de m<sup>3</sup>

**Laguna Negra:** 600 million m<sup>3</sup>

**El Yeso Dam:** 220 million m<sup>3</sup>  
(In 2017 its actual annual average volume was 163 million m<sup>3</sup>)



### Potable water production plants

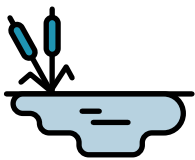
**Metropolitan Region:** Complejo las Vizcachas, La Florida + 12 smaller facilities + 3 arsenic abatement plants + 1 nitrate abatement plant.

**Los Lagos and Los Ríos Regions:**  
Numerous facilities that supply the 33 locations of the concession area.

### 2017 potable water production



**822**  
million m<sup>3</sup> (measured at plant outlets).



**668.3**  
million m<sup>3</sup> from surface water.



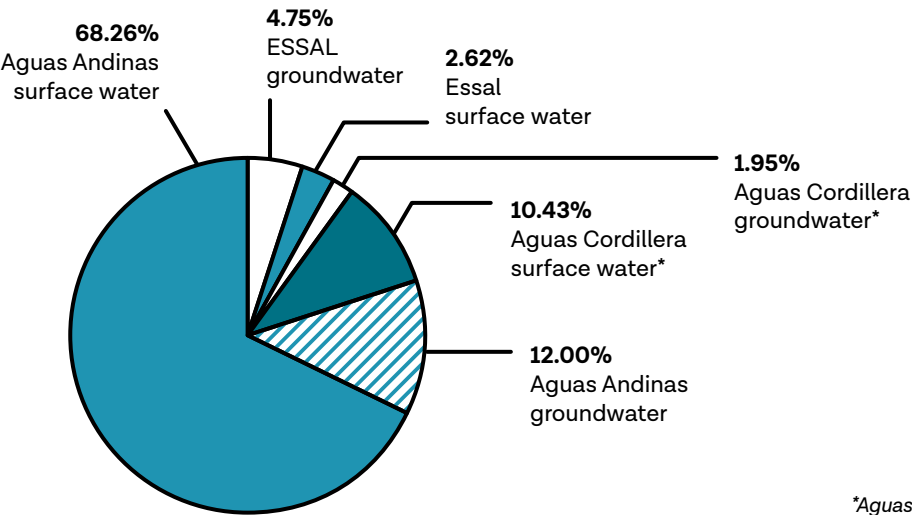
**153.7**  
million m<sup>3</sup> from underground water.

The increase in total production during 2017 is explained by organic growth in the concession areas. In Aguas Cordillera, the distribution between ground-water and surface water changed due to the event in La Parva which forced the company to increase the use of groundwater sources.

### PRODUCTION BY SOURCE TYPE, IN MILLIONS OF CUBIC METERS (2013-2017)

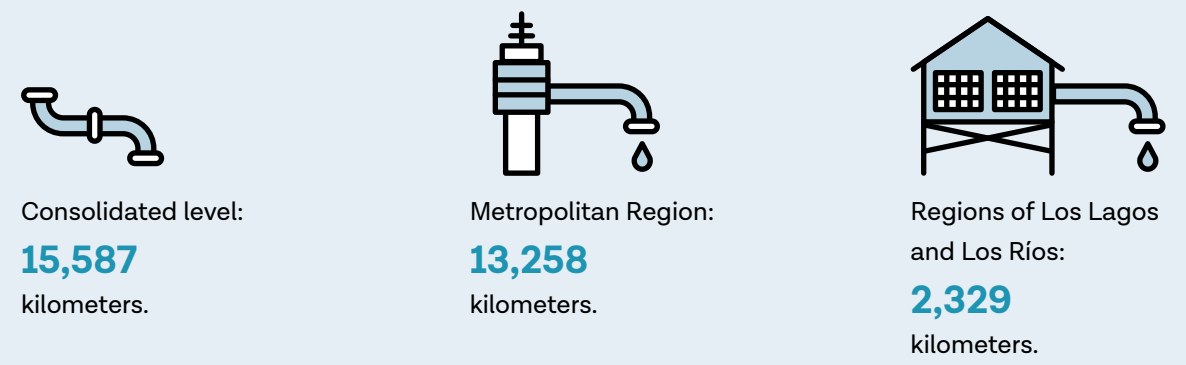
WATER UTILITY COMPANY	2013	2014	2015	2016	2017
Aguas Andinas surface water	527.9	545.2	567.3	556.6	561.1
Aguas Andinas groundwater	89.2	92.5	90.8	89.8	98.6
Aguas Cordillera (*) surface water	78.8	80.5	82.5	88.9	85.7
Aguas Cordillera (*) groundwater	19.6	24.9	22.4	11.7	16.0
ESSAL surface water	21.5	19.3	20.6	22.0	21.5
ESSAL groundwater	38.7	39.5	40.3	40.0	39.1
Total	775.7	801.9	823.9	809.0	822.0

\*Aguas Cordillera includes Aguas Manquehue



\*Aguas Cordillera includes Aguas Manquehue.

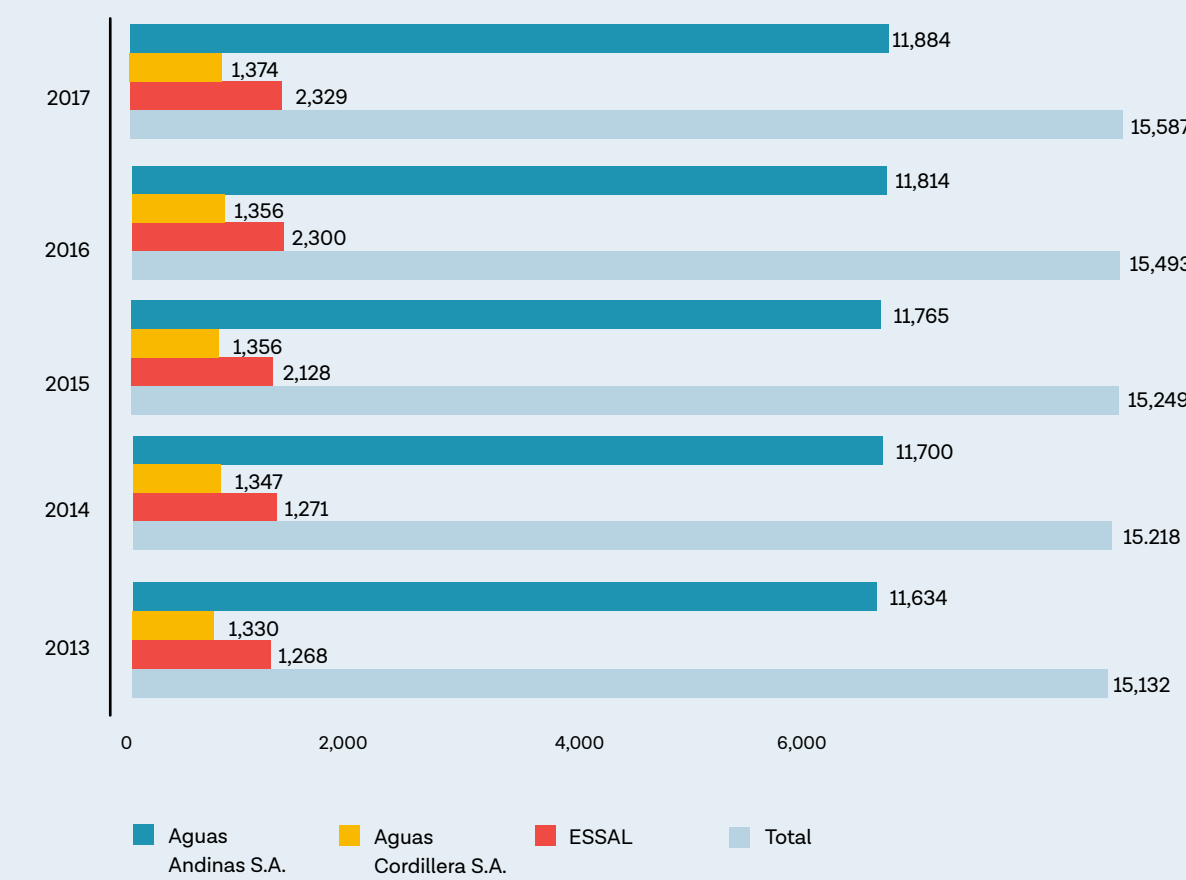
# Length of the Distribution Network in 2017



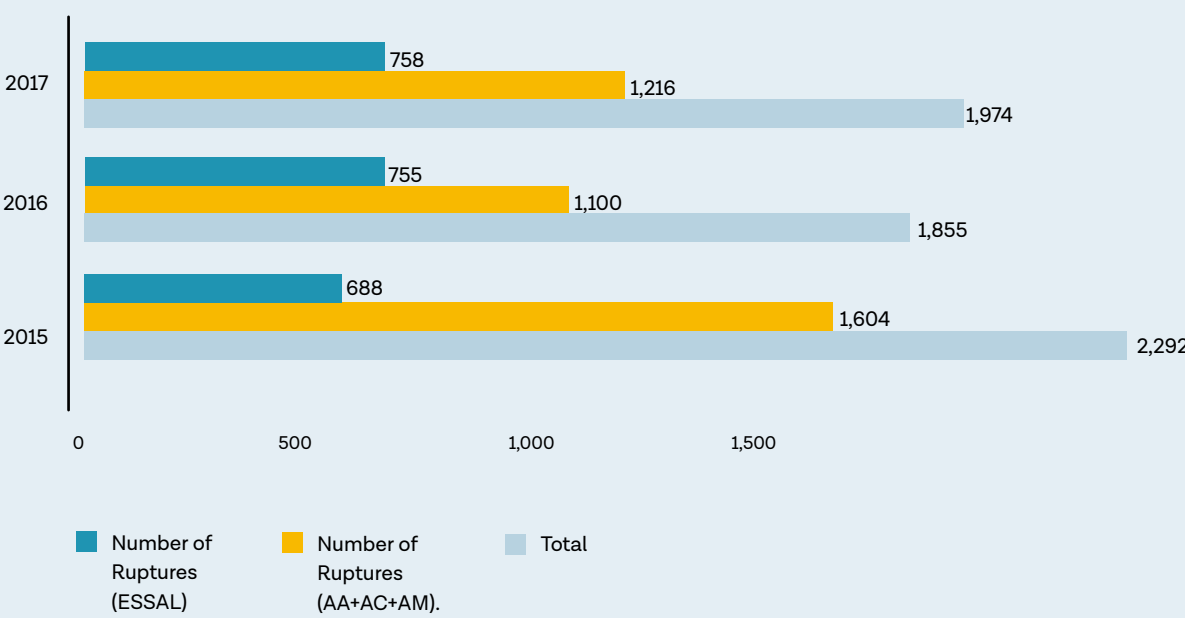
# Level of network ruptures



EVOLUTION OF NETWORK SIZE IN KM (2013-2017)



RUPTURE EVOLUTION (2015-2017)

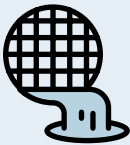


During April, there was paraffin contamination in the Maipo River. This forced changes in the distribution of part of Aguas Cordilleras’ supply which increased the number of ruptures.

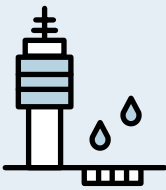
# Sewage Treatment Plants

The sewerage network grew by 80 kilometers due to the organic growth of the concession areas.

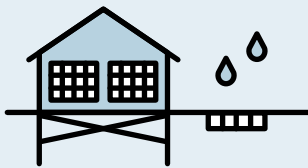
Length of the collection network in 2017



Consolidated level:  
**12,823**  
kilometers.

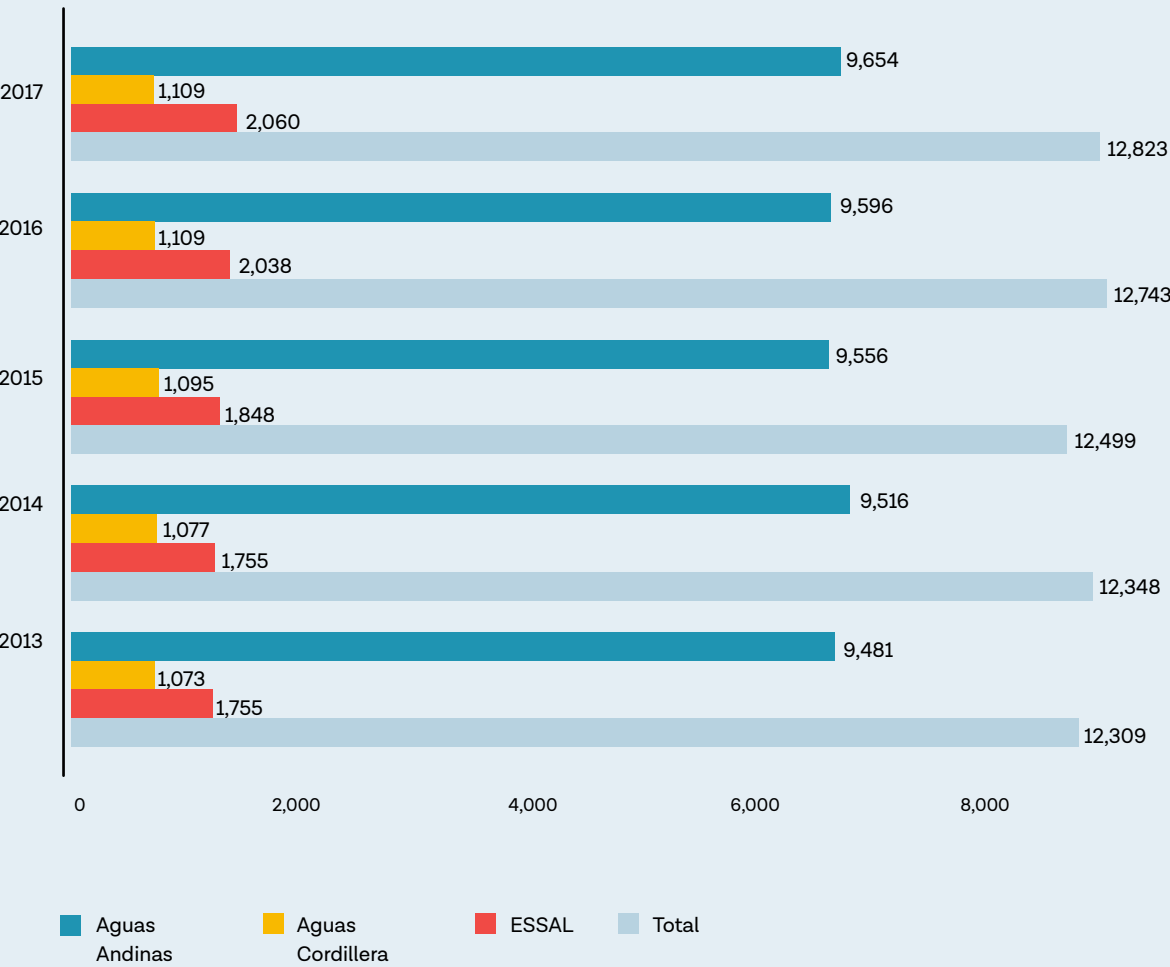


Metropolitan Region:  
**10,763**  
kilometers.



Los Lagos and Los Ríos  
Regions:  
**2,060**  
kilometers.

EVOLUTION OF THE COLLECTION NETWORK BY WATER UTILITY IN KM (2013-2017)



Part III Relevant information for 2017 Operating figures for 2017



# Sewage treatment plants

Sewage treatment at a consolidated level increased by 3% in comparison to 2016 due to the organic growth of the concession areas.

## METROPOLITAN REGION:

- 1

Greater Santiago Biofactory Complex composed of the La Farfana and Trebal-Mapocho Biofactories
- 1

north eastern area plant.
- 10

small plants in peripheral locations.

## REGIONS OF LOS LAGOS AND DE LOS RÍOS :

29 waste water treatment plants.

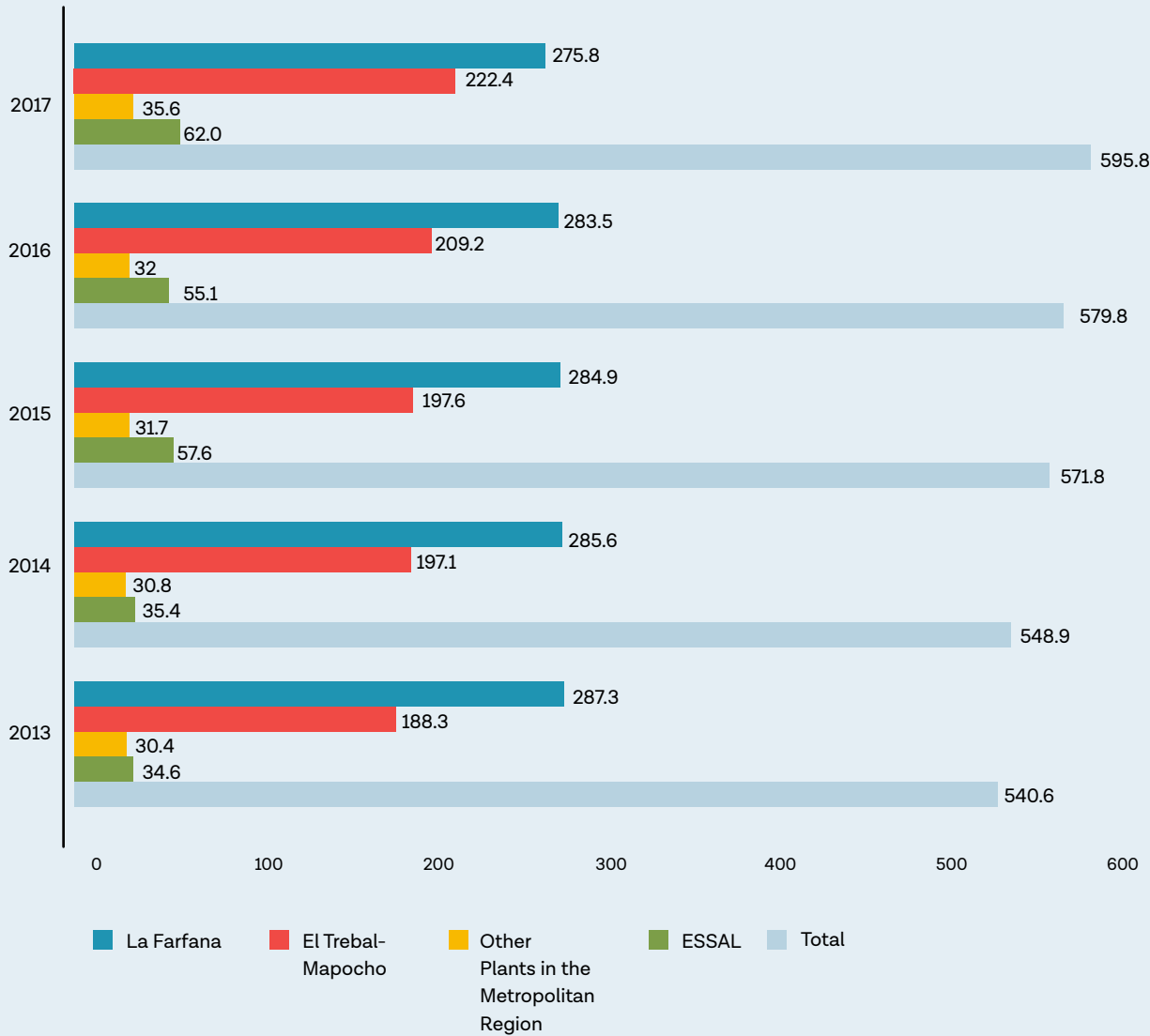
2017 consolidated treatment capacity

20.98 m³/s

2017 total consolidated treatment

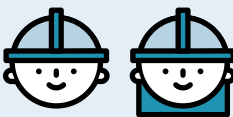
595.8 million m³

TREATMENT OF SEWAGE (MILLION M³) BY FACILITY



Part III Relevant information for 2017 Operating figures for 2017

# Workforce



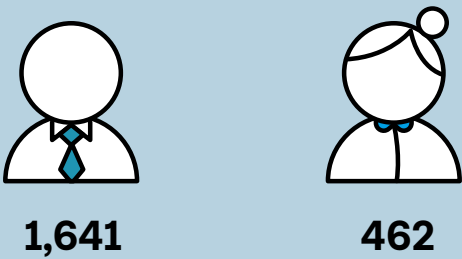
**2,103**  
was the total workforce  
of Aguas Andinas and its  
subsidiaries in 2017.

## WORKFORCE BY WATER UTILITY COMPANY

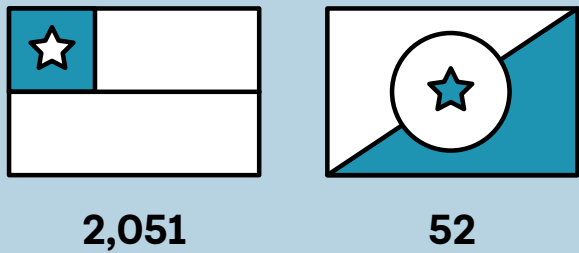
Role	Aguas Andinas	Aguas Cordillera	Aguas Manquehue	ESSAL	Others	Total
Managers and key executives	70	6	0	7	8	91
Professionals and technicians	752	68	7	208	288	1,323
Operators and administrative staff	305	49	7	156	172	689
Total	1,127	123	14	371	468	2,103

# Diversity in the organization, at a consolidated level

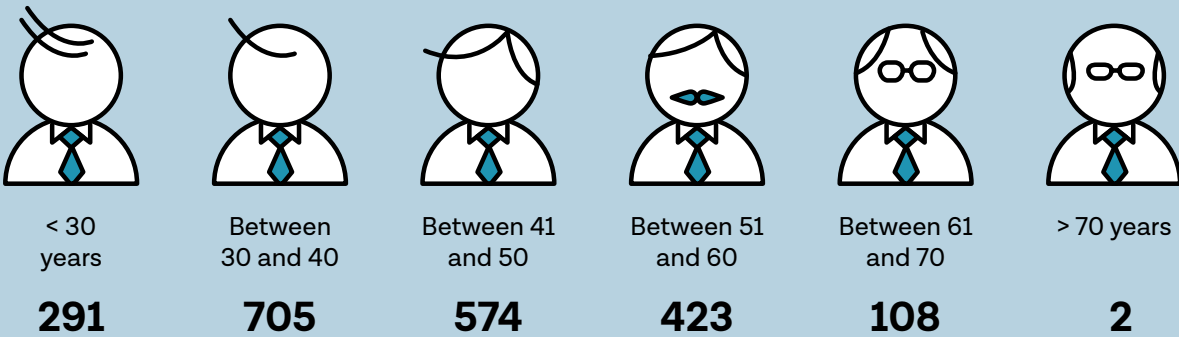
## NUMBER OF PEOPLE BY GENDER



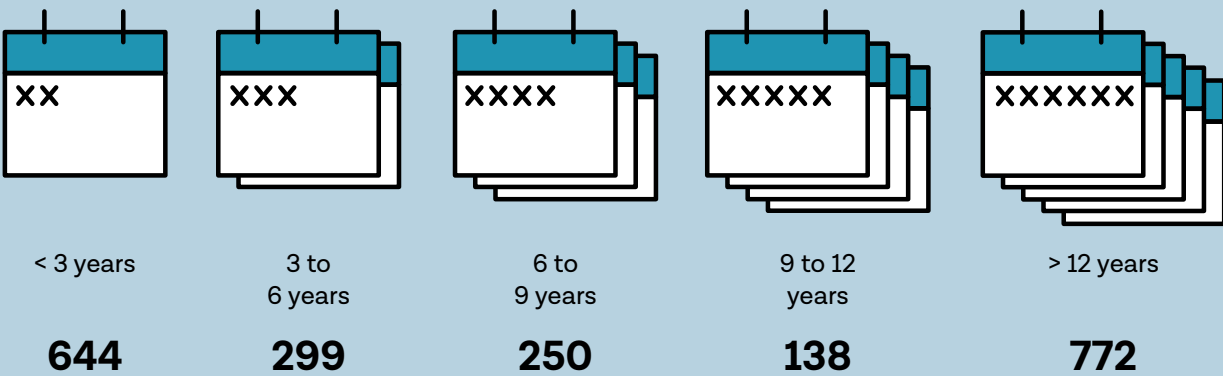
## NUMBER OF PEOPLE BY NATIONALITY



## NUMBER OF PEOPLE BY AGE

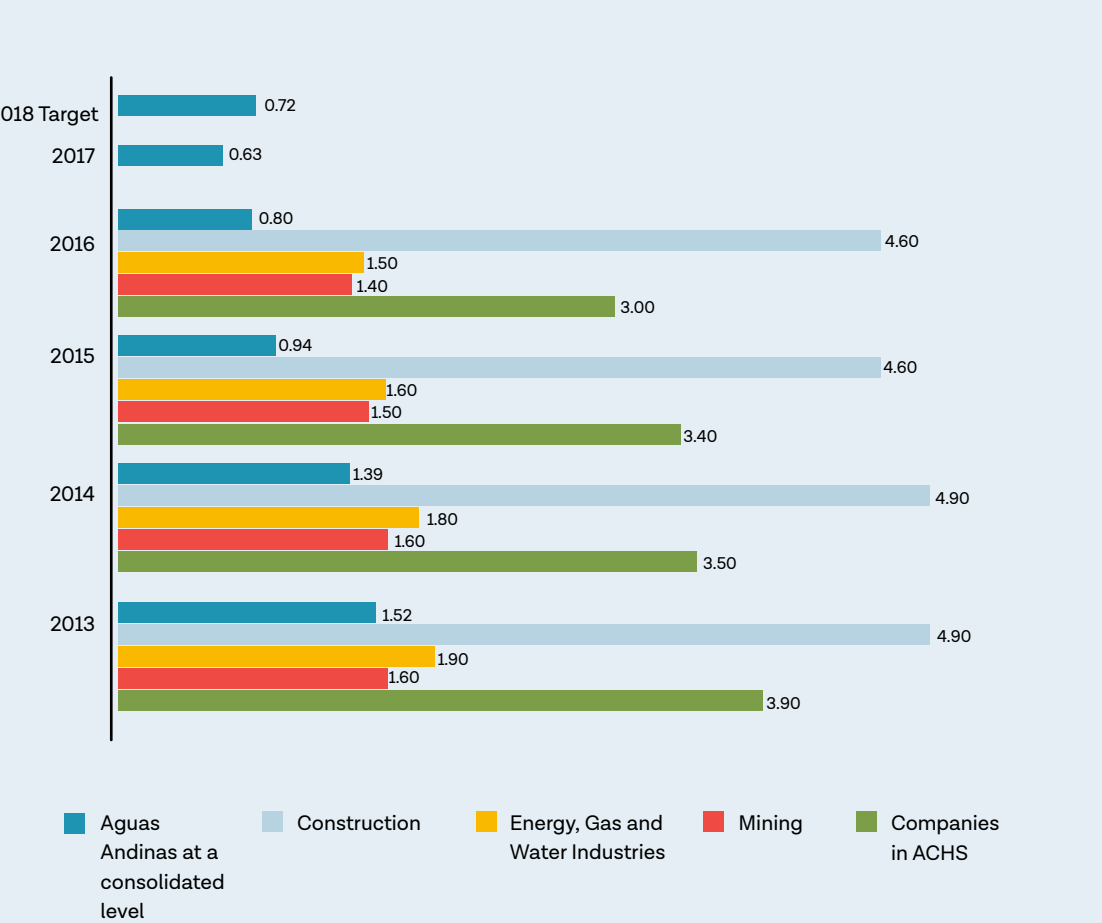


## NUMBER OF PEOPLE BY SENIORITY



# Occupational Health and Safety

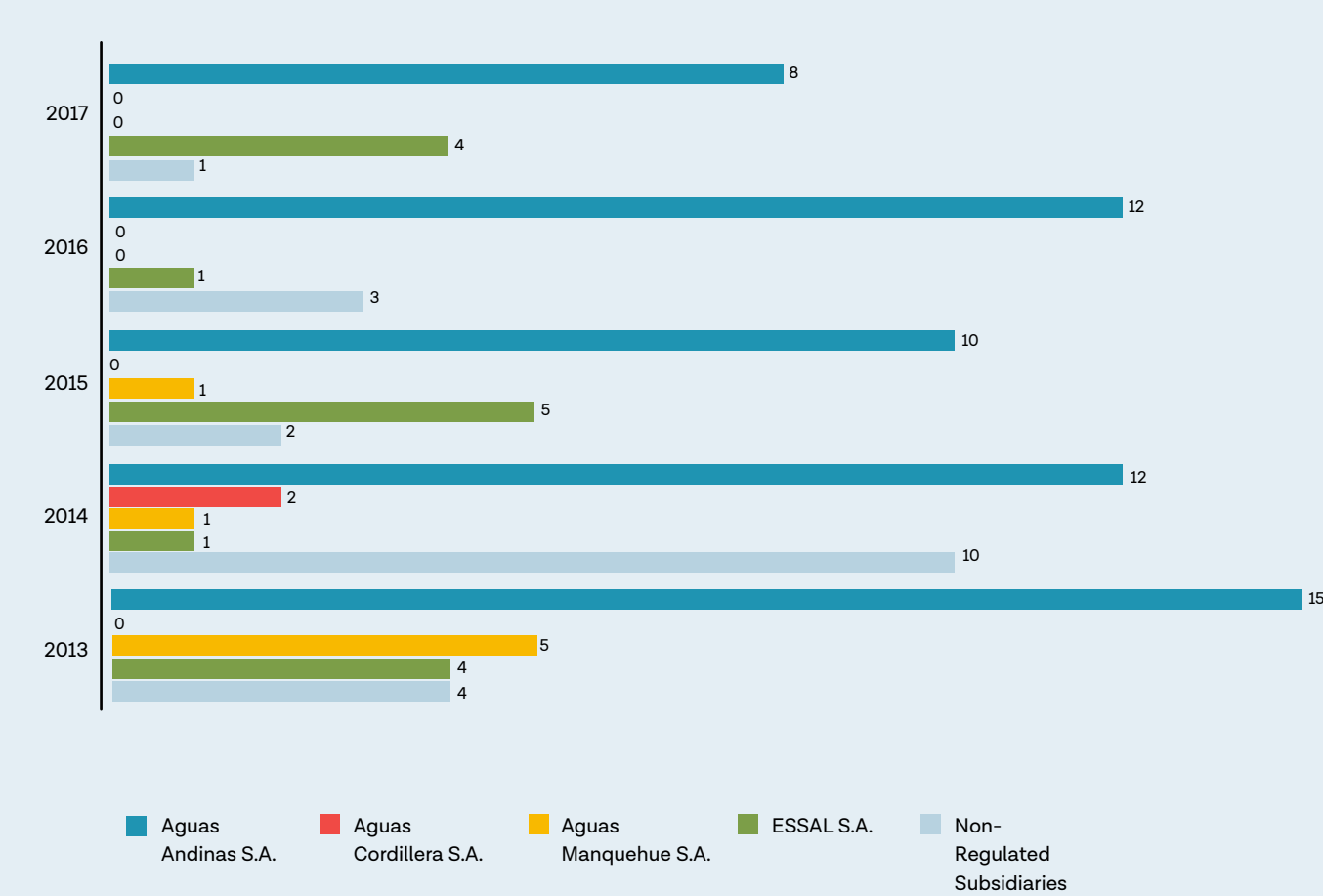
ACCIDENT RATE\* FOR AGUAS ANDINAS AT A CONSOLIDATED LEVEL VERSUS THE INDUSTRY\*\*



\*Accident rate: Number of accidents with lost time / Average number of workers in the period  
\*\*The data of the industry are up to 2016. The 2017 data will be published during 2018.

During 2017, training plans were improved and controls on the ground were strengthened, which brought an improvement in accident rates at consolidated level.

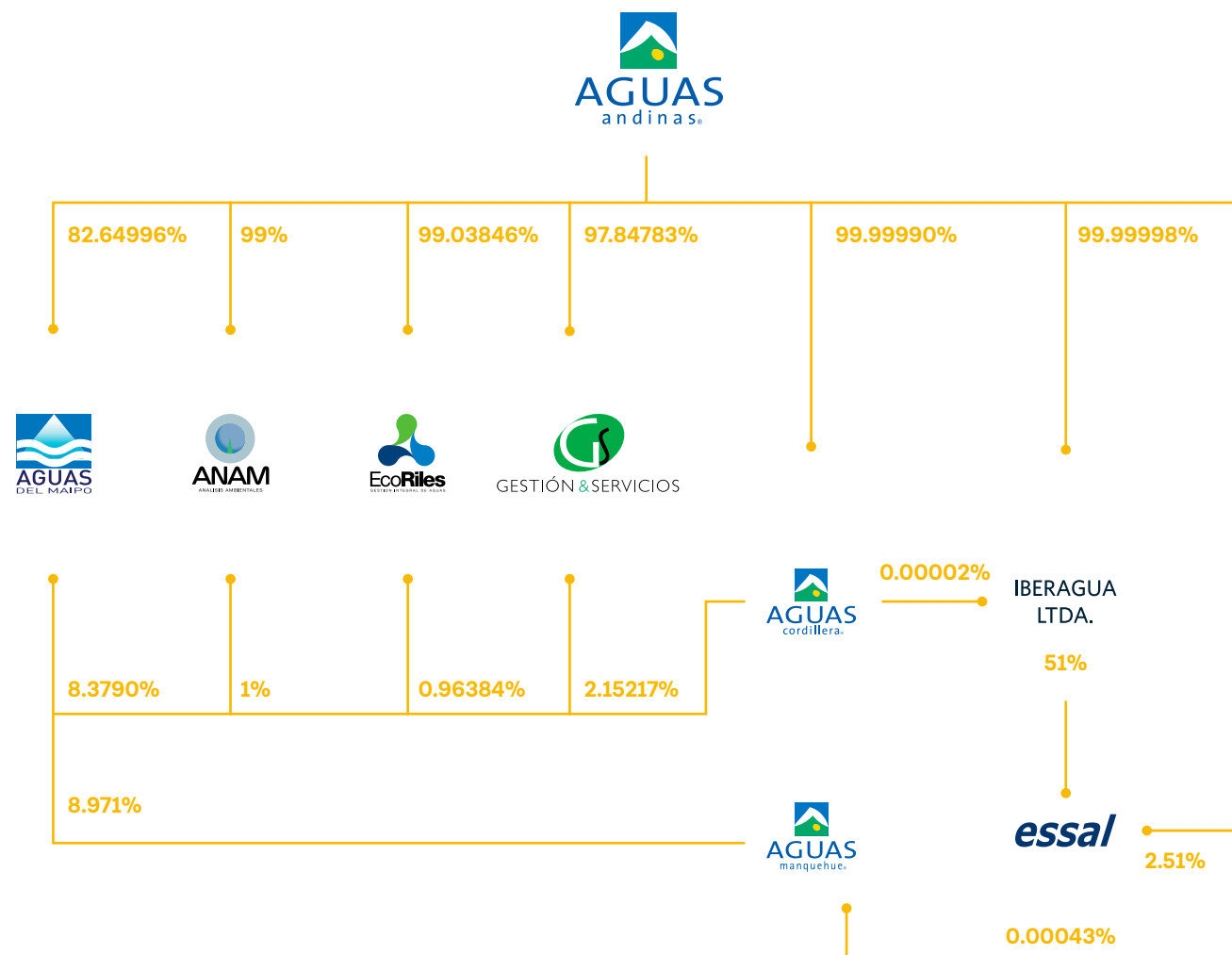
NUMBER OF WORKERS WHO SUFFERED ACCIDENTS



The accident rate and the number of people injured during 2017 have been the lowest of recent years.



# OUR SUBSIDIARIES



## Regulated subsidiaries

**Aguas Andinas S.A. – Aguas Cordillera S.A. – Aguas Manquehue S.A. – Empresa de Servicios Sanitarios De Los Lagos S.A. (ESSAL)**

Regulated by Chilean legislation, these water utilities provide services for the production and distribution of potable water, together with the collection, treatment and final disposal of wastewater.

## Non regulated subsidiaries

**EcoRiles S.A. – Gestión y Servicios S.A. – Análisis Ambientales S.A. (Anam) – Aguas del Maipo S.A.**

They provide knowledge in businesses related to the water utility industry, among them: industrial waste treatment services, marketing of non-conventional materials and renewable energy, laboratory analysis and development of energy projects related to water utility companies, respectively.

# Non-Regulated Companies



## Análisis Ambientales (ANAM)

At the end of the 2017 financial year, the company managed to consolidate its position as one of the most important suppliers of water utility materials for project development in the real estate and sanitation markets in the Metropolitan Region, achieving annual sales of USD 14.0 million.

It is worth noting that the company is developing new businesses related to the supply of inputs for the water treatment industry. These includes the sale of chemical products, such as polymers, defoamers and coagulants in the country, achieving annual sales of more than US\$ 2.0 MM per year in its second year of operation.

In other important aspects, the company began to develop a new line of business in the field of inspection, repair and replacement services for water utility materials in the water utility industry networks in Chile, where new contracts for televised inspection of networks, verification and replacement of drinking water meters, domestic connections and repair of drinking water and sewage pipes stand out.



## Gestión y Servicios

At the end of the 2017 financial year, the company managed to consolidate its position as one of the most important suppliers of water utility materials for project development in the real estate and sanitation markets in the

Metropolitan Region, achieving annual sales of USD 14.0 million.

It is worth noting that the company is developing new businesses related to the supply of inputs for the water treatment industry. These includes the sale of chemical products, such as polymers, defoamers and coagulants in the country, achieving annual sales of more than US\$ 2.0 MM per year in its second year of operation.

In other important aspects, the company began to develop a new line of business in the field of inspection, repair and replacement services for water utility materials in the water utility industry networks in Chile, where new contracts for televised inspection of networks, verification and replacement of drinking water meters, domestic connections and repair of drinking water and sewage pipes stand out.



## EcoRiles

At the end of the 2017 financial year, Ecoriles continues to lead the market in the operation and maintenance of liquid industrial waste treatment plants in Chile, with a market share of close to 50%, of which we managed to consolidate a share of over 90% in the dairy market and more than 50% in the paper industry. Annual revenue reached US\$22.0 million.

On the other hand, in the area of new businesses, improvement and optimization projects were developed for treatment processes, making us a strategic partner throughout the environmental cycle for our customers, which also generated revenues of USD 1.0 million.

We would like to highlight the entry of new accounts in the dairy market,

salmon and sanitation market, clients such as Mulpulmo belonging to the world's leading French group, Lactalis; Fiordo Austral in the salmon industry and Esval in the purification of household sewage in the V Region, represent part of the growth achieved by the company during last year.

Finally, it should be noted that Ecoriles is actively participating in the development of projects for the valorization and reuse of by-products originating from the purification plants in line with the trend towards zero residues from Biofactories. We currently operate two plants in the food industry with MBR technology that allow the reuse of 62% of the water in their productive processes and regarding biosolids management, 37,000 tons were composted, equivalent to 60% of the sludge managed by EcoRiles.



## Aguas del Maipo S.A.

Aguas Andinas' participation in the energy business is conducted through this subsidiary, which was created in 2011.

The Methanization Plant started operating in July 2017. This plant converts the biogas generated by the La Farfana Biofactory into biomethane which is then directly injected into the natural gas network of Santiago. This allows for the replacement of natural gas, a fossil fuel, with a renewable source of fuel, biomethane.



# OUR AWARDS



Honorable mention in the 2017  
ProHumana ranking.



Selected to be part of the **Dow Jones Sustainability Indices (DJSI)**  
**Emerging Markets and Chile Index** for the third consecutive year.



Our  
awards



Obtained the **Energy Efficiency Seal from the Ministry of Economy**, Gold category.



Selected as an **ALAS20 Company**, an award that acknowledges only one company in the country that demonstrates leadership, consistency and excellence in the public disclosure of information about its investor relations, sustainable development and corporate governance practices.



**Second place** in the categories of **Leading Company in Corporate Governance** and **Leading Company in Investor Relations**.



**First place** in the category **ALAS20 Sustainability Leading Company**.

Selected to be a component of the **FTSE4Good Emerging Index**.

Certified as a **Family Friendly** company.



# CURRENT TARIFFS

The current tariffs applied by Aguas Andinas, Aguas Manquehue and Aguas Cordillera correspond to the sixth tariff setting process, which determined the prices of potable water, sewerage and sewage treatment services that are charged to customers during the five-year period 2015 - 2020.

This agreement between the Superintendence of Sanitation Services (SISS) and the water utility companies states the following (overall):

- For Aguas Andinas and Aguas Cordillera, tariffs were maintained in real terms.
- For Aguas Manquehue, tariffs were reduced by 5% in real terms.



- Additional tariffs will apply when new services come into operation, namely:
  - o Increase of 1.1% for production assurance works in extreme turbidity situations (estimated to be operational in 2019).
  - o Increase of 1.4% due to nitrogen treatment plant works in the return of the La Farfana and Trebal-Mapocho treatment plants (estimated to be operational in 2019).
- Discounts will be applied to fees for non-regulated businesses entering into operation. For example:
  - o 1.2% discount for the Alto Maipo Project (once in operation).

ESSAL's tariffs corresponding to the sixth tariff fixing process were determined during 2016 and will remain in force until 2021.

The agreement states the following:

- ESSAL's tariffs were maintained in real terms.
- An additional tariff of 1.5% will be applied at the end of 2018 when the company's production assurance works come into operation. These works include assurance ponds, generators and support equipment.







# MAIN CLIENTS AND SUPPLIERS

## Main potable water clients

In terms of risk, the company's top 100 customers represented only 9.8% of total sales for the year.

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Ilustre Municipalidad de Puente Alto

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Ilustre Municipalidad de Santiago

---

Ilustre Municipalidad de La Florida

---

Ilustre Municipalidad de Peñalolén

---

Ilustre Municipalidad de San Bernardo

---

Soprole S.A.

---

Universidad de Chile

---

Ilustre Municipalidad de La Pintana

---

Adminstración Centro Comercial Alto Las Condes Ltda.

---

Cervecera CCU Chile Ltda.

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## Main suppliers

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Empresa Depuradora de Aguas Servidas Mapocho El Trebal <sup>(1)</sup>

---

Inmobiliaria y Constructora Nueva Pacífico Sur Ltda.

---

Constructora Pérez y Gómez Ltda.

---

Suez Biofactoría Andina SpA <sup>(1)</sup>

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Suez International Agencia en Chile <sup>(1)</sup>

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Cosntructora Olbertz Ltda

---

CGE Distribución S.A

---

Icafal Ingeniería y Construcción S.A

---

INLAC S.A

---

Ingeniería y Construcción MST Ltda.

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<sup>(1)</sup> Related company to Aguas Andinas S.A.



# REAL ESTATE, EQUIPMENT AND INSURANCE

The main properties and equipment destined to the provision of services for the production and distribution of potable water and collection and treatment of sewage are owned by Aguas Andinas and are in good working order.

The main properties and facilities of Aguas Andinas are: El Yeso Reservoir, Las Vizcachas Complex, La Florida Potable Water Production Plant, potable water distribution and sewage collection networks in all their extension and

the La Farfana and Trebal-Mapocho Complex wastewater treatment facilities.

The company maintains up to date insurance for all its infrastructure assets, buildings and their contents, such as: Potable water production and distribution, wastewater collection and treatment facilities, offices and warehouses. The coverage of these insurances mainly includes risks related to nature and fires.

## Main facilities

Facility	Purpose	Address	Ownership
La Florida Plant	Potable water production plant	Tobalaba 9670, La Florida, Santiago	Yes
Las Vizcachas Plant	Potable water production plant	Av. Camilo Henríquez 540, Puente Alto, Santiago	Yes
Trebal- Mapocho Plant	Wastewater treatment plant	Av. Las Parcelas S/N, Padre Hurtado, Santiago	Yes
La Farfana Plant	Wastewater treatment plant	Camino La Farfana, Maipú, Santiago	Yes

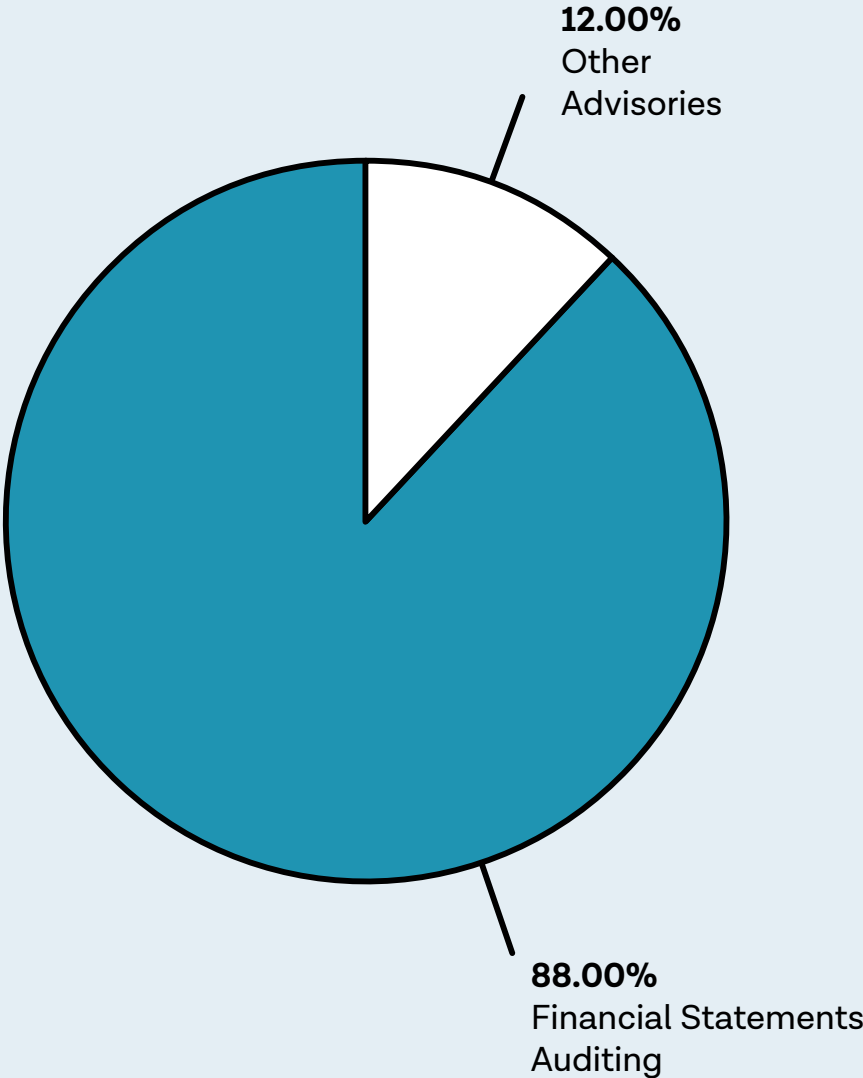


# Payments To External Auditors

As per what was voted upon during Aguas Andinas’ twenty seventh General Shareholders Meeting which took place on April 24, 2017, EY was designated as the Company’s external auditors for the financial year. At a consolidated level, during 2017, they received payments for \$265 million Pesos, distributed in \$233 million Pesos for auditing financial statements and \$32 million Pesos for other advisories.

In accordance with the provisions of the Securities Market Law (No. 18.045), in relation to external audit companies, the Company verifies the auditor’s independence, ensuring that there are no commercial or proprietary relationships on the part of the partners and who lend the Service.

For those cases that are not part of an external audit, the Directors Committee authorizes the contracting of services that are not prohibited by law, such as internal audits, implementation of accounting systems, hiring consultancies and personnel administration, among others. The Company requires that the partners in charge of an external audit do not remain for a period of more than 5 years.







# MATERIAL EVENTS OF 2017

**On May 8, 2017**, the Financial Market Commission (previously known as Superintendence of Securities and Insurance) was informed of the following:

That the resignation of Mr. Bruno Philippi Irrarázabal from the position of named director was received, with Mr. Laureano Cano Iniesta moving into the position of named director.

**On December 14, 2017**, the Financial Market Commission (previously known as Superintendence of Securities and Insurance) was informed that:

The Board of Directors of the Company, in ordinary session held on this same date, has unanimously agreed to distribute the amount of \$ 41,984,667,549, on account of the profits of 2017, as a temporary dividend. In view of the foregoing, the interim dividend number 63 of the Company will amount to \$6.8614 per share and will be payable as of January 24, 2018.



# WATER UTILITY REGULATION

The legislation in force in the country establishes that water utility providers are under the supervision and regulation of the Superintendence of Sanitation Services (SISS), a functionally decentralized body with its own legal personality and assets, which operates under the supervision of the President of the Republic, through the Ministry of Public Works.

There is a set of laws and regulations that regulate the functioning of the water utility companies and sector. The main legal bodies are:

- **General Sanitation Services Law (DFL MOP N° 382 of 1988).** It contains the main provisions governing the system of concessions and the activity of water utility providers.
- **General Sanitation Services Law Regulation (DS MOP N° 1199/2004).** It establishes the regulations that allow the application of the General Law of Sanitation Services.
- **Sanitation Services Tariff Law (DFL MOP N° 70 of 1988).** It sets out the main provisions governing the setting of potable water and sewerage tariffs, as well as reimbursable financing contributions.
- **Regulation of the Sanitation Services Tariff Law (DS MINECON N° 453 de 1989).** It contains the regulatory rules that allow the application of the Law on Sanitation Services Tariffs.
- **Law establishing the Superintendence of Sanitation Services (LawNo. 18,902 of 1990).** It establishes the functions of the SISS.
- **Law on Subsidy for the Payment of Potable Water Consumption and Sewerage Services (Law N° 18.778 of 1989).** Establishes a subsidy for the payment of potable water and sewerage consumption for low-income customers.
- **Subsidy Law Regulation (DS HACIENDA N° 195 of 1998).** It contains the regulatory provisions for the implementation of the Subsidy Law.

# IDENTIFICATION OF THE COMPANY

**Company Name:** Aguas Andinas S.A.

**Legal Address:** Av. Presidente Balmaceda N° 1398,  
Santiago, Chile

**Tax ID:** 61.808.000 - 5

**Telephone:** (56-2) 2688 1000

**Fax:** (56-2) 2569 2777

**Email:** comunicaciones@aguasandinas.cl

**Management PO Box:** 1537 Santiago

**Activity:** Collection, purification and distribution of  
potable water, collection and disposal of wastewater

**Service telephone:** (56-2) 2731 2482

**Registration in the Securities Registry:** N° 0346

**Website:** [www.aguasandinas.cl](http://www.aguasandinas.cl)

## **Stock exchange information**

**Stock exchange code**

**Series A:** "Aguas-A"

**Series B:** "Aguas-B"

## **Information to shareholders**

**Central securities deposit**

**Address:** Huérfanos 770, piso 22, Santiago, Chile

**Telephone:** (56-2) 2393 9003

## **Investor Relations**

**Address:** Av. Presidente Balmaceda N° 1398, piso 3,  
Santiago, Chile

**Telephone:** (56-2) 2569 2301

**Emails:** inversionistas@aguasandinas.cl  
sbaiera@aguasandinas.cl

**Website:** [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)



**Corporate purpose**

The purpose of the company is to produce and distribute potable water; collect, treat and dispose of sewage; and perform other services related to such activities, in the manner and under the conditions established in the Decree with force of Law No. 382 of the Ministry of Public Works of 1988, General Law of Sanitation Services, and other applicable regulations.

**Legal incorporation**

Aguas Andinas S.A. was incorporated by public deed dated May 31, 1989, granted at the Notary Public of Santiago by Raúl Undurraga Laso, and an extract of it was registered in pages 13.981, No. 7.040, in the Registry of Commerce of the Real Estate Registrar of Santiago of 1989, and was published in the Official Gazette of June 10, 1989.

The Corporate bylaws have been amended several times. The last of these amendments was approved by the 18th Extraordinary Shareholders' Meeting, which was held for the said purpose: (i) incorporate the amendments introduced to the laws and regulations that regulate the company's activity; (ii) modify the corporate purpose, adapting it to the General Law on Health Services; (iii) extend the duration of the board of directors to three years; (iv) record that the share capital is fully subscribed and paid; and (v) repeal the transitional provisions that lost their validity.

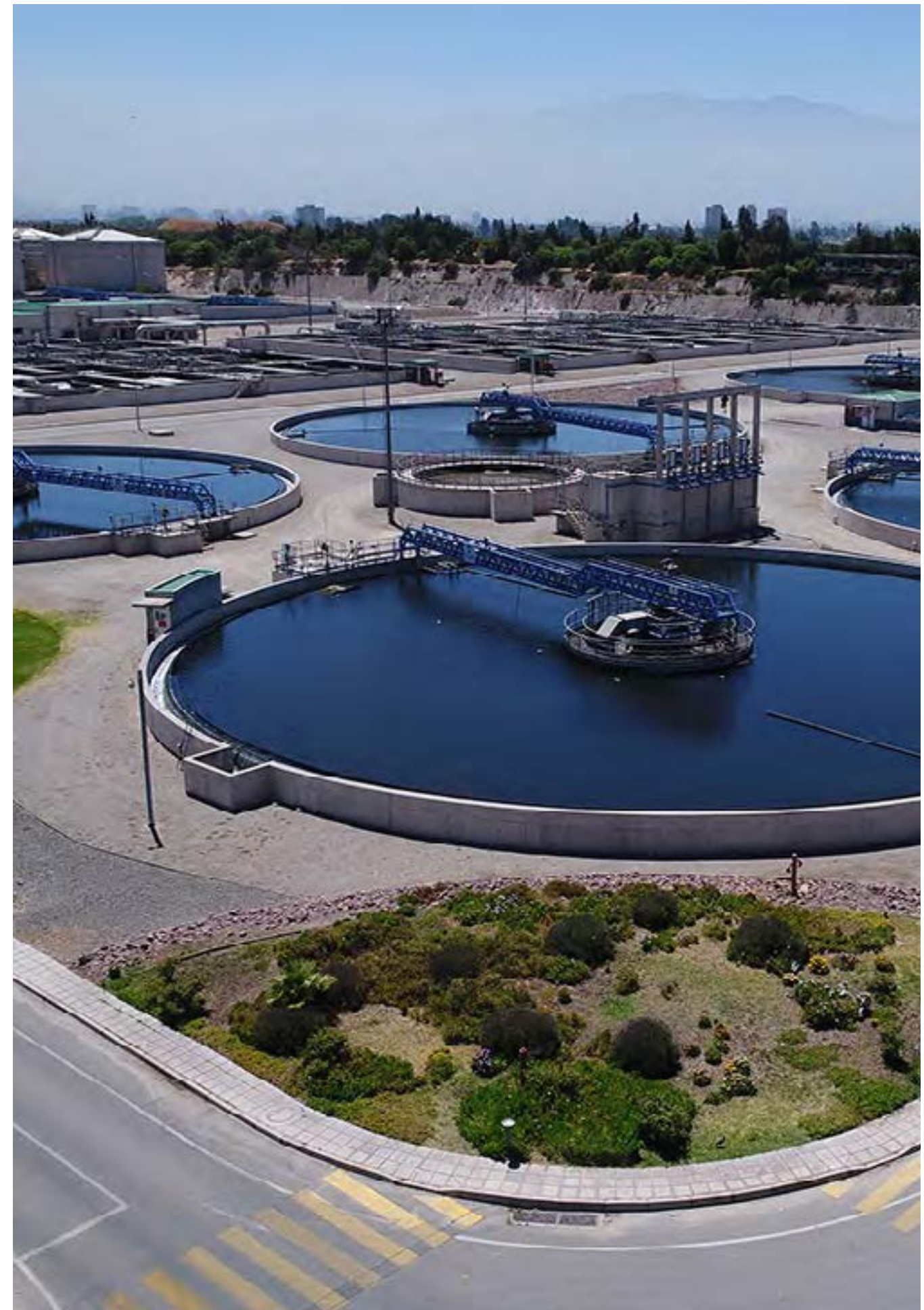
A new revised text of the bylaws was also issued. This modification consists of a public deed dated October 2, 2013, granted by Don

Ivan Torrealba Acevedo in the Notary Public's office in Santiago, and an extract of it was registered in pages 78.299, No. 51.547, in the Trade Registry of the Real Estate Registrar of Santiago of 2013, and published in the Official Gazette dated October 21, 2013.

**Legal aspects**

The company is registered in the Securities Registry of the Financial Market Commission (previously known as Superintendence of Securities and Insurance) with No. 0346 by provision of Law No. 18,777.

As a company in the water utility sector, it is supervised by the Superintendence of Sanitation Services in accordance with Law No. 18,902 and Decrees with Force of Law No. 382 and No. 70, both of 1988.





# LIABILITY STATEMENT

The Directors of Aguas Andinas S. A. and the Company's CEO who are signatories of this statement are responsible under oath for the veracity of the information provided in this Annual Report, in accordance with the provisions of General Rule No. 30 of the Financial Market Commission (previously known as Superintendence of Securities and Insurance).



**Guillermo Pickering De La Fuente**

Tax ID: 7.577.744-2

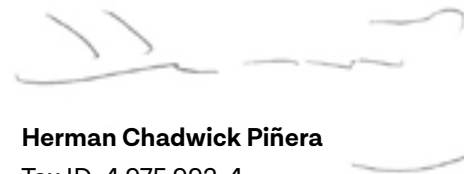
President



**Laureano Cano Iniesta**

Tax ID: 25.374.056-6

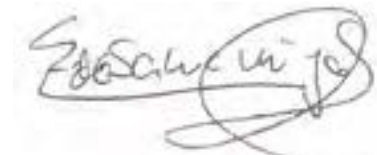
Director



**Herman Chadwick Piñera**

Tax ID: 4.975.992-4

Vice-President



**Fernando Samaniego Sangroniz**

Tax ID: 6.374.438-7

Director



**Rodrigo Manubens Molledo**

Tax ID: 6.575.050-3

Director



**Pedro Sierra Bosch**

Tax ID: 7.939.734-2

Director



**Ricardo Escobar Calderón**

Tax ID: 8.483.513-7

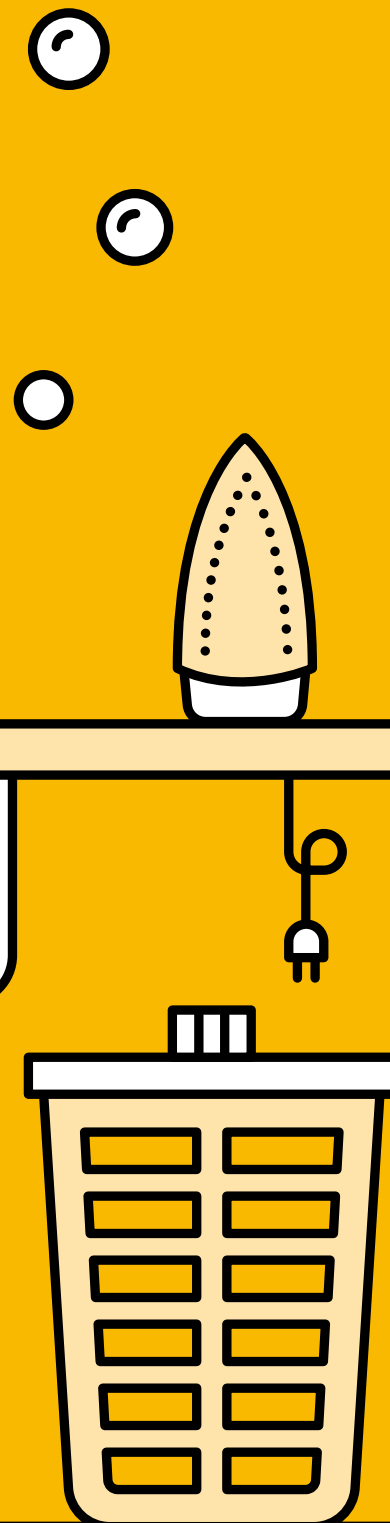
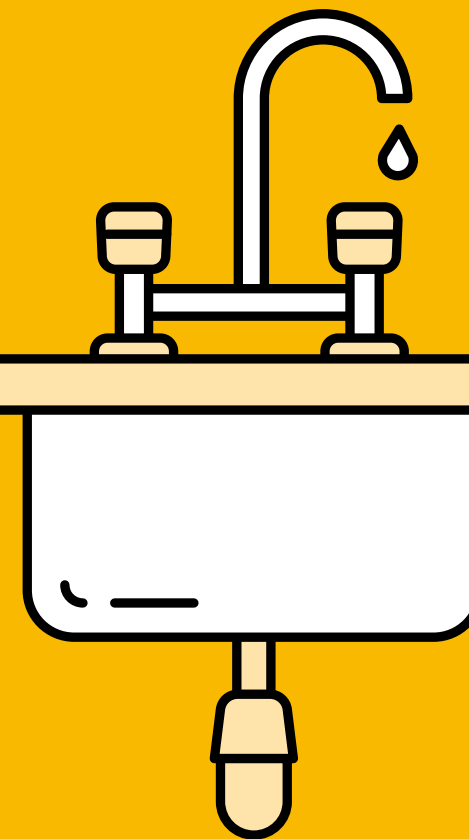
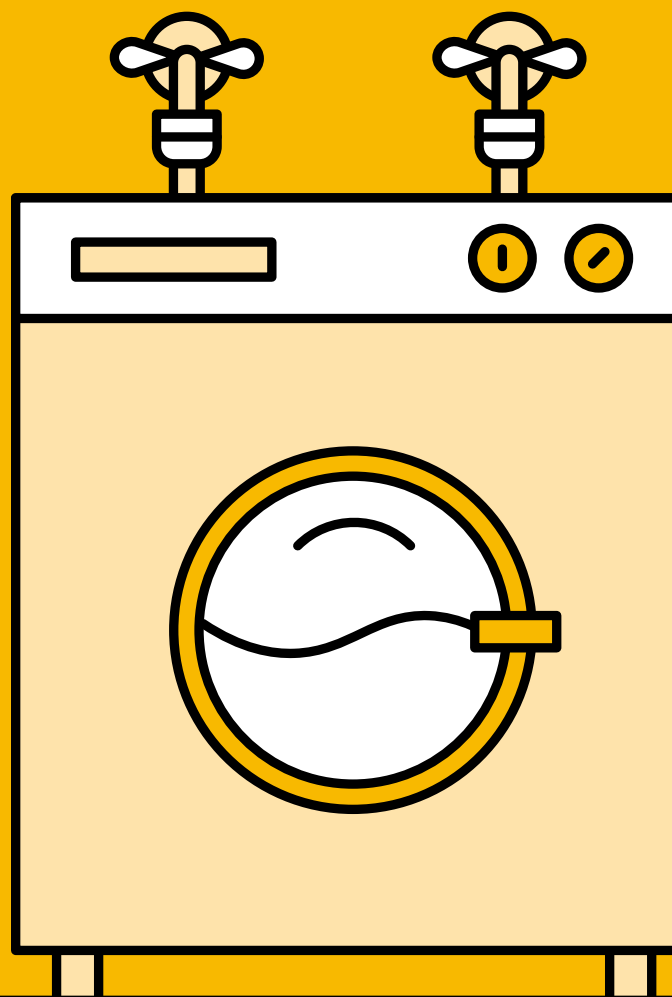
Director



**Narciso Berberana Sáenz**

Tax ID: 22.105.171-8

CEO



# Part IV

## Financial statements



## Independent Auditor's Report

(Translation of the report originally issued in Spanish)



**Gastón Villarroel O.**

EY AUDIT SPA

Santiago, march. 28, 2018

Shareholders and Directors  
Aguas Andinas S.A

We have audited the accompanying consolidated financial statements of Aguas Andinas S.A., and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Auditing Standards Generally Accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aguas Andinas S.A., and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.



# Consolidated Financial Position Statements

As at December 31, 2017 and December 31, 2016  
(Thousands of Pesos - Th\$)

ASSETS	Note	31-12-2017 Th\$	31-12-2016 Th\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalent	7	18,808,340	64,876,443
Other non-financial assets		1,359,205	334,293
Commercial debtors and other accounts receivable	8	113,515,790	106,288,544
Accounts receivable from related entities	9	560,633	1,275,867
Inventories	10	3,925,378	3,309,945
Tax assets		12,449,415	5,986,263
<b>Total current assets other than the assets or groups of available assets classified as being retained for sale or being retained to be distributed among holders</b>		<b>150,618,761</b>	<b>182,071,355</b>
<b>TOTAL CURRENT ASSETS</b>		<b>150,618,761</b>	<b>182,071,355</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	7,807,734	7,792,445
Other non-financial assets		895,341	886,496
Receivables	8	2,276,380	2,082,334
Intangible assets other than goodwill	11	227,084,499	227,951,484
Goodwill	12	36,233,012	36,233,012
Properties, plant and equipment	13	1,351,763,816	1,294,570,086
Deferred tax assets	24	20,200,593	20,231,924
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,646,261,375</b>	<b>1,589,747,781</b>
<b>TOTAL ASSETS</b>		<b>1,796,880,136</b>	<b>1,771,819,136</b>

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

# Consolidated Financial Position Statements

As of December 31, 2017 and December 31, 2016  
(Thousands of Pesos - Th\$)

EQUITY AND LIABILITIES	Note	31-12-2017 Th\$	31-12-2016 Th\$
<b>CURRENT LIABILITIES</b>			
Other financial liabilities	8	63,045,352	43,629,749
Trade debts and other accounts payable	8	106,129,106	101,917,169
Accounts payable from related entities	9	43,591,633	38,225,005
Other provisions	15	2,603,819	2,628,225
Tax liabilities		12,639	2,857,217
Provisions for employee benefits	19	5,473,412	5,378,546
Other non-financial liabilities		16,255,942	17,295,140
<b>Total current liabilities other than the liabilities included in available liability groups classified as being retained for sale</b>		<b>237,111,903</b>	<b>211,931,051</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>237,111,903</b>	<b>211,931,051</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	8	802,978,167	808,003,406
Other accounts payable	8	982,075	949,408
Other provisions	15	1,301,105	1,277,574
Deferred tax liabilities	24	37,820,849	38,150,441
Provisions for employee benefits	19	15,328,801	16,032,827
Other non-financial liabilities	8	8,057,759	8,592,004
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>866,468,756</b>	<b>873,005,660</b>
<b>TOTAL LIABILITIES</b>		<b>1,103,580,659</b>	<b>1,084,936,711</b>
<b>EQUITY</b>			
Issued capital	3	155,567,354	155,567,354
Accumulated earnings	3	328,964,934	320,491,338
Share premium	3	164,064,038	164,064,038
Other equity interests	3	-5,965,550	-5,965,550
<b>Equity attributable to owners of the controller</b>		<b>642,630,776</b>	<b>634,157,180</b>
<b>Non-controlling interests</b>	4	<b>50,668,701</b>	<b>52,725,245</b>
<b>TOTAL EQUITY</b>		<b>693,299,477</b>	<b>686,882,425</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,796,880,136</b>	<b>1,771,819,136</b>

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.



## Comprehensive consolidated income statements by nature

For financial years ended on December 31 2017 and 2016  
(Thousands of Chilean Pesos - Th\$)

INCOME STATEMENT BY NATURE	Note	31-12-2017 Th\$	31-12-2016 Th\$
Revenues for regular activities	17	509,540,577	492,249,645
Used raw materials and expendables		-34,924,849	-33,442,760
Provisions for employee benefits	19	-55,548,304	-53,621,906
Expenses related to depreciation and amortization	11-13	-74,394,154	-67,009,703
Other expenses by nature	21	-120,462,471	-113,671,600
Other (losses) earnings	5	2,608,255	14,597,521
Financial income	5	6,052,997	6,473,964
Financial costs	5	-31,112,258	-27,117,541
Exchange differences	20	8,988	-17,987
Results of indexation adjustments	22	-11,945,903	-20,159,712
<b>Earnings before taxes</b>		<b>189,822,878</b>	<b>198,279,921</b>
Expenses for earning taxes	24	-46,340,625	-43,442,462
<b>Earnings from continuous operations</b>		<b>143,482,253</b>	<b>154,837,459</b>
<b>Earnings</b>		<b>143,482,253</b>	<b>154,837,459</b>
<b>EARNINGS DUE TO</b>			
<b>Earnings attributable to owners of the controller</b>		<b>139,620,280</b>	<b>150,575,666</b>
Earnings attributable to non-controlling shares	4	3,861,973	4,261,793
<b>Earnings</b>		<b>143,482,253</b>	<b>154,837,459</b>
<b>EARNINGS PER SHARE</b>			
Earnings per basic shares in continuous operations	24	22.818	24.608
<b>Earnings per basic shares</b>		<b>22.818</b>	<b>24.608</b>

The attached notes from 1 to 28 are a comprehensive part of these consolidated financial statements.

COMPREHENSIVE INCOME STATEMENT	Nota	31-12-2017 M\$	31-12-2016 M\$
Earnings		143,482,253	154,837,459
<b>OTHER COMPREHENSIVE INCOME STATEMENT</b>			
<b>Components of other comprehensive income statement that will not be regraded to the result of the financial year, before taxes</b>			
Actuarial surplus (losses) for defined profit plans		1,340,799	58,684
<b>Other Comprehensive income statement that will not be regraded to the result of the financial year, before taxes</b>		<b>1,340,799</b>	<b>58,684</b>
<b>Taxes on incomes related to components of other comprehensive income statement that will not be regraded to the result of the financial year</b>			
Tax on incomes related to defined profit plans		-362,016	-15,844
<b>Taxes on earnings related to the components of other comprehensive income statement that will not be regraded to the result of the period</b>		<b>-362,016</b>	<b>-15,844</b>
<b>Total other comprehensive income statement</b>		<b>978,783</b>	<b>42,840</b>
<b>TOTAL COMPREHENSIVE INCOME STATEMENT</b>		<b>144,461,036</b>	<b>154,880,299</b>
<b>Comprehensive income statement attributable to</b>			
<b>Comprehensive income statement attributable to the owners of the controller</b>		<b>140,601,412</b>	<b>150,602,686</b>
<b>Comprehensive income statement attributable to non-controlling shares</b>	<b>4</b>	<b>3,859,624</b>	<b>4,277,613</b>
<b>Total comprehensive income statement</b>		<b>144,461,036</b>	<b>154,880,299</b>

The attached notes from 1 to 28 are a comprehensive part of these consolidated financial statements.

## Consolidated direct cash flow statements

For financial years ended on December 31 2017 and 2016  
(Thousands of Chilean Pesos - Th\$)

DIRECT CASH FLOW STATEMENT	Note	31-12-2017 Th\$	31-12-2016 Th\$
<b>Types of collections from operation activities</b>		<b>597,048,972</b>	<b>578,173,427</b>
Collections from the sales of assets and services		592,919,710	575,262,317
Collections from premiums and benefits, annualities and other policies' profits		2,532,452	609,395
Other collections from operation activities		1,596,810	2,301,715
<b>Types of payments in cash from operation activities</b>		<b>-311,191,522</b>	<b>-282,898,400</b>
Vendors payment for goods and services		-196,301,864	-177,641,589
Payments to and on behalf of the employees		-56,738,355	-52,713,455
Payments of premiums and services, annualities and other liabilities arising from the contracted policies		-3,463,921	-579,521
Other payments for operation activities		-54,687,382	-51,963,835
<b>Cash flow accruing (used in) operations</b>		<b>-72,388,282</b>	<b>-61,176,176</b>
Interests paid		-20,265,514	-18,427,738
Interests accrued		345,631	1,591,617
Taxes paid on earnings (reimbursed)		-50,273,620	-41,193,369
Other cash in-flow (out-flow)		-2,194,779	-3,146,686
<b>Cash flow from (used in) operation activities</b>		<b>213,469,168</b>	<b>234,098,851</b>
Amounts from the sale of properties, plant and equipment		622,475	24,548,806
Purchase of properties, plant and equipment		-112,299,077	-113,173,475
Purchase of intangible assets		-678,500	-889,173
Interests accrued		402,982	153,645
Other cash in-flow (out-flow)		-1,876,838	-3,820,405
<b>Cash flow from (used in) investment activities</b>		<b>-113,828,958</b>	<b>-93,180,602</b>
Amounts from long-term loans		43,604,119	99,531,219
Amounts from short-term loans		67,841,887	1,573,312
<b>Amounts from loans, classified as financing activities</b>		<b>111,446,006</b>	<b>101,104,531</b>
Amortization of loans		-115,692,132	-75,455,795
Dividends paid		-141,462,187	-134,644,071
<b>Cash flows from (used in) financing activities</b>		<b>-145,708,313</b>	<b>-108,995,335</b>
<b>Net cash increase (decrease) and equivalent to the cash</b>		<b>-46,068,103</b>	<b>31,922,914</b>
Cash and cash equivalents at the beginning of the financial year		64,876,443	32,953,529
<b>Cash and equivalent cash at the end of the financial year</b>	<b>7</b>	<b>18,808,340</b>	<b>64,876,443</b>

The attached notes from 1 to 28 are a comprehensive part of these consolidated financial statements.

## Status of Changes in the Consolidated Net Equity

For financial years ended on December 31 2017 and 2016  
(Thousands of Chilean Pesos - Th\$)

STATUS OF CHANGES IN THE EQUITY	Note	Issued shared capital Th\$	Share premiums Th\$	Other equity shares Th\$	Reserve of actuarial earnings or losses in defined profit plans Th\$	Accumulated earnings (losses) Th\$	Equity attributable to the owners of the controller Th\$	Non-controlling shares Th\$	Total equity Th\$
<b>Initial balance as at 01-01-2017</b>		<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</b>	<b>320,491,338</b>	<b>634,157,180</b>	<b>52,725,245</b>	<b>686,882,425</b>
<b>COMPREHENSIVE RESULT</b>									
Earnings		0	0	0	0	139,620,280	<b>139,620,280</b>	3,861,973	143,482,253
Other comprehensive result		0	0	0	981,132	0	<b>981,132</b>	-2,349	978,783
Dividends	3	0	0	0	0	-132,127,816	<b>-132,127,816</b>	0	-132,127,816
Reduction due to transfers and other changes	3 - 4	0	0	0	-981,132	981,132	<b>0</b>	-5,916,168	-5,916,168
<b>Total of changes in the equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,473,596</b>	<b>8,473,596</b>	<b>-2,056,544</b>	<b>6,417,052</b>
<b>Final balance as at 31-12-2017</b>	<b>3-4</b>	<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</b>	<b>328,964,934</b>	<b>642,630,776</b>	<b>50,668,701</b>	<b>693,299,477</b>

STATUS OF CHANGES IN THE EQUITY	Note	Issued shared capital Th\$	Share premiums Th\$	Other equity shares Th\$	Reserve of actuarial earnings or losses in defined profit plans Th\$	Accumulated earnings (losses) Th\$	Equity attributable to the owners of the controller Th\$	Non-controlling shares Th\$	Total equity Th\$
<b>Initial balance as at 01-01-2016</b>		<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</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	150,575,666	<b>150,575,666</b>	4,261,793	154,837,459
Other comprehensive result					27,020		<b>27,020</b>	15,820	42,840
Dividends	3	0		0	0	-133,641,483	<b>-133,641,483</b>		-133,641,483
Reduction due to transfers and other changes	3-4	0		0	-27,020	27,020	<b>0</b>	-5,946,858	-5,946,858
<b>Total of changes in the equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,961,203</b>	<b>16,961,203</b>	<b>-1,669,245</b>	<b>15,291,958</b>
<b>Final balance as at 31-12-2016</b>	<b>3-4</b>	<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</b>	<b>320,491,338</b>	<b>634,157,180</b>	<b>52,725,245</b>	<b>686,882,425</b>

The attached notes from 1 to 28 are a comprehensive part of these consolidated financial statements.





# NOTES

## Note 1. Overview

Aguas Andinas S.A. (hereinafter the “Company”) and its Subsidiaries are part of the Aguas Andinas Group (hereinafter the “Group”). Its legal address is 1398 Avenida Presidente Balmaceda, Santiago, Chile and its Taxpayer Identification Number is 61.808.000-5.

Aguas Andinas S.A. was incorporated as an open joint stock company by public deed on May 31, 1989 in Santiago, before Notary Public Mr. Raúl Undurraga Laso. An excerpt of the by-laws was published in the Official gazette on June 10, 1989, being recorded in the Register of Commerce on page 13.981, No. 7.040 of 1989 of the Registrar of Land, Mines and Industrial Property of Santiago.

The Company’s corporate purpose as stated in article two of its bylaws is the rendering of water utility services, which considers the building and operation of public services aimed at producing and distributing potable water as well as collecting and disposing wastewater. Its current concession area is Greater Santiago and peripheral locations.

The Company is parent company of three utility companies, two in Greater Santiago (Aguas Cordillera S.A. and Aguas Manquehue S.A.) and one in the De los Ríos y De Los Lagos Region (Empresa de Servicios Sanitarios de Los Lagos S.A., ESSAL). To provide a comprehensive service within its line of business, the Company has non-sanitation subsidiaries rendering services such as liquid industrial waste treatment (EcoRiles S.A.), laboratory analysis (Análisis Ambientales S.A.), trade of materials and other services related to the utility business (Gestión y Servicios S.A.) and other activities related to the water rights and energy projects arising from facilities and goods owned by utility companies (Aguas del Maipo S.A.).

## Note 2. Preparation Basis and Accountax Identification Number Policies

### 2.1 PREPARATION BASIS

The Company and its subsidiary Essal are registered in the Register of the Superintendence of Securities and Insurance (S.V.S., in Spanish) under No. 346 and No. 524, respectively. The subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A., are recorded in the special Register of informing entities of the Register of the Superintendence of Securities and Insurance under No. 170 and No. 2, respectively. As sanitation companies, they are regulated by the Superintendence of Water Services, in accordance with Act No. 18.902 of 1989 and Decrees with Force of Law No. 382 and No. 70, both enacted in 1988.

To prepare these consolidated financial statements, it is understood that a group exists when there is a parent company with one or more subsidiaries directly or indirectly controlled by the parent company. The accounting policies applied to prepare these Group consolidated financial statements are detailed in Note 2.2.

The direct controlling entity is Inversiones Aguas Metropolitanas S.A. ("IAM"), a joint stock corporation controlled by Sociedad General Aguas de Barcelona S.A. ("Agbar"), based in Spain and one of the largest worldwide sanitation services operator, which in turn is controlled by Suez (France), being ENGIE (France) its main shareholder.

These consolidated financial statements are the consolidated financial position statements as of December 31, 2017 and December 31, 2016 and the consolidated comprehensive statements of changes in net equity and cash flows for financial years ended on December 31, 2017 and December 31, 2016. They have been prepared based on the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter "IASB"), and represent the comprehensive, explicit adoption of the referred IFRS without reservations.

The Group complies with the legal conditions of its operations' environment, particularly the sanitation Subsidiaries regarding the sanitation regulations. Group companies show normal operation conditions in each scope in which they develop their activities; their projections show a profitable operation and they are capable of using the finance system for their operations. In the opinion of the management this determines their capability of continuing as an on-going company, as established by the accounting norms under which these consolidated financial statements are issued.

#### Functional and presentation currency

The financial statements of each Company in the Group are presented in the currency of the main economic environment in which those companies operate (Functional Currency). For consolidated financial statements, the results and the financial position of each Company in the Group are expressed in Chilean Pesos (rounded to thousands of Pesos), which is the Company's functional currency and its subsidiaries, and the presentation currency for consolidated financial statements.

#### New accounting pronouncements

The rules and interpretations, as well as the improvements and changes to IFRS, which have been issued to enter into effect the date of issue of these financial statements, are summarized below. The Company has applied these rules and concluded that they did not have an impact on the financial statements.

AMENDMENTS AND/OR MODIFICATIONS	Date of enforcement
IFRS 12, Disclosure of interest in other entities	Annual periods beginning on or after January 1 2017
IAS 7, Statement of cash flows	Annual periods beginning on or after January 1 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1 2017

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but not entered into effect the date of issue of these financial statements, are summarized below. The Company has not applied these standards before their enforcement.

NEW STANDARDS	Date of enforcement
IFRS 9, Financial instruments, recognition and measurement	Annual periods beginning on or after January 1 2018
IFRS 15, Revenue from contact with customers	Annual periods beginning on or after January 1 2018
IFRIC 22, Foreign currency transactions and advance consideration	Annual periods beginning on or after January 1 2018
IFRS 16, Leases	Annual periods beginning on or after January 1 2019
IFRIC 23, Uncertainty over Income Tax Treatment	Annual periods beginning on or after January 1 2019
IFRS 17, Insurance contracts	Annual periods beginning on or after January 1 2021
UPGRADES AND MODIFICATIONS	Date of enforcement
IFRS 1, First-time Adoption of IFRS	Annual periods beginning on or after January 1 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1 2018
IFRS 4, Insurance contracts	Annual periods beginning on or after January 1 2018
IAS 28, Investment in associates and joint ventures	Annual periods beginning on or after January 1 2018
IAS 40, Investment property	Annual periods beginning on or after January 1 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1 2019
IFRS 9, Financial instruments	Annual periods beginning on or after January 1 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1 2019
IAS 12, Income taxes	Annual periods beginning on or after January 1 2019
IAS 23, Borrowing costs	Annual periods beginning on or after January 1 2019
IAS 28, Investment in associates and joint ventures	Annual periods beginning on or after January 1 2019
IFRS 10, Consolidated financial statements	Pending

The Company's Management has been analyzing the eventual impact of these standards and amendments to the financial statements. However, those to enter into effect in annual periods starting on January 1, 2018 have been analyzed and they are not expected to have a significant impact on the preparation and presentation of future financial statements.

**Note of IFRS 9 and IFRS 15 accounting policy in the Financial Statements as of December 31, 2017**

**IFRS 9, "Financial Instruments"** of which the final version was issued in July 2014. Establishes the principles for financial reporting of financial assets and also financial liabilities in such a way, that useful and relevant information for assessing the amounts, timing and uncertainty of an entity's future cash flows is displayed to users of financial statements.

It introduces a "more prospective" model of expected credit losses for impairment accounting and a substantially reformed approach to hedge accounting. Companies shall also have the option to apply the accounting for gains and losses from changes in fair value related to "own credit risk" for financial liabilities designated at fair value through profit or loss in advance, without applying the IFRS 9 other requirements. Its application has been mandatory since 1 January 2018 and its early adoption was allowed.

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade debtors, either on a 12-month or lifetime basis.

As of December 31, 2017, the Company evaluated the credit loss policy of its commercial debtors (described in Note 1 letter H), concluding that this policy implicitly considers an expected loss model, as this standard requires. This assessment is based on available and sustainable credit risk information.

In accordance with the aforementioned, the model for determining impairment losses associated with credit risk will not be modified, and there will be no effects on the preparation and submission of the Company's financial statements.

**IFRS 15 "Revenue from Client Contracts"**, issued in May 2014, sets out the principles that a company applies to display useful information to the users of the financial statements about the nature, amount, timing and uncertainty of the revenue coming from ordinary activities and cash flows arising from a contract with a client. This new standard aims to improve the inconsistencies and weaknesses of IAS 18 and

to provide a model that will facilitate comparability of companies from different industries and regions. Provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. Its application has been mandatory since January 1, 2018 and its early adoption was allowed.

The Company measures its sales income at fair value. Invoicing is based on actual consumption or work performed on the service receivable, net of returns, trade discounts and rebates, so that revenue is recognized when transferred to the customer and recovery is considered probable, associated costs and possible discounts for erroneous collections can be estimated reliably.

The Company considers that the entry into force of this Standard has no effect on the recognition of revenues from customer contracts.

**Responsibility for the information and calculations**

The corporate Director's Committee is responsible for the information contained in these consolidated financial statements, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) have been applied. The Director's Committee approved the following consolidated financial statements in the meeting held on March 28, 2017.

The financial statements of Aguas Andinas S.A. and Subsidiaries for the financial year 2016 were approved by their Director's Committee in the Meeting held on March 29, 2017.

The following estimations have been used in the preparation of consolidated financial statements:

- Useful life of intangible fixed assets
- Asset appraisal and purchased goodwill (goodwill or decreased investment value)
- Loss due to depreciation
- Hypotheses used in the actuarial calculation of benefits for termination of contracts of employment
- Hypotheses used in the calculation of the reasonable value of financial instruments
- Income from supplies to be billed



- Provisions due to third-party commitments
- Risks resulting from current disputes

Although these estimates and judgments were made subject to the best information available as of the date of issue of the current consolidated financial statements, some events may happen in the future, which may force a variation (upward or downward) in coming periods. This should be recorded prospectively upon acknowledging the variation, registering the effects of said changes in the relevant future consolidated financial statements.

## 2.2 ACCOUNTING POLICIES

Below is a description of the main accounting policies implemented in the preparation of these consolidated financial statements.

### A. BASES FOR CONSOLIDATION

Consolidated financial statements include the financial statements of the Company and the organizations controlled by the Company (its Subsidiaries). Subsidiaries are those organizations over which the Group has the power to control important activities, has the right to review variable share yields and the capacity to use that power to have an influence on investor yield amounts. Subsidiaries merge as from the date control is transferred to the Group and are excluded from the merge the date the Group ceases to exist.

All transactions, balances, losses and profits of the Group companies will be eliminated during the merge process.

The Company and its Subsidiaries have policies similar to those used by the Group.

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

Tax Identification Number	Company name	Direct %	Indirect %	Total 2017 %	Direct %	Indirect %	Total 2016 %
96.809.310-K	Aguas Cordillera S.A.	99.990030	0.00000	99.990300	99.990030	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 operative segments and releasing products and services. Operative segments are defined as components of an entity for which separate financial information is allocated and 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:

- Sanitation business operations (Water).
- Non-sanitation business operations (Non-Water).

### C. INTANGIBLE ASSETS OTHER THAN GOODWILL

The Company recognizes an intangible asset as being identifiable as long as it proves to be likely to bring about future economic benefits that will flow to the entity and its cost can be reliably 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 checked at the closing of each status statement, including the effect of any change in the estimate thereon.

#### ii. Amortization method for intangible assets:

##### Intangible assets with defined useful lives

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

##### Software

The estimated useful life of software is 4 years. For any other asset with a defined useful life, the useful life for amortization is the period defined in the contracts or copyrights.

**Intangible assets with indefinite useful lives**

Intangible assets with indefinite useful lives are water rights and easements granted for an indefinite period, as established in the acquisition contracts and the rights granted by the Water Resources Department of the Ministry of Public Works.

**Determination of useful life**

Some of the factors that should be considered for the estimation of useful life are:

- Legal, regulatory or contractual restrictions.
- Predictable life of the business or industry.
- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.
- Natural or climatic factors and technological changes that affect the capacity to generate profits.

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

**D. GOODWILL**

Goodwill (a decrease in the value of investments) generated in the merge represents the excess of acquisition cost over the Group's share in the fair value of assets and liabilities, including identifiable contingent liabilities of a Subsidiary as of the acquisition date.

The assets and liabilities acquired are temporarily appraised upon taking over the company and are then revised within one year from the acquisition date at the latest. Until the definite fair value of assets and liabilities is determined, the difference between the acquisition price and the book value of the acquired company is temporarily recorded as goodwill.

In the event the definitive goodwill is recorded in the financial statements for the year following the share acquisition, 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 share acquisition date.

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, whereas goodwill subsequently generated is registered using the acquisition method.

Goodwill is not amortized. Instead, any impairment reducing the recoverable value to below the net book cost is estimated at the end of each accounting period. In this case, an adjustment for impairment is in order, as required by IAS 36.

**E. PROPERTY, PLANT AND EQUIPMENT**

The Company uses the cost method for the valuation of Property, Plant and Equipment. Historical cost includes expenses that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the value of the initial asset or are considered as being a separate asset only when future economic benefits associated with fixed asset items are likely to flow to the Group and the cost of the element can be reliably determined. The value of the component substituted is deregistered. Other repairs and maintenance are included in the results for the financial year in which they are incurred.

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

The depreciation method applied by the Company reflects how the assets are expected to be used by the entity over the period in which they generate profit. The Company therefore uses the straight-line depreciation method over the technical useful life, based on technical

studies prepared by independent experts (specialized external companies). The residual value and useful life of assets are checked 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 it is immediately reduced to the amount recoverable (Note 14).

**Useful lives**

The useful lives considered in calculating the depreciation are based on technical studies prepared by specialized external companies. They are revised as new information arises to allow considering that the useful life of any asset has been modified.

The assignment to assets of the total useful life is based on several factors, including the nature of the equipment. These factors generally include:

1. Nature of the equipment or construction materials
2. Equipment operation environment
3. Intensity of use
4. Legal, regulatory or contractual restrictions.

The useful life period (in years) by type of asset is as follows:

ITEM	Minimum useful life (years)	Maximum useful life (years)
Buildings	25	80
Plant & equipment	5	50
Computer equipment	4	4
Fixed installations & accessories	5	80
Motor vehicles	7	10
Improvement of leased assets	5	5
Other property, plant & equipment	5	80

**Policy for estimating the costs for dismantling, decommissioning or renovating property, plant and equipment:**

Due to the nature of the assets constructed by the Company and given that there are no contractual obligations or construction requirements other than those mentioned in the IFRS, the concept of dismantling costs is not applicable as of the date of these consolidated financial statements.

**Fixed asset sales policy**

The results of fixed asset sales are calculated by comparing the income 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 with a defined useful life at each closing date of the Consolidated Statement of Financial Position to see whether there is 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 sustained. 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 sustained impairment before the end of the period.

The recoverable value is the greater amount of its fair value minus sale costs and value in use. To estimate the value in use, the estimated future cash flows are discounted from its current value using a pre-tax discount rate to reflect both the current conditions of the money market over time and the specific risks associated with the asset.

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

**G. LEASES**

**i. Financial leases**

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

**ii. Operative leases**

Operative lease payments are recognized as a straight-line expense over the term of the lease, except when another systematic basis is more representative for reflecting the time pattern in which the

economic benefits of the leased asset are consumed. Contingent leases are shown as expenses over the period in which they are incurred.

Should lease incentives be received in order to agree an operative lease, such incentives are recognized 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 recognized 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 substantially passed 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 recognition.

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 an AAfm



rating / 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 as N-1 (instruments with the highest capacity for paying capital and interests under the agreed terms and maturities).

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

#### **i. Effective interest rate method**

The effective interest rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole 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 equals the Net Present Value (NPV) with its nominal value.

#### **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 resulting loss or gain is recognized in the results. The net loss or gain recognized in the results includes any dividend or interest received over the financial asset.

The Company and its subsidiaries hold shares in Sociedad Eléctrica Puntilla S.A., which have been valued at their fair value at the acquisition date, as defined in IAS No. 39. Their subsequent measurement will be at cost because there is no active market, as provided in the same standard.

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

Trade debtors, loans and other accounts receivable are non-derivative financial assets payable in fixed or determinable periods, not traded on an active market and 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 recognition of interest is immaterial.

#### **Trade debtors and other accounts receivable**

Trade debtors are the billing of water consumption, sewage services, sewage treatment and other services and the accrued revenue from consumption between the date of the last meter reading (following an established monthly routine) and the financial statement closing date. These are recorded at net value from the estimate of bad debts or debts unlikely to be recovered.

The trade debtor 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 evaluates impairments affecting its financial assets on a periodical basis. The amount is recognized 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 recorded 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 recovering of the amount billed is minimal.

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

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

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

A 100% provision is made for overdue notes receivable.

#### **I. INVENTORIES**

Materials, spare parts and inputs are valued at acquisition 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 on an annual basis and are recorded at market value, if less.

#### **J. DIVIDEND POLICY**

The Company’s dividend policy, pursuant to article 79 of Act 18,049 on Public Limited Companies, is to distribute 30% of the net earnings for each financial year. In case these dividends do not exist or were lower than the minimum established by Law, the relevant provision would be in order.

Additionally and after being authorized by the Ordinary Shareholders Meeting, the remaining 70% can be distributed as additional dividend, as long as the current level of capitalization is maintained and is compatible with the investment policies.

## K. FOREIGN CURRENCY TRANSACTIONS

Assets and liabilities in foreign currency are shown at their respective exchange rates at the closing of each financial year, as per the following parities:

CURRENCY	31-12-2017 \$	31-12-2016 \$
American dollar	614.75	669.47
Euro	739.15	705.60

Foreign currency transactions are converted to the functional currency using the exchange rates as of the transaction date. 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.

Different exchange rates are registered in the results of the financial year in which they have accrued.

## L. FINANCIAL LIABILITIES

Loans, bonds payable and similar documents are at first shown at their fair net value for the costs incurred in the transaction. They are then shown at amortized cost, using the effective interest rate, except for transactions for which hedging contracts have been signed, which have been 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 follows the Group's financial risk management policies, which establish the guidelines for use.

The Group uses derivative financial instruments as hedging instruments to reduce inflation, exchange rates and foreign currency risks on current items to which it is exposed due to its operations.

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

Changes in the fair value are recorded directly in the 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 hedge operations with derivative instruments is 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 recorded as credit or charge to the financial results in the respective result accounts.

**Cash flow and foreign currency net investment hedging.** Changes in the fair value of the effective part of these derivative financial instruments are directly recorded in an equity reserve called "cash flow hedge," while the ineffective part is registered in the results. The amount recognized in net equity is not transferred to the result account until the results of the operations hedged are therein recorded or until the expiration date of such operations.

In the event of hedging discontinuation, the net equity loss or gain accumulated to that date is maintained until the underlying hedging operation is executed. At that moment, the accumulated loss or gain in equity will be reversed in the result account affecting that transaction.

Financial instruments are presented at their fair value at the closing of

each period. In the case of derivatives not traded in organized markets, the Group uses assumptions based on the market conditions on that date for valuation.

**Effectiveness.** Hedging is considered to be highly effective when the changes in fair value or cash flows of the underlying item directly attributable to the hedged risk are offset by changes in the fair value or cash flow of the hedge instrument, with effectiveness ranging from 80% to 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 main contract, provided that the combination is not being recorded at fair value. If they are not closely related, they are recorded separately, with the value variations being taken directly from the consolidated statement of results.

## N. PROVISIONS AND CONTINGENT LIABILITIES

The Group recognizes a provision when there is a current obligation resulting from past events, for which the Group is likely to use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.

The provisions are quantified considering the best information available 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 recognized, their full or partial revision being required when such risks disappear or decrease.

Contingent liabilities are possible obligations arising from 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 any, as is required in the same regulation, they are described in Note 15.

## O. EMPLOYEE BENEFITS

The obligation of seniority benefits that 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 turnover rates, mortality, wage increases or discount rate are determined in accordance with IAS 19, in other comprehensive results, thus directly affecting the Equity, which is then re-classified into accumulated earnings.

### Aguas Andinas S.A.

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

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

Seniority compensation in Aguas Cordillera S.A. and Aguas Manquehue S.A. is governed by the Labor Code, except the amount of the indemnity in any event accumulated to December 31, 2002 and the termination benefit of 1 monthly wage without any amount or age limit for workers covered by current collective bargaining agreements and for those to whom this benefit was extended via their individual contract of employment. The amount in any event accumulated to that date is adjusted quarterly in line with the changes in the consumer price index.

The mentioned collective bargaining 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 who take part of or have been incorporated to the current collective bargaining 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 payment limit of six months. In other cases, the rules of the Labor Code are applicable.

This kind of benefit is not applicable in the other Subsidiaries.

## P. INCOME TAX AND DEFERRED TAXES

The charge for income tax is the sum of income tax payable and variations in deferred tax assets and liabilities.

Income tax payable is determined on the basis of the tax result for the period. The income tax to be paid by the Group is calculated using tax rates approved or in the process, on the closing date of the statement of financial position.

Deferred taxes are recognized on the basis of differences between the book values of assets and liabilities contained in the financial statements and the corresponding tax figures used in the calculation of the tax result, and are recorded using the balance-sheet liability method. Deferred tax liabilities are recorded for all taxable timing differences, and deferred tax assets are recognized for all deductible timing differences as long as future tax benefits are likely to offset such differences. Deferred tax assets or liabilities are not recognized if timing differences arise from the reduced value or initial recognition (except in a combination of businesses) of other assets and liabilities in a transaction that does not affect the tax or the financial results.

The book value of deferred tax assets is revised on the closing date of

each financial position statement and is reduced until sufficient tax results to allow the recovery of all or part of the asset are no longer available.

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 are about to be approved at the closing of the statement of financial position. The measurement of deferred assets and liabilities reflects the possible tax consequences of the way in which Group expects to recover or settle the book values of its assets and liabilities to the date of report.

Deferred tax assets and liabilities are offset when there is a legal right to offset tax assets against tax liabilities related to the same entity and tax authority.

## Q. ORDINARY INCOME

### Policy for accounting for ordinary income.

Income arising from any normal operation and other events at the fair value of the payment received or receivable is recorded taking into account the terms of payment, rebates and credit notes, and provided that the amount of income can be measured reliably.

### Policy for recognizing ordinary income from sales of goods

Income from sales of goods is recognized once the risk and significant advantages resulting from the ownership of the goods have been transferred. The Company is no longer bound to the asset sold. The amount of income can be reliably measured. The company is likely to receive the economic benefits associated with the sale and the costs incurred in the transaction can also be reliably measured.

### Policy for booking ordinary income from sales of services

Income from sales of services is measured at fair value. Billing is carried out on the basis of actual consumption or work carried out on the consideration receivable, net returns, trade discounts and rebates, so the income is recorded when it is transferred to the client and recovery



is considered probable. In addition, the associated costs and possible discounts for erroneous billings can be reliably estimated.

The water utilities' services area is divided into billing groups that determine dates for meter readings and subsequent billing. This process is carried out in a calendar month. This means that at the end of each month there is unread consumption, and therefore, not billed.

For those billing groups that have the information about the consumption effectively read, the application of the corresponding tariff would be in order.

For those cases where the whole meter reading consumption is not available for the Company, a better estimation of those incomes pending of billing will be carried out on the basis of data from the previous month valued at the current tariff, considering for both cases (billing or estimation) the normal or overconsumption tariff.

The transfer of risks and benefits varies according to the corporate business. For Water Utilities, the provision of services and any related charge are based on the actual consumption and a monthly provision is made for unbilled consumption, based on the previous billing. For Anam S.A., EcoRiles S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A., invoicing and the possible are based on the work carried out.

#### **Method used for determining the service termination statement**

The provision of the sanitation services is confirmed by metering the consumption, in accordance with the relevant legislation, whereas non-water utility subsidiaries do so once the services and/or respective reports have been completed.

Income under agreements with property developers is recorded as ordinary income provided that it complies with the conditions of each contract to ensure that the related economic benefits will flow to the Company.

## **R. EARNINGS PER SHARE**

Basic earnings per share are calculated as the ratio between the earnings (loss) attributable to the holders of Net Equity of the Controller and the average weighted number of common shares in circulation during the periods ending December 31, 2017 and 2016.

During the financial years ending December 31, 2017 and 2016, the Group has carried out no operation with a potential diluting effect that supposes that diluted earnings per share are any different to basic earnings per share.

## **S. ENVIRONMENTAL INFORMATION**

Environmental assets are those constantly used in the business of the Company and subsidiaries. Their main objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of any future contamination as a result of the operations conducted by Aguas Andinas S.A. and its subsidiaries.

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

## **T. CONSOLIDATED STATEMENT OF CASH FLOWS**

Cash flow statements record 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. They are understood as being easily-liquidated short-term investments with a low value variation risk (maximum unrestricted term of 3 months from investment date).

**Operation activities:** Common activities in a regular business operation by the Company and its Subsidiaries, as well as other activities that have not been classified as investment or financing.

**Investment activities:** Acquisition, disposal or use by other means of long-term assets and other investments that have not been included in cash and cash equivalents.

**Financing activities:** Activities that produce changes in the amount and composition of the net equity and liabilities that are not part of the ordinary activities.

## **U. CONSTRUCTION CONTRACTS**

For construction contracts, the Group uses the “percentage-of-completion method” for booking revenues and expenses referring to a contract being fulfilled. By this method, the revenues under the contract are compared with the related costs incurred according to the degree of progress achieved, which results in the amount of the ordinary revenue, expenses and earnings attributable to the completed portion of the contract.

Contract costs are recognized when incurred. When the result of a construction contract can be reliably estimated, and the contract is likely to be profitable, contract revenues are recognized over the term of the contract. When the contract costs are likely to exceed the total revenues, the expected loss is immediately recognized as an expense incurred in the financial year. When the result of a construction contract cannot be estimated reliably enough, contract revenues are recognized only to the limit of the contract costs incurred that are likely to be recovered.

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

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

## V. CAPITALIZED FINANCING COSTS

### Policy on interest-bearing loans:

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

### Policy on interest-cost capitalization:

Interests paid or accrued on debt used to finance qualified assets are 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 to the construction project being financed up to the total amount of such interests, applying the respective rate to the disbursements to the financial statement submission date.

## W. RECLASSIFICATIONS

For comparison purposes, certain reclassifications have been made as of December 31, 2016, according to the following detail:

RECLASSIFICATIONS	Increase/(Decrease) Th\$
<b>Statement of result per nature</b>	
Revenues for ordinary activities	-246,664
Other (losses) earnings	246,664
<b>Statement of cash flow</b>	
Collections from the sale of goods and services	24
Other charges for operating activities	92,410
Payments of premiums and benefits, annualities and other obligations	-92,434

## Note 3. Equity Attributable to Owners of The Controller

The corporate capital is divided into 6,118,965,160 nominative shares without par value, completely subscribed and paid as of December 31, 2016, of which 94.97% corresponds to series A and 5.03% to series B.

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

Each series is composed by:

CURRENCY	31-12-2017	31-12-2016
Series A shares	5,811,031,417	5,811,030,417
Series B shares	307,933,743	307,934,743

The capital as of December 31, 2017 and December 31, 2016 amounts to Th\$155,567,354. In the portfolio contains no owned shares or preference shares.

The Company manages its capital to ensure permanent and expedite access to the financial markets to allow achieving its objectives in terms of growth, solvency and profitability.

The capital management objectives or policies have not changed over the financial years reported.

The following dividend payment was agreed during the financial year ended December 31, 2017:

- The Board of Directors Meeting of December 14, 2017 unanimously agreed to distribute the amount of Th\$41,984,668 as an interim dividend deductible from the earnings in financial year 2017. Consequently, the interim dividend No. 65 of the Company amounted to \$6.8614 per share. This payment was payable as from January 24, 2018.
- The Ordinary Shareholders Meeting held on April 24, 2017 agreed to distribute 89.88% of net earnings for financial year 2016, deducting the interim dividend paid in January 2017. Therefore, the dividend No. 64 of the Company amounted to Th\$93,357,051, equivalent to \$15.2570 per share. This payment was payable as from May 22, 2017, being entitled to 6,118,965,160 shares.

The following dividend payment was agreed during the financial year 2016:

- The Ordinary Shareholders Meeting held on April 27, 2016 agreed to distribute 100% of net earnings for financial year 2015, deducting the interim dividend paid in January 2016. Consequently, the dividend No. 62 of the Company amounted to Th\$88,442,910 equivalent to \$14.4539 per share. This payment was payable as from May 25, 2016, being entitled to 6,118,965,160 shares.
- In the Board of Directors meeting held on November 29, 2016, it was unanimously agreed to distribute the sum of Th\$41,984,668 among the shareholders as an interim dividend, deductible from the earnings in financial year 2016. Therefore, the interim dividend No. 63 of the Company amounted to \$6.8614 per share, payable as from January 18, 2017.

### 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

## Note 4.

### Equity Atributable to Non-Controlling Participation

December 31, 2016. As of December 31, 2016, a minimum dividend provision of Th\$3,213,903 was made.

#### Accumulated earnings

The amounts recorded for revaluation of land and intangible assets and other adjustments upon the first adoption of the IFRS are included as accumulated earnings and are subject to distribution restrictions, as they first have to be recognized as realized, through their use or sale, as established in IFRS 1, IAS 16 and Circular No. 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 total balance of accumulated earnings as of December 31, 2017 and December 31, 2016 amounted to Th\$328,964,934 and Th\$320,491,338, respectively.

Additionally, as of December 31, 2016, modifications were made to the calculation parameters in the actuarial earnings and losses on compensation, which generated an entry in the accumulated results for Th\$978,783. (See note 2.2.O)

#### Share premiums

The amount registered in share premiums is the overprice on the sale of shares in 1999 due to the capital increase. The balance as of December 31, 2017 and December 31, 2016 amounted to Th\$164,064,038 for each financial year.

#### Other participations in equity

The amounts included in Other Participations refer to the monetary correction of the capital paid in 2008, the year of transition to IFRS, in accordance with Circular No. 456 of the Superintendence of Securities and Insurance, and the effects of businesses combinations of companies under common control made in financial years 2007 and 2008. The balance as of December 31, 2017 and December 31, 2016 amounted to Th\$-5,965,550.

The following table, broken down by Company, shows the effects of third-party participation in the equity and results as of December 31, 2017 and December 31, 2016:

COMPANY	% Participation		Non-controller participations			
	31-12-2017 %	31-12-2016 %	Equity		Result	
			31-12-2017 Th\$	31-12-2016 Th\$	31-12-2017 Th\$	31-12-2016 Th\$
Aguas Cordillera S.A.	0.00997%	0.00997%	20,295	21,198	1,883	3,193
Essal S.A. <sup>(1)</sup>	46.49350%	46.49350%	50,648,406	52,704,047	3,860,090	4,258,600
<b>Total</b>			<b>50,668,701</b>	<b>52,725,245</b>	<b>3,861,973</b>	<b>4,261,793</b>

<sup>(1)</sup> Includes third-party participation by assigning a market value to the assets and liabilities arising from the purchase of Inversiones Iberaguas Ltda. and Essal S.A. upon merging the businesses.

The dividends paid to non-controlling participations of the subsidiary Essal S.A amount to Th\$6,120,049 as of December 31, 2017 and Th\$5,355,744 as of December 31, 2016.



## Note 5. Other Income and Expenses

The table below shows additional disclosure of information as provided in IAS 1, referring to other non-operating revenues and expenses:

<b>NON-OPERATING REVENUE AND EXPENSES</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
Earnings (losses) on sale of non-current assets, not held for sale	2,121,103	20,154,575
Losses of properties, plant & equipment replacement	-275,905	-412,910
Other earnings	191,098	251,479
Rejected projects	571,959	-5,395,623
<b>Other (losses) earnings</b>	<b>2,608,255</b>	<b>14,597,521</b>
Bank loans	-4,092,913	-4,666,883
AFR Interest expenses	-6,527,947	-6,808,706
Bond interest expense	-18,182,263	-14,865,822
Other interest costs	-624,946	-554,890
Expenses for hedging instruments	-1,522,983	0
Amortization of loan agreement complementary costs	-161,206	-221,240
<b>Financial costs</b>	<b>-31,112,258</b>	<b>-27,117,541</b>
Interest income	4,772,109	4,990,623
Earnings on redemption & extinction of debt	1,280,888	1,483,341
<b>Financial income</b>	<b>6,052,997</b>	<b>6,473,964</b>

## Note 6. Financial Statements of Subsidiaries

The tables below summarize the information on the statement of financial position and statement of comprehensive results of each subsidiary included in the consolidated financial statements:

### SUMMARIZED FINANCIAL INFORMATION BY SUBSIDIARY (STATEMENT OF FINANCIAL POSITION) AS OF DECEMBER 31, 2017

31-12-2017 SUBSIDIARIES	Current assets Th\$	Non-current assets Th\$	Current liabilities Th\$	Non-current liabilities Th\$	Equity Th\$
Aguas Cordillera S.A.	14,540,106	268,599,745	29,796,925	49,784,017	203,558,909
Aguas Manquehue S.A.	4,698,353	88,826,394	15,292,813	24,353,717	53,878,217
Inversiones Iberaguas Ltda.	2,071,039	65,780,301	24,578	0	67,826,762
Empresa de Servicios Sanitarios de Los Lagos S.A.	32,262,114	155,973,380	17,441,531	94,198,693	76,595,270
Ecoriles S.A.	4,718,568	501,160	2,101,177	0	3,118,551
Gestión y Servicios S.A.	6,325,828	780,187	3,687,532	41,863	3,376,620
Análisis Ambientales S.A.	1,838,309	4,614,248	1,700,455	0	4,752,102
Aguas del Maipo S.A.	2,066,321	14,356,295	7,200,920	109,474	9,112,222

### SUMMARIZED FINANCIAL INFORMATION BY SUBSIDIARY (STATEMENT OF COMPREHENSIVE RESULTS) AS OF DECEMBER 31, 2017

31-12-2017 SUBSIDIARIES	Result of the period Th\$	Ordinary revenue Th\$	Operating expenses (-) Th\$	Other net expenses (-) / revenue (+) Th\$
Aguas Cordillera S.A.	18,890,051	52,833,529	-32,748,879	-1,194,599
Aguas Manquehue S.A.	3,193,001	12,401,009	-7,988,554	-1,219,454
Inversiones Iberaguas Ltda.	6,211,069	0	-6,053	6,217,122
Empresa de Servicios Sanitarios de Los Lagos S.A.	12,227,137	54,926,019	-34,775,771	-7,923,111
Ecoriles S.A.	1,680,341	13,389,212	-11,174,166	-534,705
Gestión y Servicios S.A.	614,644	8,363,693	-7,928,958	179,909
Análisis Ambientales S.A.	1,163,257	8,301,209	-6,706,861	-431,091
Aguas del Maipo S.A.	669,743	1,335,159	-655,995	-9,421

**SUMMARIZED FINANCIAL INFORMATION BY SUBSIDIARY (STATEMENT OF FINANCIAL POSITION) AS OF DECEMBER 31, 2016**

31-12-2016 SUBSIDIARIES	Current assets Th\$	Non-current assets Th\$	Current liabilities Th\$	Non-current liabilities Th\$	Equity Th\$
Aguas Cordillera S.A.	44,978,477	263,155,183	46,265,462	49,255,201	212,612,997
Aguas Manquehue S.A.	4,859,500	79,936,629	7,697,070	23,831,041	53,268,018
Inversiones Iberaguas Ltda.	2,305,082	66,033,589	24,386	0	68,314,285
Empresa de Servicios Sanitarios de Los Lagos S.A.	15,425,907	147,548,129	17,710,264	68,171,861	77,091,911
Ecoriles S.A.	5,103,621	425,004	2,380,465	0	3,148,160
Gestión y Servicios S.A.	5,768,832	907,094	3,690,043	40,043	2,945,840
Análisis Ambientales S.A.	2,029,111	5,354,352	2,956,521	0	4,426,942
Aguas del Maipo S.A.	477,419	8,347,776	99,426	82,367	8,643,402

**SUMMARIZED FINANCIAL INFORMATION BY SUBSIDIARY (STATEMENT OF COMPREHENSIVE RESULTS) AS OF DECEMBER 31, 2016**

31-12-2016 SUBSIDIARIES	Result of the period Th\$	Ordinary revenue Th\$	Operating expenses (-) Th\$	Other net expenses (-) / revenue (+) Th\$
Aguas Cordillera S.A.	32,025,085	53,429,959	-33,662,534	12,257,660
Aguas Manquehue S.A.	2,347,132	11,488,105	-7,990,314	-1,150,659
Inversiones Iberaguas Ltda.	6,678,409	0	-12,600	6,691,009
Empresa de Servicios Sanitarios de Los Lagos S.A.	13,163,288	53,655,895	-33,044,506	-7,448,101
Ecoriles S.A.	1,722,641	12,726,542	-10,519,495	-484,406
Gestión y Servicios S.A.	-1,253,090	8,569,328	-8,094,804	-1,727,614
Análisis Ambientales S.A.	698,742	7,159,548	-6,167,761	-293,045
Aguas del Maipo S.A.	-441,252	0	-731,325	290,073



**Detail of Significant Subsidiaries**

The definition of Significant Subsidiaries is based on their percentage participation in the operating results and their participation in fixed assets and results for the period with respect to the Consolidated Financial Statements. The following entities are considered to be significant subsidiaries:

NAME OF SIGNIFICANT SUBSIDIARY	Aguas Cordillera S.A.	Aguas Manquehue S.A.	Essal S.A.
Tax Identification Number	96.809.310-k	89.221.000-4	96.579.800-5
Functional currency	CLP	CLP	CLP
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	8.96%	1.97%	6.50%
Property, plant and equipment	8.21%	4.78%	11.00%
Net income for the period	11.17%	2.24%	3.18%

## Note 7.

### Cash And Cash Equivalents

The table below contains a breakdown of this heading:

CASH AND CASH EQUIVALENTS	31-12-2017 Th\$	31-12-2016 Th\$
Banks	3,404,548	27,691,838
Term deposits (Note 8.6)	12,682,088	37,184,605
Mutual funds (Note 8.6)	2,721,704	0
<b>Total</b>	<b>18,808,340</b>	<b>64,876,443</b>

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

**Detail of some items of cash flow statements**

- **Other charges for operations activities:** They are services connected with the business, principally agreements signed with property developers.
- **Other operating activity payments:** They are the payment of monthly taxes.
- **Other investment activity outflows:** They are mainly related to interest associated with bond issue, which have been capitalized as a result of investments in property, plant and equipment.

There are no legal restrictions hindering the immediate availability of cash balances and cash equivalents used 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 going concern by maximizing the profitability for shareholders by optimizing the debt structure and the capital. 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 holders of equity of the controller, which includes the capital, reserves and retained earnings, as shown in Note 3.

### 8.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods adopted, including recognition criteria, measurement bases and the basis on which the revenues and expenses are recognized, with respect to each class of financial assets and liabilities, are described in Note 2 letters H, L and M of these consolidated financial statements.

### 8.3 CLASSES OF FINANCIAL INSTRUMENTS

The summary table below shows the financial instruments as of December 31, 2017 and December 31, 2016:

CLASSES OF FINANCIAL INSTRUMENTS	Currency	Note	31-12-2017 Th\$	31-12-2016 Th\$
<b>FINANCIAL ASSETS</b>				
<b>TOTAL TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE, CURRENT</b>			<b>113,515,790</b>	<b>106,288,544</b>
Trade receivables and other accounts receivable	CLP	8.5	113,435,556	106,219,612
Trade receivables and other accounts receivable	USD	8.5	24,567	25,312
Trade receivables and other accounts receivable	EUR	8.5	55,667	43,620
<b>INFORMATION OF RELATED ENTITIES, CURRENT</b>			<b>560,633</b>	<b>1,275,867</b>
Accounts receivable to related entities	CLP	9	560,633	1,275,867
<b>TOTAL FINANCIAL ASSETS, CURRENT</b>			<b>114,076,423</b>	<b>107,564,411</b>
Rights receivable	CLP	8.5	2,276,380	2,082,334
Other financial assets	CLP	8.9	7,807,734	7,792,445
<b>TOTAL FINANCIAL ASSETS, NON-CURRENT</b>			<b>10,084,114</b>	<b>9,874,779</b>
<b>FINANCIAL LIABILITIES</b>				
<b>OTHER FINANCIAL LIABILITIES, CURRENT</b>			<b>63,045,352</b>	<b>43,629,749</b>
Bank loans	CLP	8.4	7,436,617	3,630,278
Bonds	CLP	8.4	40,406,918	13,312,288
Reimbursable financial contributions	CLP	8.4	15,201,817	26,687,183
<b>TRADE ACCOUNTS AND OTHER PAYABLE ACCOUNTS</b>			<b>106,129,106</b>	<b>101,917,169</b>
Trade accounts and other payable accounts	CLP	8.7	105,432,887	101,803,633
Trade accounts and other payable accounts	USD	8.7	166,187	98,320
Trade accounts and other payable accounts	EUR	8.7	530,032	15,216
<b>INFORMATION ON RELATED ENTITIES, CURRENT</b>			<b>43,591,633</b>	<b>38,225,005</b>
Accounts payable to related entities	CLP	9	43,591,633	38,225,005
<b>Total financial liabilities, current</b>			<b>212,766,091</b>	<b>183,771,923</b>
<b>OTHER FINANCIAL LIABILITIES, NON-CURRENT</b>			<b>802,978,167</b>	<b>808,003,406</b>
Bank loans	CLP	8.4	88,735,865	94,019,209
Bonds	CLP	8.4	545,691,060	546,341,722
Reimbursable financial contributions	CLP	8.4	168,551,242	167,642,475
<b>OTHER ACCOUNTS PAYABLE</b>			<b>982,075</b>	<b>949,408</b>
Other accounts payable	CLP	8.7	982,075	949,408
<b>TOTAL FINANCIAL LIABILITIES, NON-CURRENT</b>			<b>803,960,242</b>	<b>808,952,814</b>

8.4 DISCLOSURE OF INFORMATION ON FINANCIAL LIABILITIES

Other financial liabilities

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

Reimbursable Financial Contributions (RFCs)

In accordance with article 42-A of Supreme Decree MINECON No. 453 of 1989, “The Reimbursable Financial Contributions, in terms of extension

and capacity, are a financing alternative for the supplier (water utility) to carry out works for extending and increasing the sanitation capacity, which by law is at its expense.”

They are certain amounts of money or works that water utilities can require from those asking to be incorporated as customers or who request service extension, which, according to current regulations, have defined forms and terms of reimbursement.

The reimbursement of the amounts contributed by customers is basically through the issue of endorsable promissory notes payable within 10 or 15 years and, in some minor cases, to be reimbursed by providing sanitation services.

The table below summarizes the reimbursable financial contributions as of December 31, 2017 and December 31, 2016:

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 Identification Number	Type of repayment	Secured (Yes/No)
		31-12-2017	31-12-2017 Th\$	31-12-2016 Th\$							
AFR	UF	452,507	12,371,284	18,299,860	3.54%	3.40%	Chile	Aguas Andinas S.A.	61.808.000-5	At maturity	No
AFR	UF	84,060	2,306,972	6,983,609	3.20%	3.10%	Chile	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	19,193	523,561	1,403,714	3.54%	3.43%	Chile	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
Total		555,760	15,201,817	26,687,183							



REIMBURSABLE FINANCIAL CONTRIBUTIONS, NON-CURRENT PORTION

Registration No. or identification of the instrument	Currency indexation unit	Residual UF	Book value		Maturity date	Contract real interest rate	Effective rate	Issuing company	Issuer Tax Identification Number	Type of repayment	Secured (Yes/No)
		31-12-2017	31-12-2017 Th\$	31-12-2016 Th\$							
AFR	UF	4,393,764	118,712,970	118,691,514	21-12-2032	3.35%	3.20%	Aguas Andinas S.A.	61.808.000-5	At maturity	No
AFR	UF	863,434	23,465,635	23,492,843	20-12-2032	3.32%	3.20%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	631,411	17,241,804	16,662,840	20-10-2032	3.20%	3.12%	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
AFR	UF	340,726	9,130,833	8,795,278	11-12-2032	3.57%	3.57%	Essal S.A	96.579.800-5	At maturity	No
Total		6,229,335	168,551,242	167,642,475							

The tables below show a detail of bank loans as of December 31, 2017 and December 31, 2016:

## TOTAL BANK LOANS, CURRENT FINANCIAL YEAR

<b>Debtor Tax Identification Number</b>	61.808.000-5	61.808.000-5	96.809.310-K	96.579.800-5	96.579.800-5
<b>Debtor name</b>	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.	Essal S.A.
<b>DEBTOR COUNTRY</b>	Chile	Chile	Chile	Chile	Chile
<b>Creditor Tax Identification Number</b>	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7	97.006.000-6
<b>Creditor name</b>	Banco de Chile	Banco BCI	Banco BBVA	Banco BCI	Banco de Chile
<b>Currency or indexation unit</b>	CLP	CLP	CLP	CLP	CLP
<b>Repayment method</b>	Semi-annual	At maturity	At maturity	At maturity	At maturity
<b>Effective rate</b>	3.19%	3.25%	3.29%	3.43%	3.58%
<b>Nominal rate</b>	3.19%	3.25%	3.29%	3.43%	3.58%

### NOMINAL VALUE

<b>Up to 1 year</b>	<b>6,938,153</b>	<b>222,679</b>	<b>228,472</b>	<b>36,873</b>	<b>10,439</b>	<b>7,436,617</b>
More than 90 days to 1 year	6,938,153	222,679	228,472	36,873	10,439	7,436,617
More than 1 year to 3 years	21,947,457	19,270,304	20,000,000	9,000,000	2,500,000	72,717,761
More than 1 year to 2 years	13,805,658	0	20,000,000	0	2,500,000	36,305,658
More than 2 years to 3 years	8,141,799	19,270,304	0	9,000,000	0	36,412,103
<b>More than 3 years to 5 years</b>	<b>16,018,104</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,018,104</b>
More than 3 years to 4 years	16,018,104	0	0	0	0	16,018,104
<b>Total nominal values</b>	<b>44,903,714</b>	<b>19,492,983</b>	<b>20,228,472</b>	<b>9,036,873</b>	<b>2,510,439</b>	<b>96,172,482</b>

### BOOK VALUES

<b>Current bank loans</b>	<b>6,938,153</b>	<b>222,679</b>	<b>228,472</b>	<b>44,579</b>	<b>2,734</b>	<b>7,436,617</b>
More than 90 days to 1 year	6,938,153	222,679	228,472	44,579	2,734	7,436,617
<b>Non-current bank loans</b>	<b>37,965,561</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>9,000,000</b>	<b>2,500,000</b>	<b>88,735,865</b>
<b>More than 1 year to 3 years</b>	<b>21,947,457</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>9,000,000</b>	<b>2,500,000</b>	<b>72,717,761</b>
More than 1 one year to 2 years	13,805,658	0	20,000,000	0	2,500,000	36,305,658
More than 2 years to 3 years	8,141,799	19,270,304	0	9,000,000	0	36,412,103
<b>More than 3 years to 5 years</b>	<b>16,018,104</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,018,104</b>
More than 3 years to 4 years	16,018,104	0	0	0	0	16,018,104
<b>Total bank loans</b>	<b>44,903,714</b>	<b>19,492,983</b>	<b>20,228,472</b>	<b>9,044,579</b>	<b>2,502,734</b>	<b>96,172,482</b>

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

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

## BANK LOAN BALANCES FOR THE PREVIOUS FINANCIAL YEAR

<b>Debtor Tax Identification Number</b>	61.808.000-5	61.808.000-5	96.809.310-K	96579800-5	96579800-5	96579800-5
<b>Name debtor</b>	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.	Essal S.A.	Essal S.A.
<b>Country debtor</b>	Chile	Chile	Chile	Chile	Chile	Chile
<b>Creditor Tax Identification Number</b>	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7	97.004.000-7	97.006.000-6
<b>Creditor name</b>	Banco de Chile	Banco BCI	Banco BBVA	Banco de Chile	Banco de Chile	BCI
<b>Currency or indexation unit</b>	CLP	CLP	CLP	CLP	CLP	CLP
<b>Repayment method</b>	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity
<b>Effective rate</b>	4.44%	4.32%	4.41%	4.50%	4.75%	4.38%
<b>Nominal rate</b>	4.44%	4.32%	4.41%	4.50%	4.75%	4.38%

### NOMINAL VALUES

<b>Up to 1 year</b>	<b>905,933</b>	<b>286,742</b>	<b>303,800</b>	<b>21,998</b>	<b>37,015</b>	<b>2,074,790</b>	<b>3,630,278</b>
Up to 90 days	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
More than 1 year to 3 years	20,089,002	0	20,000,000	4,000,000	6,500,000	0	50,589,002
More than 1 year to 2 years	6,283,344	0	0	0	0	0	6,283,344
More than 2 years to 3 years	13,805,658	0	20,000,000	4,000,000	6,500,000	0	44,305,658
<b>More than 3 years to 5 years</b>	<b>24,159,903</b>	<b>19,270,304</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43,430,207</b>
More than 3 years to 4 years	8,141,799	19,270,304	0	0	0	0	27,412,103
More than 4 years to 5 years	16,018,104	0	0	0	0	0	16,018,104
<b>Total nominal values</b>	<b>45,154,838</b>	<b>19,557,046</b>	<b>20,303,800</b>	<b>4,021,998</b>	<b>6,537,015</b>	<b>2,074,790</b>	<b>97,649,487</b>

### BOOK VALUES

<b>Current bank loans</b>	<b>905,933</b>	<b>286,742</b>	<b>303,800</b>	<b>21,998</b>	<b>37,015</b>	<b>2,074,790</b>	<b>3,630,278</b>
Up to 90 days	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
<b>Non-current bank loans</b>	<b>44,248,905</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>4,000,000</b>	<b>6,500,000</b>	<b>0</b>	<b>94,019,209</b>
<b>More than 1 year to 3 years</b>	<b>20,089,002</b>	<b>0</b>	<b>20,000,000</b>	<b>4,000,000</b>	<b>6,500,000</b>	<b>0</b>	<b>50,589,002</b>
More than 1 year to 2 years	6,283,344	0	0	0	0	0	6,283,344
More than 2 years to 3 years	13,805,658	0	20,000,000	4,000,000	6,500,000	0	44,305,658
<b>More than 3 years to 5 years</b>	<b>24,159,903</b>	<b>19,270,304</b>	<b>0</b>			<b>0</b>	<b>43,430,207</b>
More than 3 years to 4 years	8,141,799	19,270,304	0	0	0	0	27,412,103
More than 4 years to 5 years	16,018,104	0	0	0	0	0	16,018,104
<b>Total bank loans</b>	<b>45,154,838</b>	<b>19,557,046</b>	<b>20,303,800</b>	<b>4,021,998</b>	<b>6,537,015</b>	<b>2,074,790</b>	<b>97,649,487</b>

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

Nominal value = principal + accrued interest at issue rate – principal /interest payments.



The tables below show the detail of bonds outstanding as of December 31, 2017 and December 31, 2016:

TOTAL PUBLIC OBLIGATIONS FOR THE CURRENT FINANCIAL YEAR

Debtor Tax Identification Number	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	96.579.800-5
Debtor Name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.	Essal S.A.
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	580	630	655	655	712	713	713	778	778	806	777	806	284	870
Series	BAGUA-J	BAGUA-M	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	BAGUA-Z	BAGUA-AA	Besal-B	Besal-C
Final maturity	01-12-2018	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	01-12-2040
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Repayment period	At maturity	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	Semi-annual	Semi-annual	Semi-annual	Semi-annual
Effective rate	4.16%	4.15%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.23%	2.15%	3.29%	6.63%	2.93%
Nominal rate	4.00%	4.20%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	2.40%	3.20%	6.00%	2.80%

NOMINAL VALUES															
Up to 1 year	26,886,591	487,351	384,225	145,945	6,028,239	595,185	504,421	464,921	168,122	531,997	293,035	779,888	3,102,941	0	40,372,861
Up to 90 days	0	0	0	0	0	0	0	0	0	531,997	293,035	779,888	3,102,941	0	4,707,861
More than 90 days to 1 year	26,886,591	487,351	384,225	145,945	6,028,239	595,185	504,421	464,921	168,122	0	0	0	0	0	35,665,000
More than 1 year to 3 years	0	0	0	0	2,977,571	0	0	0	0	0	10,049,303	0	6,205,882	0	19,232,756
More than 1 year to 2 years	0	0	0	0	2,977,571	0	0	0	0	0	3,349,768	0	3,102,941	0	9,430,280
More than 2 years to 3 years	0	0	0	0	0	0	0	0	0	0	6,699,535	0	3,102,941	0	9,802,476
More than 3 years to 5 years	0	46,896,745	40,197,210	44,216,931	0	61,635,722	53,596,280	53,596,280	61,635,722	42,877,024	16,748,838	53,596,280	26,435,145	26,798,140	528,230,317
More than 3 years to 4 years	0	0	0	0	0	0	0	0	0	0	6,699,535	0	3,102,941	0	9,802,476
More than 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	6,699,535	0	3,102,941	0	9,802,476
More than 5 years	0	46,896,745	40,197,210	44,216,931	0	61,635,722	53,596,280	53,596,280	61,635,722	42,877,024	3,349,768	53,596,280	20,229,263	26,798,140	508,625,365
Total nominal values	26,886,591	47,384,096	40,581,435	44,362,876	9,005,810	62,230,907	54,100,701	54,061,201	61,803,844	43,409,021	27,091,176	54,376,168	35,743,968	26,798,140	587,835,934

TOTAL PUBLIC OBLIGATIONS FOR THE CURRENT FINANCIAL YEAR

BOOK VALUES															
Current public obligations	26,846,934	499,483	393,454	159,259	5,994,907	587,450	501,681	464,921	114,930	496,076	309,752	726,472	3,311,599	0	40,406,918
Up to 90 days	0	0	0	0	0	0	0	0	0	496,076	309,752	726,472	3,311,599	0	4,843,899
More than 90 days to 1 year	26,846,934	499,483	393,454	159,259	5,994,907	587,450	501,681	464,921	114,930	0	0	0	0	0	35,563,019
Non-current public obligations	0	47,103,632	40,390,431	44,463,800	2,977,424	61,461,446	53,508,723	53,596,280	62,706,531	41,891,084	26,846,624	52,506,850	32,167,945	26,070,290	545,691,060
More than 1 year to 3 years	0	0	0	0	2,977,424	0	0	0	0	0	10,067,484	0	6,027,600	0	19,072,508
More than 1 year to 2 years	0	0	0	0	2,977,424	0	0	0	0	0	3,355,828	0	3,013,800	0	9,347,052
More than 2 years to 3 years	0	0	0	0	0	0	0	0	0	0	6,711,656	0	3,013,800	0	9,725,456
More than 3 years to 5 years	0	47,103,632	40,390,431	44,463,800	0	61,461,446	53,508,723	53,596,280	62,706,531	41,891,084	16,779,140	52,506,850	26,140,345	26,070,290	526,618,552
More than 3 years to 4 years	0	0	0	0	0	0	0	0	0	0	6,711,656	0	3,013,800	0	9,725,456
More than 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	6,711,656	0	3,013,800	0	9,725,456
More than 5 years	0	47,103,632	40,390,431	44,463,800	0	61,461,446	53,508,723	53,596,280	62,706,531	41,891,084	3,355,828	52,506,850	20,112,745	26,070,290	507,167,640
Total public obligations	26,846,934	47,603,115	40,783,885	44,623,059	8,972,331	62,048,896	54,010,404	54,061,201	62,821,461	42,387,160	27,156,376	53,233,322	35,479,544	26,070,290	586,097,978

TOTAL PUBLIC OBLIGATIONS FOR THE PREVIOUS FINANCIAL YEAR

Debtor Tax Identification Number	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5	
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.	
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	
Registration number	580	630	655	655	712	713	713	778	778	806	777	806	284	
Series	BAGUA-J	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	01-04-2031	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	
Repayment period	At maturity	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	4.16%	4.15%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.23%	2.15%	3.29%	6.63%	
Nominal rate	4.00%	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 VALUES														
Up to 1 year	86,966	479,164	377,771	143,494	5,974,887	585,187	495,948	457,111	165,298	523,060	288,112	766,788	3,223,684	13,567,470
Up to 90 days	0	0	0	0	0	0	0	0	0	523,060	288,112	766,788	0	1,577,960
More than 90 days to 1 years	86,966	479,164	377,771	143,494	5,974,887	585,187	495,948	457,111	165,298	0	0	0	3,223,684	11,989,510
More than 1 year to 3 years	26,347,980	0	0	0	8,782,661	0	0	0	0	0	3,293,498	0	6,101,636	44,525,775
More than 1 year to 2 years		0	0	0	5,855,107	0	0	0	0	0	0	0	3,050,818	8,905,925
More than 2 years to 3 years	26,347,980	0	0	0	2,927,554	0	0	0	0	0	3,293,498	0	3,050,818	35,619,850
More than 3 years to 5 years	0	46,108,965	39,521,970	43,474,167	0	60,600,354	52,695,960	52,695,960	60,600,354	42,156,768	23,054,483	52,695,960	29,398,689	503,003,630
More than 3 years to 4 years	0	0	0	0	0	0	0	0	0	0	6,586,995	0	3,050,818	9,637,813
More than 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	6,586,995	0	3,050,818	9,637,813
More than 5 years		46,108,965	39,521,970	43,474,167	0	60,600,354	52,695,960	52,695,960	60,600,354	42,156,768	9,880,493	52,695,960	23,297,053	483,728,004
Total nominal value	26,434,946	46,588,129	39,899,741	43,617,661	14,757,548	61,185,541	53,191,908	53,153,071	60,765,652	42,679,828	26,636,093	53,462,748	38,724,009	561,096,875



TOTAL PUBLIC OBLIGATIONS FOR THE PREVIOUS FINANCIAL YEAR

BOOK VALUE														
Current public obligations	48,567	491,052	386,822	156,553	5,931,501	577,600	493,259	457,111	152,338	467,870	304,639	715,837	3,129,139	13,312,288
Up to 90 days	0	0	0	0	0	0	0	0	0	467,870	304,639	715,837	0	1,488,346
More than 90 days to 1 year	48,567	491,052	386,822	156,553	5,931,501	577,600	493,259	457,111	152,338	0	0	0	3,129,139	11,823,942
Non-current public obligations	26,311,664	46,321,979	39,719,854	43,727,674	8,774,028	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	26,404,869	51,606,287	34,936,538	546,341,722
More than 1 year to 3 years	26,311,664	0	0	0	8,774,028	0	0	0	0	0	3,300,609	0	5,994,248	44,380,549
More than 1 year to 2 years	0	0	0	0	5,849,352	0	0	0	0	0	0	0	2,997,124	8,846,476
More than 2 years to 3 years	26,311,664	0	0	0	2,924,676	0	0	0	0	0	3,300,609	0	2,997,124	35,534,073
More than 3 years to 5 years	0	46,321,979	39,719,854	43,727,674	0	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	23,104,260	51,606,287	28,942,290	501,961,173
More than 3 years to 4 years	0	0	0	0	0	0	0	0	0	0	6,601,217	0	2,997,124	9,598,341
More than 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	6,601,217	0	2,997,124	9,598,341
More than 5 years	0	46,321,979	39,719,854	43,727,674	0	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	9,901,826	51,606,287	22,948,042	482,764,491
Total public obligations	26,360,231	46,813,031	40,106,676	43,884,227	14,705,529	60,999,774	53,100,279	53,153,071	61,790,731	41,643,152	26,709,508	52,322,124	38,065,677	559,654,010

## 8.5 RISK MANAGEMENT

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

Risk management begins with the identification of 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 that 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 subsidiary water utilities have an atomized market. This means that a particular customer's credit is not significant.

The Company's objective is to maintain minimum levels of bad debts. Our credit policy sets the conditions and types of payment as well as the conditions for reaching payment agreements with overdue customers. The management processes are: controlling, estimating and evaluating bad debts in order to take corrective actions to achieve the due compliance. 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 accounts receivable from customers and other debtors.

<b>Credit risk</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
Gross exposure per balance sheet for risks of accounts receivable	148,913,935	139,680,913
Gross exposure per estimates of risks of accounts receivable	-33,121,765	-31,310,035
<b>Net exposure, risk concentration</b>	<b>115,792,170</b>	<b>108,370,878</b>

<b>Movement of credit risk, accounts receivable</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
<b>Initial balance</b>	<b>-31,310,035</b>	<b>-32,930,617</b>
Increase in existing provisions	-5,931,800	-4,102,952
Reductions	4,120,070	5,723,534
<b>Changes, total</b>	<b>-1,811,730</b>	<b>1,620,582</b>
<b>Final balance</b>	<b>-33,121,765</b>	<b>-31,310,035</b>

According to the Group policies, debts for consumption transformed into payment agreements should be provisioned in full.

The table below shows the composition of gross debt by age:

<b>Aging of the gross debt</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
Less than 3 months	112,230,512	105,324,229
Between 3 and 6 months	3,145,423	3,034,126
Between 6 and 8 months	1,617,244	1,360,990
More than 8 months	31,920,756	29,961,568
<b>Total</b>	<b>148,913,935</b>	<b>139,680,913</b>

As required by IFRS 7 on Financial Instruments, the table below describes the past-due gross debt by age:

Gross debt due	31-12-2017 Th\$	31-12-2016 Th\$
Less than 3 months	11,105,825	11,014,577
Between 3 and 6 months	1,703,062	1,625,815
Between 6 and 8 months	818,105	656,727
<b>Total</b>	<b>13,626,992</b>	<b>13,297,119</b>

Past-due debt comprises all those sums in which the counterparty has failed to make a payment when it should have by contract. Balances with ageing less than 8 months, according to Company policies, are not provisioned.

## ii. Liquidity risk

Liquidity risk is the possibility that the Group has difficulties to fulfill its obligations associated with financial liabilities liquidated by the delivery of cash or any other financial asset without being able to finance its commitments undertaken, such as long-term investments and working capital needs at reasonable market prices.

Management monitors 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.
- Agreeing 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		From 91 days to 1 year		From 13 months to 3 years		More than 3 years 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	0		8,992,193	3.21%	75,967,990	3.27%	16,342,446	3.96%	0	-
Bonds	1,170,462	3.58%	53,009,366	3.99%	53,245,199	2.99%	52,969,275	2.81%	712,981,236	3.77%
AFR	4,451,001	3.72%	11,262,422	3.40%	22,087,054	3.79%	49,013,779	3.98%	133,072,021	3.09%
Trade accounts and other payable accounts	93,089,689	-	13,039,417	-	0	-	-	-	982,075	-
<b>Total</b>	<b>98,771,152</b>		<b>86,303,398</b>		<b>151,300,243</b>		<b>118,325,500</b>		<b>847,035,332</b>	

Liquidity risk is controlled on a periodical basis in order to recognize, detect and correct deviations for mitigating any possible effect on the results.



### iii. Interest rate risk

The Company has a floating and fixed interest-rate structure, as shown in the following table:

Debt instruments	Rate	%
Bank loans	Variable	11.11%
Bonds	Fixed	67.68%
AFR	Fixed	21.22%
<b>Total</b>		<b>100.00%</b>

### Interest rate sensitivity analysis

A rate analysis is compared to the BAR (Banking Asset Rate), assuming that all other variables remain constant. The method consists in measuring the positive or negative variation in nominal BAR as of the report submission date compared to the average BAR for the latest loan setting.

The analysis is based on historical data on the average daily market price of 180-day BAR over the past 3 years until the report submission date, with a confidence level of 95%.

Company	Nominal amount of debt (Th\$)	Variable rate	Points (+/-)	Impact on result (Th\$) (+/-)
Aguas Andinas at a consolidated level	96,172,482	180-days TAB	88.8	854,103

### 8.6 CASH EQUIVALENTS

The table below describes the types of financial instruments for each Company:

Company	Instruments	31-12-2017 Th\$	31-12-2016 Th\$
Aguas Andinas S.A.	Term deposit	0	25,015,658
Aguas Andinas S.A.	Mutual funds	1,699,440	0
Aguas Cordillera S.A.	Term deposit	0	8,887,528
Aguas Cordillera S.A.	Mutual funds	245,063	0
Aguas Manquehue S.A.	Term deposit	0	840,410
Aguas del Maipo S.A.	Term deposit	0	90,016
Gestión y Servicios S.A.	Term deposit	0	930,418
Gestión y Servicios S.A.	Mutual funds	395,102	0
Eco-Riles S.A.	Term deposit	0	1,420,575
Eco-Riles S.A.	Mutual funds	382,099	0
Essal S.A.	Term deposit	12,682,088	0
<b>Total</b>		<b>15,403,792</b>	<b>37,184,605</b>

The Company and Subsidiaries make limited portfolio investments with a maximum of 40% of the total per issuing Institution, and limits for instruments such as: 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 NON-CURRENT ACCOUNTS PAYABLE

The core concepts included in this account are:

Trade accounts and other accounts payable	Currency	31-12-2017 Th\$	31-12-2016 Th\$
Subcontractors	CLP	35,332,618	32,684,801
Suppliers	CLP	27,337,474	17,833,243
Suppliers	USD	166,687	98,320
Suppliers	EUR	530,032	15,216
Dividends	CLP	22,900,714	24,706,518
Accrued products and services	CLP	14,036,751	21,394,840
Personnel	CLP	3,472,936	3,156,687
Documents payable	CLP	1,940,548	1,431,885
Others	CLP	411,346	595,658
<b>Sub-total current</b>		<b>106,129,106</b>	<b>101,917,168</b>
AFR potable water	CLP	727,838	698,095
Suppliers for current investments	CLP	183,842	180,917
Sundry creditors	CLP	70,395	70,396
<b>Sub-total non-current</b>		<b>982,075</b>	<b>949,408</b>
<b>Total current and non-current</b>		<b>107,111,181</b>	<b>102,866,576</b>

The tables below show information regarding the trade accounts by maturity date:

## TRADE ACCOUNTS

### CURRENT FINANCIAL YEAR

Current trade accounts according to term	31-12-2017			
	Goods Th\$	Services Th\$	Other Th\$	Total Th\$
Up to 30 days	5,073,112	12,583,597	532,266	18,188,975
Between 31 and 60 days	132,107	0	0	132,107
Between 61 and 90 day	0	11,330	0	11,330
Between 121 and 365 days	3,642,509	0	0	3,642,509
<b>Total</b>	<b>8,847,728</b>	<b>12,594,927</b>	<b>532,266</b>	<b>21,974,921</b>

Overdue trade accounts according to term	31-12-2017			
	Goods Th\$	Services Th\$	Other Th\$	Total Th\$
Up to 30 days	68,501	2,477,956	46,012	2,592,469
Between 31 and 60 days	1,861,175	1,101,558	2,863	2,965,596
Between 61 and 90 days	276,955	50,860	14	327,829
Between 121 and 365 days	8,109	14,363	39	22,511
More than 365 days	0	150,849	18	150,867
<b>Total</b>	<b>2,214,740</b>	<b>3,795,586</b>	<b>48,946</b>	<b>6,059,272</b>

### PREVIOUS FINANCIAL YEAR

Current trade accounts according to term	31-12-2016			
	Goods Th\$	Services Th\$	Other Th\$	Total Th\$
Up to 30 days	2,846,280	9,632,502	27,674	12,506,456
Between 31 and 60 days	174,050	408,025	0	582,075
<b>Total</b>	<b>3,020,330</b>	<b>10,040,527</b>	<b>27,674</b>	<b>13,088,531</b>

Overdue trade accounts according to term	31-12-2016			
	Goods Th\$	Services Th\$	Other Th\$	Total Th\$
Up to 30 days	78,014	1,769,434	40,833	1,888,281
Between 31 and 60 days	1,597,188	333,270	9,418	1,939,876
Between 61 and 90 days	484,479	95,704	577	580,760
Between 91 and 120 days	134,880	198,384	2906	336,170
Between 121 and 365 days	60	43,364	4175	47,599
More than 365 days	3791	61,771	0	65,562
<b>Total</b>	<b>2,298,412</b>	<b>2,501,927</b>	<b>57,909</b>	<b>4,858,248</b>

## 8.8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments recorded at amortized cost.

The following table summarizes the fair values of the principal financial assets and liabilities, including those that have not been recorded at fair value in the consolidated statement of financial position:

31-12-2017		
	Amortised cost Th\$	Fair value Th\$
<b>CASH EQUIVALENTS</b>		
<b>Investments booked at fair value</b>	<b>15,403,792</b>	<b>15,403,792</b>
Term deposits, level 1	12,682,088	12,682,088
Mutual funds, level 1	2,721,704	2,721,704
<b>OTHER FINANCIAL LIABILITIES</b>		
<b>Financial liabilities booked at amortised cost</b>	<b>866,023,519</b>	<b>914,128,319</b>
Bank debt, level 2	96,172,482	97,493,201
Bonds, level 1	586,097,978	632,882,059
AFR, level 3	183,753,059	183,753,059

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

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

**a)** The amortized cost of time deposits and mutual funds is a good approximation of fair value as they are short-term operations.

**b)** The amortized cost of AFR liabilities is a good approximation of fair value as they are not very liquid in the market, but their issue rate is determined in line with the regulation (Decree Law No. 70).

**c)** The fair value of bonds was determined upon market price references as these instruments are traded on the market under normal conditions and with a high level of liquidity.

**d)** The fair value of bank debt was determined by updating the cash flows of each loan (principal and interest disbursements) to a swap curve interpolated rate for the remaining term. This term corresponds to the number of days between the financial statement closing date and the cash disbursement date.

### Recognition of a hierarchy in the fair value measurements contained in the Consolidated Financial Information Statements

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

## 8.9 OTHER NON-CURRENT FINANCIAL ASSETS

These mainly relate to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for an amount of Th\$7,790,217 and Th\$7,774,928, as of December 31, 2017 and as of December 31, 2016, respectively, (see Note 2.2, letter h, ii), over which the Group has no control or significant influence. The balance of Th\$17,517 relates to other financial investments in both financial years.

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 December 31, 2017 and December 31, 2016.



# Note 9. Disclosure of Information on Related Entities

**Balances and transactions with related entities**

Transactions between the Company and its subsidiaries are in line with the market conditions. These transactions have been deleted in the consolidation and are not broken down in this note.

**Accounts receivable from related entities**

Accounts receivable from related entities are originated in Chile. The transaction currency is Chilean Pesos and the maturity dates are 30 days.

Tax Identification Number related party	Name of related party	Relationship	Nature of transaction with related parties	Security	31-12-2017 Th\$	31-12-2016 Th\$
77.329.730-4	Suez Inversiones Aguas del Gran Santiago Ltda.	Related to the controller	Laboratory analysis and sampling services	Unsecured	366	0
76.746.454-1	Suez Biofactoria Andina Spa.	Related to the controller	Collection La Farfana insurance	UF 7,656.06	205,167	0
76.746.454-1	Suez Biofactoria Andina Spa.	Related to the controller	Collection Mapocho Trebal insurance	UF 10,377.4	278,096	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Laboratory analysis and sampling services	Unsecured	8,138	3,504
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	Office lease	Unsecured	399	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Laboratory analysis and sampling services	Unsecured	19,485	80,693
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Colector cleaning contract	Unsecured	0	1,080
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Basis proposed in tenders	Unsecured	66	66
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Counselling for the technical inspection of water treatment plants at CMPC Santa Fe. Project Frutos del Maipo.	Unsecured	33,628	21,978
59.066.560-6	Suez International	Related to the controller	Discount of advance for supply of equipment, assembly and start-up of the second stage of the sewage water plant Mapocho, module 4	Security full compliance with the contract for UF218,320	0	1,140,331
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Sale of materials	Unsecured	15,287	28,215
Total					560,633	1,275,867

Part IV Financial Statements

**Accounts payable to related entities**

Accounts payable to related entities are originated in Chile and the transaction currency is Chilean Pesos.

Tax Identification Number of the related party	Name of related party	Relationship	Nature of transaction with related parties	Period	Security	31-12-2017 Th\$	31-12-2016 Th\$
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Update project Centro de Control Operativo CCO 2.0	30 days	Guaranteed fulfilment of contract for \$30,899	1,079,276	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	SCADA platform	30 days	Unsecured	7,115	20,210
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Arsenic plant San Antonio	30 days	Guaranteed fulfilment of contract for \$24,264	1,786,747	2,210,511
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Chamisero plant	30 days	Guaranteed fulfilment of contract for UF 66,809.74	7,129,098	2,233,069
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Talagante plant expansion	30 days	Unsecured	932,641	0
76.746.454-1	Suez Biofactoria Andina Spa.	Related to the controller	La Farfana wastewater treatment plant operation and maintenance services	30 days	Guaranteed fulfilment of contract for UF 1,048,050	3,260,791	0
76.746.454-1	Suez Biofactoria Andina Spa.	Related to the controller	Removal of hydrogen and biofactory adaptation of treatment plant Mapocho-Trebal	30 days	Garantía cumplimiento de contrato Monto UF 1,048,050	3,718,527	0
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Virtual platform, Siebel	30 days	Unsecured	113,361	295,079
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Purchase of material	60 days	Guaranteed fulfilment of contract for Th\$279,298	815,433	170,957
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Implementation of geographic information system Essal S.A.	30 days	Guaranteed fulfilment of contract for UF887	6,579	14,164
76.046.628-K	Asterión S.A.	Related to the controller	Evolutionary maintenance consulting service	30 days	Unsecured	188,612	0
76.046.628-K	Asterión S.A.	Related to the controller	Process reengineering service contract and implementation of new customer service information systems	30 days	Guaranteed fulfilment of contract for Th\$845,149	142,137	157,544
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Biogas plant operation services	30 days	Unsecured	105,347	79,376
96.799.790-0	Servicios y Proyectos Ambientales S.A.	Related to the controller	Environmental monitoring services	30 days	Unsecured	3,377	0
No Tax Identification Number	Aqua Development Network S.A.	Related to the controller	Integrated talent management contract	30 days	Unsecured	277,451	44,165
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	Dividends payable	30 days	Unsecured	21,035,299	22,645,539

Tax Identification Number of the related party	Name of related party	Relationship	Nature of transaction with related parties	Period	Security	31-12-2017 Th\$	31-12-2016 Th\$
96.817.230-1	EPSA Electrica Puntilla S.A.	Ordinary director	Recalculation of energy supply	30 days	Unsecured	11,013	9,044
70.009.410-3	Asociación canalistas sociedad del canal del Maipo	Ordinary director	Chamisero plant, Batuco channel	30 days	Unsecured	10,000	0
59.066.560-6	Suez International	Related to the controller	Payment status for equipment supply, assembly and start-up of second stage of Mapocho wastewater treatment plant, Module 4	30 days	Guaranteed fulfilment of contract for UF 218,320	220,514	4,169,732
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Project Eficiencia Hidraulica	30 days	Guaranteed fulfilment of contract for UF: 14,992	0	274,911
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Clean-up of potable water networks contract (Ice- Pigging)	30 days	Guaranteed fulfilment of contract for Th\$26,600	0	107,442
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Construction and expanion of slurry line La Unión	30 days	Guaranteed fulfilment of contract for Th\$47,110	0	23.359
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Rio Bueno slurry plant	30 days	Unsecured	0	11,477
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Upgrading service of the operation and safety of Tranque Pudeto y Gamboa	30 days	Guaranteed fulfilment of contract for Th\$705	0	14,729
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Decomissioning and modelling of smell plaint Chañaral	30 days	Unsecured	0	14,084
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Operation and maintenance services Planta de Tratamiento Aguas Servidas La Farfana	30 days	Bail the strict compliance with the contractual obligations for UF194,249.62	0	3,296,972
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 Plan	90 days	Guaranteed fulfilment of contract for UF357,863	2,563,461	2,363,175
65.113.732-2	Corporacion Chilena de Investigación del Agua	Related to the controller	Consulting services	30 days	Unsecured	184,854	69,466
<b>Total</b>						<b>43,591,633</b>	<b>38,225,005</b>



### Transactions with related entities

Transactions with related entities are originated in Chile and the transaction currency is Chilean Pesos.

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

Tax Identification Number related party	Name related party	Relationship	Country	Nature of transaction with related parties	Currency	31-12-2017 Th\$		31-12-2016 Th\$	
						Amount	Effect on results (Charge)/Credit	Amount	Effect on results (Charge)/Credit
79.046.628-K	Asterión S.A.	Related to the controller	CL	Process reengineering service contract and implementation of new customer service	CLP	1,019,235	-1,019,235	799,652	-743,230
Nil	Aqua Development Network	Related to the controller	CL	Integrated talent management contract	CLP	1,003,829	-1,003,829	753,429	-753,429
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	CL	Purchase of materials	CLP	2,264,623	-2,201,648	2,275,124	-1,594,194
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	Ice-Pigging service contract	CLP	0	0	303,081	-303,081
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	Chamisero plant	CLP	6,302,180	-58,306	3,675,000	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	Hydraulic efficiency project	CLP	20,650	0	179,218	-83,218
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	San Antonio Arsenico Plant	CLP	1,710,756	-11,600	3,040,561	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	Update Centro de Control Operativo CCO 2.0 project	CLP	3,113,835	-63,670	0	0
59.066.560-6	Suez International	Related to the controller	CL	Supply of equipment, assembly and start-up of second stage of Mapocho Wastewater Treatment Plant, module 4	CLP	3,631,109	0	22,144,406	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	El Trebal wastewater treatment plant services of construction, operation and maintenance Mapocho wastewater treatment plant	CLP	8,445,330	-5,239,223	12,169,065	-10,853,222
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	La Farfana wastewater treatment plant operation and maintenance services	CLP	12,764,170	-10,143,011	17,170,776	-13,513,945
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Biogas plant operation and maintenance services	CLP	329,351	-329,351	217,048	-217,048
76.746.454-1	Suez Biofactoría Andina Spa.	Related to the controller	CL	El Trebal water treatment plant operation, maintenance and construction	CLP	12,086,671	-9,019,614	0	0
96.817.230-1	EPSA Eléctrica Puntilla S.A.	Common board member	CL	Compensation for lower flow	CLP	443,287	-443,287	141,515	-141,515
65.113.732-2	Cetaqua Spa	Related to the controller	CL	Study about management of resilient urban hydraulic infrastructure with respect to hydrological and geological risks; full appraisal	CLP	379,828	-246,888	0	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends paid	CLP	68,878,954	0	64,636,011	0

**Remuneration paid to the directors of Aguas Andinas S.A. and Subsidiaries, and to the Board of Directors.**

	31-12-2017 Th\$	31-12-2016 Th\$
Board of Directors	424,113	463,371
Directors Committee	46,250	32,766
<b>Total</b>	<b>470,363</b>	<b>496,137</b>

These fees are related to their positions, which have been defined and agreed by the Ordinary Shareholders Meeting.

At the end of the financial year 2017, the list of the senior managers and executives of Aguas Andinas S.A. and Subsidiaries included 91 professionals. The total wages received during the year amounted to \$9,148 million whereas the seniority compensation for senior executives reached \$61 million.

La administración de la Sociedad no tiene conocimiento de la existencia de transacciones entre partes relacionadas y directores y/o ejecutivos, distintas de sus dietas y remuneraciones.

**Information on related parties and transactions with related parties by Directors 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 table below shows the detail by inventory class as of December 31, 2017 and December 31, 2016:

INVENTORY CLASS	31-12-2017 Th\$	31-12-2016 Th\$
Goods	2,645,500	2,423,788
<b>Supplies for production</b>	<b>1,177,531</b>	<b>752,216</b>
<b>Other inventories</b>	<b>102,347</b>	<b>133,941</b>
<b>Total</b>	<b>3,925,378</b>	<b>3,309,945</b>

The cost of the inventories recognized as an expense in the statement of results as of December 31, 2017 and 2016 amounts to Th\$11,339,400 and Th\$11,127,313, respectively.

## Note 11. Intangible Assets Other Than Goodwill

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

	31-12-2017 Th\$	31-12-2016 Th\$
<b>Intangible assets, net</b>	<b>227,084,499</b>	<b>227,951,484</b>
Trademarks, net	13,000	13,000
Computer programs, net	7,910,586	9,203,521
Other intangible assets, net*	219,160,913	218,734,963

<b>Intangible assets, gross</b>	<b>280,804,446</b>	<b>276,075,948</b>
Trademarks, gross	13,000	13,000
Computer programs, gross	48,876,011	44,760,678
Other intangible assets, gross*	231,915,435	231,302,270

<b>Intangible assets, accumulated amortisation</b>	<b>53,719,947</b>	<b>48,124,464</b>
Computer programs, accumulated amortisation	40,965,425	35,557,157
Other intangible assets, accumulated amortisation	12,754,522	12,567,307

\*Water rights, easements and other rights.

## MOVEMENT OF INTANGIBLE ASSETS AS OF DECEMBER 31, 2017

INTANGIBLE ASSETS MOVEMENTS	Trademarks, net Th\$	Computer programs, net Th\$	Other intangible assets, net Th\$	Total Th\$
Initial balance as at 01-01-2017	13,000	9,203,521	218,734,963	227,951,484
Amortisation	0	-5,408,268	-187,215	-5,595,483
Increases (reductions) for transfers	0	1,836,974	-158	1,836,816
Increases (reductions) for other changes	0	2,278,359	625,874	2,904,233
Disposals and withdrawal from service	0	0	-12,551	-12,551
Changes, Total	0	-1,292,935	425,950	-866,985
Final balance as at 31-12-2017	13,000	7,910,586	219,160,913	227,084,499

## MOVEMENT OF INTANGIBLE ASSETS AS OF DECEMBER 31, 2016

INTANGIBLE ASSETS MOVEMENTS	Trademarks, net Th\$	Computer programs, net Th\$	Other intangible assets, net Th\$	Total Th\$
Initial balance as at 01-01-2016	13,000	11,875,731	218,638,958	230,527,689
Amortisation	0	-5,517,913	-187,215	-5,705,128
Increases (reductions) for transfers	0	850,640	-36,626	814,014
Increases (reductions) for other changes	0	1,995,063	581,823	2,576,886
Disposals and withdrawal from service	0	0	-261,977	-261,977
Changes, Total	0	-2,672,210	96,005	-2,576,205
Final balance as at 31-12-2016	13,000	9,203,521	218,734,963	227,951,484

## Detailed disclosure of information on intangible assets (gross value)

## CURRENT FINANCIAL YEAR 31-12-2017

INTANGIBLE ASSETS MOVEMENTS	Trademarks, net Th\$	Computer programs, net Th\$	Other intangible assets, net Th\$	Total Th\$
Initial balance as at 01-01-2017	13,000	44,760,678	231,302,270	276,075,948
Increases (reductions) for transfers	0	1,836,974	-158	1,836,816
Increases (reductions) for other changes	0	2,278,359	625,874	2,904,233
Disposals and withdrawal from service	0	0	-12,551	-12,551
Changes, Total	0	4,115,333	613,165	4,728,498
Final balance as at 31-12-2017	13,000	48,876,011	231,915,435	280,804,446

## PREVIOUS FINANCIAL YEAR 31-12-2016

INTANGIBLE ASSETS MOVEMENTS	Trademarks, net Th\$	Computer programs, net Th\$	Other intangible assets, net Th\$	Total Th\$
Initial balance as at 01-01-2016	13,000	41,889,777	231,019,050	272,921,827
Increases (reductions) for transfers	0	880,240	-36,626	843,614
Increases (reductions) for other changes	0	1,995,063	581,823	2,576,886
Disposals and withdrawal from service	0	-4,402	-261,977	-266,379
Changes, Total	0	2,870,901	283,220	3,154,121
Final balance as at 31-12-2016	13,000	44,760,678	231,302,270	276,075,948



**Detailed disclosure of information on intangible assets (accumulated amortization)**

**CURRENT FINANCIAL YEAR 31-12-2017**

INTANGIBLE ASSETS MOVEMENTS	Trademarks, accumulated amortisation Th\$	Computer programs, accumulated amortisation Th\$	Other intangible assets, accumulated amortisation Th\$	Total Th\$
Initial balance as at 01-01-2017	0	35,557,157	12,567,307	48,124,464
Amortisation	0	5,408,268	187,215	5,595,483
<b>Changes, Total</b>	<b>0</b>	<b>5,408,268</b>	<b>187,215</b>	<b>5,595,483</b>
<b>Final balance as at 31-12-2017</b>	<b>0</b>	<b>40,965,425</b>	<b>12,754,522</b>	<b>53,719,947</b>

**PREVIOUS FINANCIAL YEAR 31-12-2016**

INTANGIBLE ASSETS MOVEMENTS	Trademarks, accumulated amortisation Th\$	Computer programs, accumulated amortisation Th\$	Other intangible assets, accumulated amortisation Th\$	Total Th\$
Initial balance as at 01-01-2016	0	30,014,046	12,380,092	42,394,138
Amortisation	0	5,517,913	187,215	5,705,128
Increases (reductions) for transfers	0	29,600	0	29,600
Disposals and withdrawal from service	0	-4,402	0	-4,402
<b>Changes, Total</b>	<b>0</b>	<b>5,543,111</b>	<b>187,215</b>	<b>5,730,326</b>
<b>Closing balance as at 31-12-2016</b>	<b>0</b>	<b>35,557,157</b>	<b>12,567,307</b>	<b>48,124,464</b>

**Detail of significant individual intangible assets (other assets):**

Water rights and easements are the principal intangible assets with indefinite useful lives; the table below shows a detail by company:

COMPANY	31-12-2017			31-12-2016		
	Water rights Th\$	Easements Th\$	Others Th\$	Water rights Th\$	Easements Th\$	Others Th\$
Aguas Andinas S.A.	76,364,281	8,407,422	4,761,309	76,262,225	8,296,216	4,949,427
Aguas Cordillera S.A.	92,732,686	7,761,932	0	92,702,860	7,761,746	0
Aguas Manquehue S.A.	21,954,837	866,673	0	21,814,071	744,190	0
Essal S.A.	5,609,125	1,095,557	0	5,509,828	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>196,715,729</b>	<b>18,131,584</b>	<b>4,761,309</b>	<b>196,343,784</b>	<b>17,889,457</b>	<b>4,949,427</b>

**Intangible assets with undefined useful lives**

Both water rights and easements are rights of the Company for which it is not possible to establish a definite useful life, i.e. the period of economic benefits associated with these assets is indefinite. Both assets are legal rights that are neither extinguished nor affected by restrictions.

**Commitments for acquiring intangible assets**

The table below shows the commitments for acquisitions of intangible assets for the financial year 2018 related to water rights, easements and computer programs needed for the normal operation of the Group Companies, particularly for new works that are being developed or are in preliminary study stages, plus the expansion of concession areas:

COMPANY	Th\$
<b>Aguas Andinas S.A.</b>	<b>1,529,470</b>
Aguas Cordillera S.A.	10,000
Aguas Manquehue S.A.	50,000
Essal S.A.	<b>310,000</b>
<b>Total</b>	<b>1,899,470</b>

## Note 12. Goodwill

The table below shows the detail of goodwill for the different Cash Generating Units (CGUs) or CGU groups to which they have been assigned as of December 31, 2017 and December 31, 2016:

TAX IDENTIFICATION NUMBER	Company	31-12-2017 Th\$	31-12-2016 Th\$
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

PROPERTY, PLANT AND EQUIPMENT, NET (Amounts in Th\$)	Net value		Gross value		Accumulated depreciation	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016	31-12-2017	31-12-2016
	1,351,763,816	1,294,570,086	2,571,086,250	2,446,766,910	1,219,322,434	1,152,196,824
Land	160,461,335	160,070,637	160,461,335	160,070,637	0	0
Buildings	79,601,087	74,440,293	111,011,034	103,580,338	31,409,947	29,140,045
Machinery	120,338,507	99,318,272	363,844,849	318,777,368	243,506,342	219,459,096
Transport vehicles	1,320,419	1,861,338	5,866,755	6,295,614	4,546,336	4,434,276
Fixed installations and accessories	1,315,585	701,742	5,992,005	5,259,569	4,676,420	4,557,827
Computer equipment	3,659,346	2,659,948	13,921,577	11,404,754	10,262,231	8,744,806
Improvement to leased assets	64,266	61,285	597,279	611,414	533,013	550,129
Construction in progress	156,563,062	180,506,784	156,563,062	180,506,784	0	0
Additional works	22,349,067	21,252,123	43,248,022	40,632,428	20,898,955	19,380,305
Production facilities	167,598,083	162,939,794	316,220,864	305,539,500	148,622,781	142,599,706
Potable water networks	174,661,097	163,124,828	492,846,317	474,364,900	318,185,220	311,240,072
Sewerage networks	246,165,604	247,188,146	519,580,232	508,150,937	273,414,628	260,962,791
Wastewater treatment plants	169,331,810	143,756,791	228,440,366	197,861,144	59,108,556	54,104,353
Other facilities	48,103,767	36,448,254	150,469,536	131,523,642	102,365,769	95,075,388
Goods out of service	230,781	239,851	2,023,017	2,187,881	1,792,236	1,948,030



The table below shows information on the main participations of the Group Companies.

PROPERTY, PLANT AND EQUIPMENT	31-12-2017 Th\$	Aguas Andinas S.A %	Aguas Cordillera S.A %	Aguas Manquehue S.A %	Essal S.A %	Others %
Land	160,461,335	75%	13%	1%	11%	0%
Buildings	79,601,087	75%	4%	2%	17%	2%
Machinery	120,338,507	80%	5%	2%	11%	2%
Transport vehicles	1,320,419	88%	0%	0%	9%	3%
Fixed installations and accessories	1,315,585	67%	1%	0%	12%	20%
Computer equipment	3,659,346	87%	0%	0%	11%	2%
Improvements to leased assets	64,266	9%	0%	0%	0%	91%
Construction in progress	156,563,062	57%	11%	12%	15%	5%
Additional works	22,349,067	81%	4%	3%	11%	1%
Production facilities	167,598,083	64%	15%	13%	8%	0%
Potable water networks	174,661,097	68%	17%	2%	13%	0%
Sewerage networks	246,165,604	83%	2%	4%	11%	0%
Wastewater treatment plants	169,331,810	93%	0%	0%	7%	0%
Other facilities	48,103,767	75%	7%	6%	11%	1%
Goods out of service	230,781	32%	68%	0%	0%	0%
<b>Total</b>	<b>1,351,763,816</b>	<b>75%</b>	<b>8%</b>	<b>5%</b>	<b>11%</b>	<b>1%</b>

As required by IAS 16, paragraph 79, letter d, the Group presents information about fair value of its main assets

CLASS	Cost	Reasonable value
	31-12-2017	
	Th\$	Th\$
Buildings	79,601,087	114,676,687
Additional works	22,349,067	36,941,486
Production facilities	167,598,083	281,365,270
Potable water networks	174,661,097	408,471,886
Sewerage networks	246,165,604	425,156,518
Wastewater treatment plants	169,331,810	186,999,132
Other facilities	48,103,767	48,899,019
Machinery and equipment	120,338,507	136,908,669
<b>Total</b>	<b>1,028,149,022</b>	<b>1,639,418,667</b>

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

As required by IAS 16, paragraph 73, we provide the following information on each property, plant and equipment class owned by the Company.

**PROPERTY, PLANT AND EQUIPMENT MOVEMENTS AS OF DECEMBER 31, 2017 (NET VALUE)**

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (reductions) for transfers from constructions in progress Th\$	Other increases (decreases) Th\$	Disposal and withdrawals from service Th\$	Total change Th\$ s	Final balance Th\$
Land	160,070,637	0	3,785	641,797	-254,884	390,698	160,461,335
Buildings	74,440,293	-2,172,183	8,178,116	-805,590	-39,549	5,160,794	79,601,087
Machinery	99,318,272	-24,663,592	34,940,644	10,925,891	-182,708	21,020,235	120,338,507
Transport vehicles	1,861,338	-500,554	107,734	35,620	-183,719	-540,919	1,320,419
Fixed installations and accesorios	701,742	-176,375	431,694	358,524	0	613,843	1,315,585
Computer equipment	2,659,948	-1,529,250	1,174,847	1,353,801	0	999,398	3,659,346
Improvements to leased assets	61,285	-29,653	32,239	395	0	2,981	64,266
Construction in progress	180,506,784	0	-114,682,738	90,797,576	-58,560	-23,943,722	156,563,062
Additional works	21,252,123	-1,535,090	2,351,518	282,036	-1,520	1,096,944	22,349,067
Production facilities	162,939,794	-6,029,543	9,821,279	866,553	0	4,658,289	167,598,083
Potable water networks	163,124,828	-7,164,493	7,189,676	11,511,813	-727	11,536,269	174,661,097
Sewage networks	247,188,146	-12,445,369	3,849,660	7,573,167	0	-1,022,542	246,165,604
Wastewater treatment plants	143,756,791	-5,041,329	28,827,826	1,837,109	-48,587	25,575,019	169,331,810
Other facilities	36,448,254	-7,502,170	15,936,914	3,221,057	-288	11,655,513	48,103,767
Goods out of service	239,851	-9,070	0	0	0	-9,070	230,781
<b>Class of properties, plant and equipment, net</b>	<b>1,294,570,086</b>	<b>-68,798,671</b>	<b>-1,836,806</b>	<b>128,599,749</b>	<b>-770,542</b>	<b>57,193,730</b>	<b>1,351,763,816</b>

PROPERTY, PLANT AND EQUIPMENT MOVEMENTS AS OF DECEMBER 31, 2016 (NET VALUE)

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (reductions) for transfers from constructions in progress Th\$	Other increases (decreases) Th\$	Disposal and withdrawals from service Th\$	Total change Th\$ s	Final balance Th\$
Land	160,423,927	0	39,568	-374,897	-17,961	-353,290	160,070,637
Buildings	74,367,058	-1,996,991	1,216,496	906,270	-52,540	73,235	74,440,293
Machinery	103,872,419	-21,105,106	15,233,248	1,518,538	-200,827	-4,554,147	99,318,272
Transport vehicles	2,132,247	-539,295	61,542	245,023	-38,179	-270,909	1,861,338
Fixed installations and accesories	683,380	-113,932	45,651	86,646	-3	18,362	701,742
Computer equipment	2,486,497	-1,293,633	250,610	1,216,474	0	173,451	2,659,948
Improvements to leased assets	83,068	-27,893	1,356	4,754	0	-21,783	61,285
Construction in progress	144,232,818	0	-47,756,099	85,246,536	-1,216,471	36,273,966	180,506,784
Additional works	21,048,281	-1,453,845	908,308	749,626	-247	203,842	21,252,123
Production facilities	149,021,755	-5,722,133	15,733,702	4,040,989	-134,519	13,918,039	162,939,794
Potable water networks	155,110,210	-6,771,912	6,963,502	7,823,028	0	8,014,618	163,124,828
Sewage networks	250,020,262	-11,901,067	2,463,372	6,605,579	0	-2,832,116	247,188,146
Wastewater treatment plants	147,687,828	-4,450,160	120,471	557,909	-159,257	-3,931,037	143,756,791
Other facilities	36,724,335	-5,919,380	3,853,169	1,790,281	-151	-276,081	36,448,254
Goods out of service	241,199	-9,228	21,475	-13,595	0	-1,348	239,851
<b>Class of properties, plant and equipment, net</b>	<b>1,248,135,284</b>	<b>-61,304,575</b>	<b>-843,629</b>	<b>110,403,161</b>	<b>-1,820,155</b>	<b>46,434,802</b>	<b>1,294,570,086</b>



**DISCLOSURE OF INFORMATION ON PROPERTY, PLANT AND EQUIPMENT (GROSS VALUE)**  
**CURRENT FINANCIAL YEAR 31-12-2017**

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (decreases) for other changes Th\$	Disposal and withdrawal from service Th\$	Total change Th\$ s	Final balance Th\$
Land	160,070,637	3,785	641,797	-254,884	390,698	160,461,335
Buildings	103,580,338	8,178,116	-667,990	-79,430	7,430,696	111,011,034
Machinery	318,777,368	34,940,644	10,927,824	-800,987	45,067,481	363,844,849
Transport vehicles	6,295,614	107,734	48,432	-585,025	-428,859	5,866,755
Fixed installations and accesories	5,259,569	431,694	358,524	-57,782	732,436	5,992,005
Computer equipment	11,404,754	1,174,847	1,354,362	-12,386	2,516,823	13,921,577
Improvements to leased assets	611,414	32,239	396	-46,770	-14,135	597,279
Construction in progress	180,506,784	-114,682,738	90,797,576	-58,560	-23,943,722	156,563,062
Additional works	40,632,428	2,351,518	282,036	-17,960	2,615,594	43,248,022
Production facilities	305,539,500	9,821,279	860,085	0	10,681,364	316,220,864
Potable water networks	474,364,900	7,189,676	11,510,182	-218,441	18,481,417	492,846,317
Sewage networks	508,150,937	3,849,660	7,579,635	0	11,429,295	519,580,232
Wastewater treatment plants	197,861,144	28,827,826	1,836,148	-84,752	30,579,222	228,440,366
Other facilities	131,523,642	15,936,914	3,070,743	-61,763	18,945,894	150,469,536
Goods out of service	2,187,881	0	0	-164,864	-164,864	2,023,017
<b>Class of properties, plant and equipment, gross</b>	<b>2,446,766,910</b>	<b>-1,836,806</b>	<b>128,599,750</b>	<b>-2,443,604</b>	<b>124,319,340</b>	<b>2,571,086,250</b>

PREVIOUS FINANCIAL YEAR 31-12-2016 (GROSS VALUE)

CONCEPT	Initial balance Th\$	Increases (reductions) for transfers from constructions in progress Th\$	Increases (decreases) for other changes Th\$	Disposal and withdrawal from service Th\$	Total change Th\$ s	Final balance Th\$
Land	160,423,927	39,568	-374,897	-17,961	-353,290	160,070,637
Buildings	101,522,741	1,216,496	906,270	-65,169	2,057,597	103,580,338
Machinery	303,870,719	15,233,248	1,505,136	-1,831,735	14,906,649	318,777,368
Transport vehicles	6,430,584	61,542	258,134	-454,646	-134,970	6,295,614
Fixed installations and accesories	5,133,162	45,651	86,674	-5,918	126,407	5,259,569
Computer equipment	10,179,797	250,610	1,216,459	-242,112	1,224,957	11,404,754
Improvements to leased assets	605,304	1,356	4,754	0	6,110	611,414
Construction in progress	144,232,818	-47,756,099	85,246,536	-1,216,471	36,273,966	180,506,784
Additional works	38,974,876	908,308	749,625	-381	1,657,552	40,632,428
Production facilities	286,207,959	15,733,702	4,024,156	-426,317	19,331,541	305,539,500
Potable water networks	459,581,460	6,963,502	7,819,938	0	14,783,440	474,364,900
Sewage networks	499,081,885	2,463,372	6,605,680	0	9,069,052	508,150,937
Wastewater treatment plants	197,838,500	120,471	557,045	-654,872	22,644	197,861,144
Other facilities	125,917,608	3,853,169	1,784,431	-31,566	5,606,034	131,523,642
Goods out of service	2,180,001	21,475	-13,595	0	7,880	2,187,881
<b>Class of properties, plant and equipment, gross</b>	<b>2,342,181,341</b>	<b>-843,629</b>	<b>110,376,346</b>	<b>-4,947,148</b>	<b>104,585,569</b>	<b>2,446,766,910</b>

DETAILED DISCLOSURE OF INFORMATION ON PROPERTY, PLANT AND EQUIPMENT (ACCUMULATED DEPRECIATION)  
CURRENT FINANCIAL YEAR 31-12-2017

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (decreases) for other changes Th\$	Disposal and withdrawal from service Th\$	Total change Th\$ s	Final balance Th\$
Buildings	29,140,045	2,172,183	137,600	-39,881	2,269,902	31,409,947
Machinery	219,459,096	24,663,592	1,933	-618,279	24,047,246	243,506,342
Transport vehicles	4,434,276	500,554	12,812	-401,306	112,060	4,546,336
Fixed installations and accesories	4,557,827	176,375	0	-57,782	118,593	4,676,420
Computer equipment	8,744,806	1,529,250	561	-12,386	1,517,425	10,262,231
Improvements to leased assets	550,129	29,654	0	-46,770	-17,116	533,013
Construction in progress	19,380,305	1,535,090	0	-16,440	1,518,650	20,898,955
Production facilities	142,599,706	6,029,543	-6,468	0	6,023,075	148,622,781
Potable water networks	311,240,072	7,164,493	-1,631	-217,714	6,945,148	318,185,220
Sewage networks	260,962,791	12,445,369	6,468	0	12,451,837	273,414,628
Wastewater treatment plants	54,104,353	5,041,328	-961	-36,164	5,004,203	59,108,556
Other facilities	95,075,388	7,502,170	-150,314	-61,475	7,290,381	102,365,769
Goods out of service	1,948,030	9,070	0	-164,864	-155,794	1,792,236
<b>Class of properties, plant and equipment, accumulated depreciation</b>	<b>1,152,196,824</b>	<b>68,798,671</b>	<b>0</b>	<b>-1,673,061</b>	<b>67,125,610</b>	<b>1,219,322,434</b>



PREVIOUS FINANCIAL YEAR 31-12-2016 (ACCUMULATED DEPRECIATION)

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (decreases) for other changes Th\$	Disposal and withdrawal from service Th\$	Total change Th\$ s	Final balance Th\$
Buildings	27,155,683	1,996,991	0	-12,629	1,984,362	29,140,045
Machinery	199,998,300	21,105,106	-13,402	-1,630,908	19,460,796	219,459,096
Transport vehicles	4,298,337	539,295	13,111	-416,467	135,939	4,434,276
Fixed installations and accesories	4,449,782	113,932	28	-5,915	108,045	4,557,827
Computer equipment	7,693,300	1,293,633	-15	-242,112	1,051,506	8,744,806
Improvements to leased assets	522,236	27,893	0	0	27,893	550,129
Additional works	17,926,595	1,453,845	-1	-134	1,453,710	19,380,305
Production facilities	137,186,204	5,722,133	-16,833	-291,798	5,413,502	142,599,706
Potable water networks	304,471,250	6,771,912	-3,090	0	6,768,822	311,240,072
Sewage networks	249,061,623	11,901,067	101	0	11,901,168	260,962,791
Wastewater treatment plants	50,150,672	4,450,160	-864	-495,615	3,953,681	54,104,353
Other facilities	89,193,273	5,919,380	-5,850	-31,415	5,882,115	95,075,388
Goods out of service	1,938,802	9,228	0	0	9,228	1,948,030
Class of properties, plant and equipment, accumulated depreciation	1,094,046,057	61,304,575	-26,815	-3,126,993	58,150,767	1,152,196,824

Part IV Financial Statements

Below is the detail of each Company of the Group, consolidated by values from future commitments to acquire property, plant and equipment for the 2018 period:

COMPANY	Th\$
Aguas Andinas S.A.	120,233,227
Aguas Cordillera S.A.	6,931,411
Aguas Manquehue S.A.	5,104,407
Essal S.A.	15,394,073
Ecoriles S.A.	77,128
Gestión y Servicios S.A.	35,000
Análisis Ambientales S.A.	163,200
<b>Total</b>	<b>147,938,446</b>

Temporarily idle property, plant and equipment:

COMPANY	Gross value Th\$	Accumulated deprecitation Th\$	Net value Th\$
Aguas Andinas S.A.	1,748,685	-1,674,326	74,359
Aguas Cordillera S.A.	274,332	-117,910	156,422
<b>Total</b>	<b>2,023,017</b>	<b>-1,792,236</b>	<b>230,781</b>

## Note 14. Impairment of Asset Value

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

Each company as a whole is defined as a Cash Generating Unit (CGU), as each one is individually capable of generating future economic benefits and represents the smallest group of assets that generate independent cash flows. Pursuant to the regulations, the Company will evaluate, at the closing 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. Assets with an indefinite useful life and goodwill will be subject to the impairment test, at the latest, at the closing of the financial year or upon detecting any sign.

Intangible assets with indefinite useful life, e.g. water rights, will be subject to a study to determine the market price values, which are compared to the values assigned to them as costs as of the date of adopting the IFRS rules.

Lesser values are subject to calculation of their useful value, considering the different Companies as CGUs, using recent estimates from budgets over the medium term, determining the different parameters based on models widely used in the market. The parameters are set based on the current information for benchmark risk-free rates in the market, the useful life for each company and growth rates for the Companies' regular income, including growth in the population and changes in consumption through the years.

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

The respective impairment tests were conducted at the end of the financial years 2017 and 2018. The tests were 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 Contax Identification Numbergent Liabilities

### A. PROVISIONS

Below is a breakdown of the heading as of December 31, 2017 and December 31, 2016:

CLASSES OF PROVISIONS	31-12-2017 Th\$	31-12-2016 Th\$
Provisions for legal claims*	2,603,819	2,628,225
<b>Other provisions, current</b>	<b>2,603,819</b>	<b>2,628,225</b>
Other provisions, non current	1,301,105	1,277,574
<b>Provisions, non current</b>	<b>1,301,105</b>	<b>1,277,574</b>

*\*In accordance with the policy established by the Subsidiaries of the Company, regarding the treatment of guarantee documents associated with the projects awarded to the Group companies, a charge to profit was recognized for those cases in which the guarantee is expected to be executed by the clients of the Society.*

Current provision movement during the financial year:

LEGAL CLAIMS	31-12-2017 Th\$	31-12-2016 Th\$
<b>Balance for initial provisions</b>	<b>2,628,225</b>	<b>547,288</b>
Increase in existing provisions	302,543	2,561,407
Provision used	-161,112	-448,719
Other increases (decreases)	-165,837	-31,751
<b>Changes in provisions, total</b>	<b>-24,406</b>	<b>2,080,937</b>
<b>Total</b>	<b>2,603,819</b>	<b>2,628,225</b>

The provisions under this heading are:

#### 1. LEGAL CLAIMS

The Company makes the corresponding provision for lawsuits that are being heard in the courts and are very likely to be unfavorable to the Company and Subsidiaries.

Below are the provisions for legal claims that might affect the Company:

a) **Nature of the class of provision:** The Superintendence of Sanitation Services (SISS) has levied fines against Aguas Andinas S.A. and Subsidiaries, mainly for not complying with instructions and breaching the continuity and quality of the service provided by the Company. The total number of complaints filed in 2016 amount to Th\$ 946,650.-, of which Th\$795,062 were paid before the complaint procedures began.

**Timetable foreseen for releasing the class of provision:** Undetermined.

**Uncertainties about the timing and amount of a class of provision:** We believe that the Company did not commit the breach and, therefore, that its appeals will be accepted.

b) **Nature of the class of provision:** The Superintendence of Sanitation Services initiated proceedings to sanction Aguas Andinas S.A. with respect to overflows of wastewaters due to an obstruction of Aguas Andinas' trunk sewer in the communes of El Bosque and San Bernardo, which is currently in the discussion stage.

**Timetable foreseen for releasing the 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 the class of provision:** The Superintendence of Sanitation Services initiated two sanction proceedings against Aguas Andinas S.A. concerning alleged breaches of Act 18,902, article 11, letters a) b) & c), as a result of potable wa shutoffs produced by ruptures in the water main in the commune of Macul.

**Timetable foreseen for releasing the class of provision:** Undetermined.

**Uncertainties about the timing and amount of a class of provision:** The proceeding initiated against Aguas Andinas S.A. imposed a fine amounting to 101 adjusted UTAs. The fine was paid prior to claim. A decision was issued reducing the fine to 81 UTAs, with both parties appealing the case, which resolution is pending. In accordance to the status of the case, it is not possible to estimate the result.

**d) Nature of the class of provision:** The Metropolitan COREMA (regional environmental authority), by Resolution No. 177/2004 of May 28, 2004, imposed a fine of 500 UTM for the alleged infringement of the Resolution on Environmental Qualification for the La Farfana Wastewater Treatment Plant.

**Timetable foreseen for releasing the class of provision:**  
Undetermined.

**Uncertainties about the timing and amount of a class of provision:**  
10% of the fine was paid when the claim was filed in the court.  
Pending an expert report ordered by the court. The record has been archived in the court file. There are moderate probabilities that the demand will be accepted.

**e) Nature of the class of provision:** CONAMA, by Resolution No. 069/2005 of February 17, 2005, imposed a fine of 300 UTM for alleged infringement caused by foul odors originating from the La Farfana Wastewater Treatment Plant due to sludge removal from the drying field.

**Timetable foreseen for releasing the class of provision:**  
Undetermined.

**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. It is very unlikely that the demand will be accepted. The first instance decision is pending, which rejected the appeal filed by the company.

**f) Nature of the class of provision:** CONAMA imposed a fine of 500 UTM upon verification of alleged non-compliance with RCA 458/01.

**Timetable foreseen for releasing the class of provision:**  
Undetermined.

**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 decision was made rejecting the challenge. An appeal was made by Aguas Andinas, which was fully accepted revoking the interposed fine. The claimant lodged a recourse of cassation, which was accepted, so the amount outstanding is now to be determined.

**g) Nature of the class of provision:** The Sanitation Authority has started administrative sanctioning processes against subsidiary Essal S.A., which the Company is challenging.

**Timetable foreseen for releasing the class of provision:**  
Undetermined.

**Uncertainties about the timing and amount of a class of provision:**  
The legal claims correspond to sanctions imposed by Chilean Treasury amounting to Th\$63,369.

## 2. OTHER NON-CURRENT PROVISIONS

It is basically the transaction dated 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 should pay at least U.F.52,273.29. This amount will be set off against the debt receivable from the developers.

## B. CONTINGENT LIABILITIES

- 1.- Aguas Andinas S.A. was sued for damages allegedly sustained by a Mining Company for the installation of infrastructure on land on which the applicant had mining properties, thereby preventing mineral extraction and causing the alleged damages. The amount claimed is Th\$1,093,564.- Judgment was issued, the counterclaim was completely rejected condemning Aguas Andinas to pay the amount of Th\$185,538. An appeal was made and was admitted considering the appeal of the claimant.
- 2.- On June 9, 2016, as a result of a potable water main break that affected the commune of Providencia, Aguas Andinas S.A. had to compensate the damage to third parties. In response to said emergency, the Company is being monitored by the Superintendence of Sanitation Services. The Company presented its reply to charges; pending the resolution of the authority.

3.- The Company was sued by the National Consumer Service due to service shutoffs in February and April 2017. The lawsuit objective is to make the courts establish fines and compensations for each of the users affected by the water shutoffs.

4.- Aguas Andinas was sued by the Municipality of Providencia for the damages caused by the Potable Water Main break on June 9, 2016. The lawsuit, lodged in the 22<sup>nd</sup> Civil Court of Santiago, contemplates the payment of municipal rights for the execution of works to repair the streets damaged by the flood.

The Company and Subsidiaries are parties to other lawsuits for smaller amounts. It is believed that these will not have an adverse material effect on the financial statements of the respective Companies.



## Note 16.

### Guarantees and Restrictions

#### A) DIRECT GUARANTEES

Policies and performance bonds have been granted to several institutions, especially to the Superintendence of Sanitation Services, to guarantee the conditions for the provision of services and development programs in the Company's concession areas; to SERVIU Metropolitano, to guarantee the replacement of paving; and to other institutions, for Th\$40,556,790 as of December 31, 2017 and Th\$33,458,982 as of December 31, 2016.

The table below summarizes the main performance bonds exceeding Th\$ 10,000:

Creditor of the guarantee	Debtor	Type of guarantee	31-12-2017 Th\$	31-12-2016 Th\$
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Andinas S.A.	Performance bond	8,762,875	6,066,080
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Andinas S.A.	Performance bond	7,608,765	7,507,300
Superintendencia de Servicios Sanitarios	Aguas Andinas S.A.	Performance bond	6,932,974	6,457,521
Dirección de Obras Hidráulica	Aguas Andinas S.A.	Performance bond	1,125,773	652,933
Municipalidad de La Florida	Aguas Andinas S.A.	Performance bond	448,788	441,250
Constructora San Francisco	Aguas Andinas S.A.	Performance bond	175,126	20,156
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance bond	169,418	53,592
Municipalidad de Providencia	Aguas Andinas S.A.	Performance bond	110,301	108,448
Municipalidad de La Reina	Aguas Andinas S.A.	Performance bond	66,995	0
Comité Innovación Chile	Aguas Andinas S.A.	Performance bond	64,634	0
Ruta del Maipo	Aguas Andinas S.A.	Performance bond	53,596	0
CGE Distribución	Aguas Andinas S.A.	Performance bond	53,349	0
Municipalidad de Peñalolen	Aguas Andinas S.A.	Performance bond	43,516	42,785
Municipalidad de La Pintana	Aguas Andinas S.A.	Performance bond	31,440	31,440
Municipalidad de Santiago	Aguas Andinas S.A.	Performance bond	24,922	24,504
Municipalidad de Macul	Aguas Andinas S.A.	Performance bond	18,812	18,496
Superintendencia de Servicios Sanitarios	Aguas Cordillera S.A.	Performance bond	1,235,769	1,204,472
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Cordillera S.A.	Performance bond	925,327	909,783

Creditor of the guarantee	Debtor	Type of guarantee	31-12-2017 Th\$	31-12-2016 Th\$
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Cordillera S.A.	Performance bond	624,557	724,569
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Cordillera S.A.	Performance bond	398,810	392,111
Sembcorp Utilities (Chile) S.A.	Aguas Cordillera S.A.	Performance bond	305,231	300,103
Municipalidad de Las Condes	Aguas Cordillera S.A.	Performance bond	173,000	173,790
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Performance bond	99,448	17,126
Municipalidad de Vitacura	Aguas Cordillera S.A.	Performance bond	53,596	52,696
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Manquehue S.A.	Performance bond	1,418,460	1,193,440
Superintendencia de Servicios Sanitarios	Aguas Manquehue S.A.	Performance bond	1,025,538	987,786
Municipalidad de Vitacura	Aguas Manquehue S.A.	Performance bond	10,719	10,538
Superintendencia de Servicios Sanitarios	Essal S.A.	Policy	2,667,164	2,287,664
Director de Obras Hidráulicas	Essal S.A.	Performance bond	2,193,208	1,123,446
Servicio de Vivienda y Urbanismo	Essal S.A.	Performance bond	276,616	146,231
Municipalidad de Paillaco	Essal S.A.	Performance bond	221,538	0
Director de Vialidad	Essal S.A.	Performance bond	127,046	15,809
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Performance bond	86,962	76,212
Sociedad Concesionaria de Los Lagos	Essal S.A.	Performance bond	26,798	0
Surlat Industria	EcoRiles S.A.	Performance bond	13,394	13,169
Servicio de Vivienda y Urbanismo	Gestión y Servicios S.A.	Performance bond	2,187,564	1,613,391
Superintendencia del Medio Ambiente	Anam S.A.	Performance bond	34,298	13,174
CMPC PULP S.A.	Anam S.A.	Performance bond	17,606	0
Corporación Nacional del Cobre	Anam S.A.	Performance bond	17,405	17,113
Aguas del Valle	Anam S.A.	Performance bond	13,399	0
Esval S.A.	Anam S.A.	Performance bond	13,399	0
<b>Total</b>			<b>39,858,136</b>	<b>32,697,128</b>

## B) BOND ISSUE RESTRICTIONS

### i) Aguas Andinas S.A.

The Company has the following restrictions and obligations for releasing bond issues to the national market:

1.- Sending the Bondholders' representative a copy of both the quarterly and the audited consolidated annual financial statements and of those of its Subsidiary Public Limited Companies registered with the Superintendence of Securities and Insurance, within the same time period they must be submitted to the Superintendence, plus all public information reported to the Superintendence.

2.- Registering in its accounting books the provisions arising from adverse contingencies that, in the opinion of the Company's management, should be reflected in its financial statements and/or those of its Subsidiaries.

3.- Maintaining insurance to reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with the usual practices for industries such as the Company.

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

5.- Maintaining, at the end of each quarter in the Issuer's Financial Statements, a debt ratio not exceeding 1.5 times. Nonetheless, the above limit is adjusted according to the quotient of the Consumer Price Index for the month in which the Debt Ratio is calculated and the Consumer Price Index as 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 Liabilities and Total Equity. Liabilities are defined as the sum of the Total Current

Liabilities and Total Non-Current Liabilities in the Issuer's Consolidated Financial Statements.

To determine the aforementioned index, Liabilities include the amount of all joint or several guarantees, simple or joint bonds, joint assumption of debt or other personal or real guarantees, which the Issuer or its subsidiaries have granted to secure third-party obligations, 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 Consolidated Financial Statements. As of December 31, 2017, the abovementioned accounts are (Th\$):

Total current liabilities	237,111,903
Total non-current liabilities	866,468,756
<b>Total IFRS liabilities</b>	<b>1,103,580,659</b>
Third parties guarantees (*)	609,330
<b>Total liabilities</b>	<b>1,104,189,989</b>
Total assets	1,796,880,136
Total current liabilities	-237,111,903
Total non-current liabilities	-866,468,756
<b>Total net equity</b>	<b>693,299,477</b>

The debt ratio was 1.59 times as of December 31, 2017.

\* The amount of all joint debtors, simple or joint bonds, joint assumption of debt or other personal or real guarantees that the Issuer or its

subsidiaries have granted to secure third-party obligations, except: (i) those granted by the Issuer or its Subsidiaries for obligations undertaken by 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 Debt Level variation as of December 31, 2017 was the following:

31-12-2009	31-12-2017	Accumulated inflation	Base	Limit
90.28	116.46	29.00%	1.5	1.93

6.- Not to sell, assign or transfer essential assets (public-utility concession granted by the S.I.S.S. for Greater Santiago), except for contributions or transfers of essential assets to Subsidiary Companies. The Company is in compliance with all the covenants established in the bond indentures as of December 31, 2017 and December 31, 2016.

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

The Company has the following restrictions and obligations for releasing bond issues to the national market:

1.- Sending the Bondholders' representative a copy of both the quarterly and the audited consolidated annual financial statements within the same time period they must be submitted to the Superintendence of Securities and Insurance, plus all public information reported to the Superintendence.

2.- Registering in its accounting books the provisions arising from adverse contingencies that, in the opinion of the Company's management, should be reflected in its Financial Statements.

3.- Maintaining insurance to reasonably protect its assets, in line with the usual practices for industries such as the Company.

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

5.- Maintaining a debt ratio not exceeding 1.29 times, measured on the basis of balance figures, defined as the Liability/Equity ratio.

From 2010, the above limit is adjusted according to the quotient of the Consumer Price Index for the month in which the Debt Ratio is calculated and the Consumer Price Index as at December 2009. This limit will be adjusted up to a maximum of 2 times (Debt = Liabilities/ Total net equity). As of December 31, 2017, the debt ratio was 1.29 times and 1.66 times for the BESSALC and BESSALB series, respectively.

6.- Maintaining an Ebitda /Financial Expenses ratio of no less than 3.5 times. As of December 31, 2017, the ratio was 7.4 times.

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

The Company is in compliance with all obligations established in the bond indentures as of December 31, 2017 and December 31, 2016.

### C) BANK LOAN RESTRICTIONS

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

The Company has the following obligations and restrictions for obtaining loan agreements from several national banks:

1.- Maintaining a debt ratio no higher than 1.5 times, measured on the basis of the figures in its consolidated balances. Nonetheless, the above limit is adjusted according to the quotient of the consumer price index for the month in which the debt ratio is calculated and the consumer price index as at December 2009. Nonetheless, the above limit will be adjusted to a maximum ratio of 2 times. For the financial year ended December 31, 2017, the debt ratio variation is 1.93 times. To

this end, the level of indebtedness shall be defined as the liability/total net equity ratio. As of December 31, 2017, the debt ratio is 1.59 times.

2.- A prohibition on the disposal of or losing holder's rights on essential assets, except for contributions or transfers of essential assets to Subsidiary Companies.

3.- Sending a copy of both the quarterly and the audited individual consolidated financial statements to the different banks the Company has asked for loans, within five days of their submission to the Superintendence of Securities and Insurance.

4.- Recording 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.- Maintaining insurance to reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with the usual practices for industries such as the Company.

6.- Submitting a certificate signed by the Company's Chief Executive Officer declaring compliance with the loan agreement obligations.

7.- A prohibition on distributing dividends, except for the obligatory minimum if there is a situation of default or delay in the payment of any loan installment.

8.- Maintaining a financial expense coverage ratio equal to or over 3 times, measured on the basis of the figures contained in its consolidated individual balances, defined as the ratio between operating income plus depreciation during the financial year and the amortization of intangible assets divided by financial expenses.

9.- A 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.- Ensuring that transactions 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 the following obligations and restrictions for obtaining loan agreements with a national bank

1.- Maintaining a debt ratio no higher than 1.5 times, measured on the basis of its consolidated balances. Notwithstanding the above, the previous limit shall be adjusted according to the quotient between the Consumer Price Index for the month in which the debt ratio 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 times To this end, the level of indebtedness shall be defined as the liability/total net equity ratio. As of December 31, 2017 the debt level amounted to 0.58 times.

2.- Maintaining a financial expense coverage ratio equal to or more than 3 times, measured on the basis of its consolidated annual balance sheet, defined as the ratio between operating income plus depreciation during the financial year and amortization of intangibles divided by financial expenses. As of December 31, 2017, the coverage of financial expenses amounted to 18.92 times.

3.- Sending the bank a copy of the debtor's consolidated annual financial statements, within thirty days of their submission to the Superintendence of Securities and Insurance.

4.- Sending a certificate signed by the Company's Chief Executive Officer declaring compliance with the loan agreement obligations.

5.- Maintaining all rights, licenses, permits, trademarks, franchises, concessions or relevant parts thereof in full force.



6.- Maintaining insurance coverage to reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with the usual practices for industries such as the Company.

7.- Undertaking 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 obtaining loans from a national bank without compromised financial indexes or associated restrictions.

As of December 31, 2017, the Company and its Subsidiary Utilities are in compliance with all requirements established in the loan agreements with accrediting Banks, as well as with all the provisions of DFL. No. 382 of the General Sanitation Services Act of 1988, and its Regulations (D.S. MOP No. 1199/2004, published in November 2005).

## D) THIRD PARTY GUARANTEES

As of December 31, 2017 and December 31, 2016, the Company has received documents in guarantee for Th\$26,219,928 and Th\$50,472,285, respectively, arising mainly from work contracts with construction companies to guarantee due performance. There are also other guarantees for service contracts and acquisition of materials to ensure timely delivery.

The tale below summarizes the more important bank guarantees received as of December 31, 2017:

Contractor or supplier	31-12-2017 Th\$	Maturity date
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	13,904,056	30-07-2018
Suez Medioambiente Chile S.A.	1,805,422	13-12-2018
Suez Medioambiente Chile S.A.	1,790,377	02-01-2018
Ingeniería y Construcción Sigdo Koppers S.A.	1,292,559	26-01-2018
Suez Medioambiente Chile S.A.	827,785	30-05-2022
Autopista Costanera Norte S.A.	669,954	10-01-2018
Suez Medioambiente Chile S.A.	655,696	02-04-2018
Constructora El Trebol Ltda.	496,784	29-01-2018
Compañía de Petróleos de Chile Copec S.A.	450,606	15-03-2018
Inmobiliaria y Comercial Quilicura Ltda.	375,174	28-10-2020
Suez Medioambiente Chile S.A.	367,337	02-04-2018
I C M S.A.	319,272	13-08-2018
Claro Vicuña Valenzuela S.A.	301,399	05-02-2019
Costanera Center S.A.	286,124	30-03-2018
Suez Medioambiente Chile S.A.	284,541	03-07-2018
Constructora Olbertz Ltda.	191,712	30-05-2018
Suez Advanced Solutions Chile Ltda.	178,743	15-06-2018
I C M S.A.	158,305	13-08-2018
Chilena de Revisiones Técnicas S.P.A.	133,991	11-02-2018
Artbase Ingeniería Construcción y Servicios Ltda.	130,766	16-04-2019
BAPA S.A.	108,676	11-04-2018
EULEN Chile S.A.	107,193	21-06-2018
Luxagua Ingeniería Ltda.	107,193	30-08-2018
Inmobiliaria y Constructora Nueva Pacífico Sur Ltda.	107,193	18-11-2018
Sociedad de Tercerización de Servicios Provider Latin America Ltda.	103,761	01-01-2018
Level 3 Chile S.A.	100,359	30-11-2019
<b>Total</b>	<b>25,254,978</b>	

## Note 17. Ordinary Income

The table below shows the ordinary income generated by the Group's Companies:

CLASSES OF CURRENT REVENUE	31-12-2017 Th\$	31-12-2016 Th\$
<b>Current revenue</b>		
Sales of goods	6,719,378	7,528,118
Provision of services	500,597,979	484,674,961
Insurance repayment	2,223,220	46,566
<b>Total</b>	<b>509,540,577</b>	<b>492,249,645</b>

## Note 18. Leasing

### Disclosure of information on operational leasing as a lessor

The leasing of machinery, digital lines and some commercial agencies facilities, but mainly the leasing of transportation services, are included under this heading.

FUTURE NON-CANCELLABLE MINIMUM FUTURE LEASE RECEIVABLES, LESSEES	31-12-2017 Th\$	31-12-2016 Th\$
Future non-cancellable minimum lease receivables, up to one year, lessees	2,831,275	2,829,953
Future minimum non-cancellable lease receivables, up to one year and less than 5 years, lessees	5,979,441	5,336,808
<b>Total non-cancellable minimum future lease receivables</b>	<b>8,810,715</b>	<b>8,166,761</b>
Minimum lease payments under operational leases	3,362,982	3,464,733
<b>Total lease and sublease installments booked in the statement of result</b>	<b>3,362,982</b>	<b>3,464,733</b>

### Significant operative leasing agreements:

The most significant operative leases is vehicle leasing. In these cases, contracts last from 18 to 96 months. The leasing services are paid on a monthly basis upon the submission and approval of payment statements.

**Contract termination:** The Company can terminate the contracts in case of serious breach of any of the conditions and obligations contained in the administrative bases and technical specifications. In this case, the company is entitled to a guarantee for its faithful, complete and timely fulfillment of the contract as compensation for damages.

### Disclosure of information on operative leasing as lessors

The Company has entered into contracts of this kind acting as the lessor, mainly with regards to its operative premises, with telecommunications companies, which are renewed automatically from 1 to 5 years. However, the Company is entitled to give a termination notice 30, 60, 90 and 180 days in advance, depending on the contract.

### Significant operative leasing agreements by the lessor

Income from these sources is immaterial for the Company.

FUTURE NON-CANCELLABLE MINIMUM FUTURE LEASE RECEIVABLES, LESSORS	31-12-2017 Th\$	31-12-2016 Th\$
Future non-cancellable minimum lease receivables, up to one year, lessors	200,065	388,096
Amount of contingent income booked in the statement of results	685,735	819,737
<b>Total</b>	<b>885,800</b>	<b>1,207,833</b>

## Note 19. Employee Benefits

The Company, at the consolidated level, has a workforce of 2,103 employees, of which 91 are Managers and senior executives. Employees included in collective bargaining agreements and those with individual employment contracts containing special indemnity clauses total 1,724 and 23, respectively, whereas 356 workers are under the provisions of the Labor Code.

The collective bargaining agreement in effect for the employees and operators of Unions No. 1 and No. 2 of Aguas Andinas S.A. was signed on July 31, 2014, and expires in four years.

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

The current collective bargaining agreements of Aguas Cordillera S.A., and personnel of Aguas Manquehue S.A., were signed on December 1, 2014 and December 23, 2014, with Unions No. 1 and 2 and with the Workers and Supervisors Union, respectively; all of them with a four-year term.

The current collective bargaining agreements of Anam S.A. and EcoRiles S.A., were signed on December 2015 and April 2017, respectively; both for a three-year term. The personnel of those Subsidiaries are governed by the provisions contained in articles 159, 160 and 161 of the Labor Code, for which no provision is made for termination benefits.

The current collective bargaining agreement with Unions of subsidiary Essal S.A. were signed on December 31, 2016 and expires on December 31, 2019.

### Policies for defined benefit plans

Workers who are not party to the collective bargaining agreements of Aguas Andinas S.A. and its subsidiaries are governed by the provisions 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 with 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 are party to or were incorporated to collective bargaining agreements in force at the date of the consolidated financial statements, the actuarial valuation calculation is applied by seniority.

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

The obligation of providing termination benefits by seniority, which it is estimated to accrue for 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 turnover, mortality, wage increases or discount rates are booked directly as other comprehensive results in accordance with the revised IAS 19R, directly affecting Equity, which are later reclassified as Accumulated Results. The application of this procedure began in 2013 following the effective date of the revised IAS 19. Until 2012, all variations in estimates and parameters used determined a direct effect on results for the year.

### Actuarial assumptions

**Seniority:** 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 (60 years of age for women and 65 for men). In subsidiary Essal S.A. there is a 6-month indemnity limit payable to people who retire or die.

**Participants in each plan:** These benefits cover all workers who participate in a union agreement (indicated above) and workers with individual contracts including an indemnity clause in any event. Workers included in the calculation of the actuarial indemnity by company: Aguas Andinas S.A.: 893, Aguas Cordillera S.A.: 98, Aguas Manquehue S.A.: 14, and Essal S.A.: 324 and Gestión y Servicios S.A.: 1.

**Mortality:** The RV-2014 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 6.2% (five point nine percent) for the financial year 2017 and 5.9% for 2016, for target employees. Disabled workers and early retirements have not been considered due to their infrequent nature.

**Discount rate:** Discount rates of 4.8% and 4.7% were used for the financial years 2017 and 2016, respectively, corresponding to the risk-free rate, plus the estimate of expected long-term inflation.

**Inflation rate:** For making long-term estimates for the financial years 2017 and 2016, the forecast long-term inflation rate of 3.0%, reported by the Central Bank of Chile, was used.

**Wage increase rate:** The rate used for the financial year 2017 was 5.65% and 5.4% for 2016.

### General description of defined benefit 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 his/her immediate family in accordance with article 60 of the Labor Code.



In case an employee retires from the Company in accordance with paragraphs 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 an indemnity consisting in the accumulated amount for this concept as of 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 that the change is positive.

Workers of Aguas Andinas S.A. and its Subsidiaries who are not a party to their collective bargaining agreements are covered by their individual employment contracts, whereas for non-utility 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 applicable, except when individual employment contracts indicate otherwise.

The indemnity provision is calculated by deducting advances to the employees.

The following table shows the movement in actuarial provisions as of December 31, 2017 and December 31, 2016, which include provision movements:

<b>PROVISION FOR EMPLOYEES BENEFITS</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
<b>Movements in actuarial provision</b>		
Initial balance	17,285,712	15,621,082
Cost of services	1,900,002	1,983,269
Interest cost	106,157	667,802
Actuarial (gain) or losses	-1,340,799	-58,684
Benefits paid	-2,085,158	-1,984,428
Special compensation for seniority (1)	206,637	0
Provision for termination benefits	173,025	1,056,671
<b>Sub-totals</b>	<b>16,245,576</b>	<b>17,285,712</b>
Profit sharing and bonuses	4,556,637	4,125,661
<b>Total</b>	<b>20,802,213</b>	<b>21,411,373</b>

The financial position statement includes the following balances:

<b>PROVISION FOR EMPLOYEES BENEFIT</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
Provision for employees benefit, current	5,473,412	5,378,546
Provision for employees benefit, non current	15,328,801	16,032,827
<b>Total</b>	<b>20,802,213</b>	<b>21,411,373</b>

#### Expected payment flows

Clause 17 of the collective bargaining Agreement of Aguas Andinas S.A. indicates that workers who resign voluntarily shall have 120 days from the date they reach the legal retirement age to make their resignation effective and be entitled to retirement.

The collective bargaining Agreements of Aguas Cordillera S.A. and Aguas Manquehue S.A. indicate that a termination benefit will be paid to workers who resign voluntarily upon reaching the legal retirement age.

In the 2015 – 2017 period, the Company began a program that encourages voluntary retirement of our employees that are approaching the legal retirement age.

According to the benefits plans above, the table below shows the flows for the current financial year:

<b>Company</b>	<b>Number of employees</b>	<b>Expected payment flow Th\$</b>	<b>Year</b>
A.Andinas S.A.	13	890,410	2018
ESSAL S.A.	4	29,211	2018
		<b>919,621</b>	

**Liabilities projected for December 31, 2018**

To calculate the projected liabilities for indemnities at actuarial value by December 2018, as indicated in IAS 19, the actuarial assumptions at December 31, 2017, as described in this note, have been used. Only the amount increased is the legal bonus, as a result of the increase in the minimum wage established in January 2017.

The following table summarizes this situation by company:

COMPANY	Number of employees	Costs for services Th\$	Costs for interests Th\$
A.Andinas S.A.	893	1,848,814	154,723
A.Cordillera S.A.	98	221,521	21,980
A Manquehue S.A.	14	32,591	2,690
ESSAL S.A.	324	63,966	16,689
Gestión y Servicios S.A.	1	844	75
		<b>2,167,736</b>	<b>196,157</b>

**Sensitivity of assumptions**

The sensitivity of the main assumptions is based on the actuarial calculation as of December 31, 2017. Tthe following impacts have been determined:

CONCEPT	Base	Plus 0.5% Th\$	Less 0.5% Th\$
Discount rate	4.8%	-576,051	626,552
Turnover rate	6.2%	-603,067	655,111
Wage increment rate	5.65%	551,113	-512,321

**Disclosures of 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 bargaining agreements or individual contracts.

**Profit sharing and bonuses**

The Company has an obligation with its personnel with respect to profit-sharing bonuses payable the following year in February and March. The accrued participation payable to personnel, as stipulated in current contracts, is settled in February on the basis of the statement of financial position for the immediately-preceding financial year. In December 31, 2017 and December 31, 2016, the amounts are Th\$4,556,637 and Th\$4,125,661, 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 as of December 31, 2017 and 2016 are:

PERSONNEL EXPENSES	31-12-2017 Th\$	31-12-2016 Th\$
Wages and salaries	-34,456,014	-32,373,947
Defined benefits	-15,464,917	-14,396,446
Termination benefits	-3,478,845	-4,798,825
Other personnel expenses	-2,148,528	-2,052,688
<b>Total</b>	<b>-55,548,304</b>	<b>-53,621,906</b>

## Note 20. Effect of Exchange Differences

The table below summarizes the exchange differences:

CONCEPT	Currency	31-12-2017 Th\$	31-12-2016 Th\$
Trade debtors and other accounts receivable	EUR	271	-800
Trade debtors and other accounts receivable	USD	-580	-1,710
<b>Total variation assets</b>		<b>-309</b>	<b>-2,510</b>
Trade accounts payable and other accounts payable	EUR	-9,651	-13,647
Trade accounts payable and other accounts payable	USD	18,948	-1,504
Accounts payable from related entities	EUR	0	-3
Other financial liabilities	EUR	0	-279
Other financial liabilities	USD	0	-44
<b>Total variation liabilities</b>		<b>9,297</b>	<b>-15,477</b>
<b>Earnings (loss) from exchange differences</b>		<b>8,988</b>	<b>-17,987</b>

## Note 21. Other Expenses by Nature

Information concerning other expenses by nature:

OTHER EXPENSES BY NATURE	31-12-2017 Th\$	31-12-2016 Th\$
Treatment plant operation	-25,635,865	-24,355,201
Services	-14,987,945	-17,197,837
Maintenance and repair of networks	-14,933,319	-11,166,078
Commercial services	-12,764,364	-12,453,660
Expenses for works requested by third parties	-11,335,985	-11,636,031
Maintenance of facilities and equipment	-7,360,079	-6,907,689
Leases	-7,199,468	-6,219,306
Withdrawal of waste and slurry	-6,683,156	-5,699,899
Contributions, patents, insurance and royalties	-6,243,669	-5,694,130
General expenses	-6,216,812	-6,041,844
Other	-7,101,809	-6,299,925
<b>Total</b>	<b>-120,462,471</b>	<b>-113,671,600</b>

## Note 22. Results for Indexed Units

The composition of the results by indexed units for periods ended December 31, 2017 and 2016 is:

CONCEPT	31-12-2017 Th\$	31-12-2016 Th\$
Accounts receivable from related entities	467,015	182,311
Current tax assets	430,103	413,901
Accounts receivable from related companies	133	98
Trade debtors and other accounts payable	90,479	104,885
<b>Total variation assets</b>	<b>987,730</b>	<b>701,195</b>
Other financial liabilities	-12,760,363	-20,683,219
Trade accounts payable	-179,293	-182,593
Accounts payable to related companies	-209	-429
Other non-financial liabilities	6,232	5,334
<b>Total variation liabilities</b>	<b>-12,933,633</b>	<b>-20,860,907</b>
<b>Earnings (loss) from adjustment units</b>	<b>-11,945,903</b>	<b>-20,159,712</b>

## Note 23. Capitalized Financing Costs

The table below summarizes the capitalized financing costs as of December 31, 2017 and December 31, 2016:

### DISCLOSURES OF CAPITALIZED INTEREST COSTS

CAPITALIZED INTEREST COSTS, PROPERTY, PLANT AND EQUIPMENT		31-12-2017	31-12-2016
Rate of capitalized interest costs, property, plant and equipment	%	7.13	7.64
Amount of capitalized interests property, plant and equipment	Th\$	2,201,924	5,669,924



## Note 24.

### Income Taxes and Deferred Taxes

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

STATEMENTS OF FINANCIAL POSITION	31-12-2017 Th\$	31-12-2016 Th\$
Deferred tax assets	20,200,593	20,231,924
Deferred tax liabilities	-37,820,849	-38,150,441
<b>Net deferred tax position</b>	<b>-17,620,256</b>	<b>-17,918,517</b>

The net position above originates from a variety of concepts that make up timing and permanent differences, which at the consolidated level can be shown under the following concepts:

#### DISCLOSURES OF DEFERRED TAX ASSETS

DEFERRED TAX ASSETS	31-12-2017 Th\$	31-12-2016 Th\$
Water rights (amortization)	477,561	463,085
Provision for doubtful accounts	8,942,877	8,317,255
Provision for vacations	661,801	585,956
Litigation	703,031	706,416
Termination benefits	3,596,050	3,888,756
Other provisions	102,682	134,392
Variation monetary correction and depreciation assets	69,608,262	69,610,263
Deferred income	1,969,571	1,969,571
La Dehesa reservoir transaction	378,223	371,870
Amortization	107	43,332
Other provisions	1,169,860	1,352,024
<b>Deferred tax assets</b>	<b>87,610,025</b>	<b>87,442,920</b>

#### DISCLOSURES ON DEFERRED TAX LIABILITIES

DEFERRED TAX LIABILITIES	31-12-2017 Th\$	31-12-2016 Th\$
Depreciation fixed assets	24,057,186	22,995,485
Amortizations	823,221	649,538
Expense investment on related companies	114,266	114,266
Revaluation of land	22,661,991	22,669,870
Revaluation of water rights	45,611,780	45,611,780
Fair value of assets on purchase Essal S.A.	11,961,837	13,305,193
Other	0	15,305
<b>Deferred tax liabilities</b>	<b>105,230,281</b>	<b>105,361,437</b>
<b>Net deferred tax position</b>	<b>-17,620,256</b>	<b>-17,918,517</b>

#### DEFERRED TAX MOVEMENTS

ASSETS MOVEMENTS IN DEFERRED TAX	31-12-2017 Th\$	31-12-2016 Th\$
<b>Deferred tax assets, initial balance</b>	<b>87,442,920</b>	<b>82,717,306</b>
Increases (decreases) in deferred tax assets	-456,516	1,502,706
Increases (decreases) for variation in monetary correction and assets depreciation	-2,001	3,402,902
Increases (decreases) for bad debt provision	625,622	-179,994
<b>Changes in deferred tax assets</b>	<b>167,105</b>	<b>4,725,614</b>
<b>Changes in deferred tax assets, total</b>	<b>87,610,025</b>	<b>87,442,920</b>

#### INCOME TAX EXPENSES

MOVEMENT IN DEFERRED TAX LIABILITIES	31-12-2017 Th\$	31-12-2016 Th\$
<b>Deferred tax liabilities, initial balance</b>	<b>105,361,437</b>	<b>105,942,220</b>
Increases (decreases) in deferred tax liabilities	1,212,200	683,552
Increases (decreases) in purchases through combination of businesses	-1,343,356	-1,264,335
<b>Changes in deferred tax liabilities</b>	<b>-131,156</b>	<b>-580,783</b>
<b>Changes in deferred tax liabilities, total</b>	<b>105,230,281</b>	<b>105,361,437</b>

#### INCOME TAX EXPENSES

REVENUE (CHARGE) FOR INCOME TAXES BY CURRENT AND DEFERRED PARTS	31-12-2017 Th\$	31-12-2016 Th\$
Charge for current taxes	-46,695,068	-48,963,274
Previous financial year adjustment tax expense	-173,082	289,625
<b>Charge for current income tax</b>	<b>-46,868,150</b>	<b>-48,673,649</b>
Deferred income (charge) for taxes related to creation and reversal of timing differences	660,277	5,322,242
Charge for sole tax (disallowed expenses)	-132,752	-91,055
<b>Earnings (charge) for other taxes</b>	<b>527,525</b>	<b>5,231,187</b>
<b>Charge for income tax</b>	<b>-46,340,625</b>	<b>-43,442,462</b>

**NUMERICAL RECONCILIATION OF INCOME (EXPENSE) PER TAX AND THE RESULT OF MULTIPLYING THE BOOK PROFIT BY THE APPLICABLE TAX RATE(S)**

	31-12-2017 Th\$	31-12-2016 Th\$
<b>Charge for taxes using the statutory rate</b>	<b>-48,404,834</b>	<b>-47,587,181</b>
Permanent difference for monetary correction tax equity	2,634,021	3,623,024
Permanent difference for disallowed expenses	-132,752	-91,055
Permanent difference for previous financial year's income tax	-173,082	289,625
Other permanent differences	-263,978	-323,125
<b>Adjustment to tax charge using the statutory rate</b>	<b>2,064,209</b>	<b>4,144,719</b>
<b>Tax charge using the effective rate</b>	<b>-46,340,625</b>	<b>-43,442,462</b>

**RECONCILIATION OF THE STATUTORY TAX RATE AND THE EFFECTIVE TAX RATE**

	31-12-2017 Th\$	31-12-2016 Th\$
Statutory tax rate	25.50%	24.00%
Permanent difference for monetary correction tax equity	-1.46%	-1.83%
Permanent difference for disallowed expenses	0.06%	0.05%
Permanent difference for previous financial year's income tax	0.12%	-0.15%
Other permanent differences	0.15%	0.16%
<b>Effective tax rate</b>	<b>24.37%</b>	<b>21.91%</b>

## Note 25. Earnings Per Share

The basic earning per share is calculated as the quotient between the earning (loss) attributable to holders of Net Equity instruments of the Controller divided by the weighted average number of common shares in circulation during that financial year.

<b>EARNINGS PER SHARE</b>		31-12-2017	31-12-2016
Earnings attributable to to shareholders in equity of the controller	Th\$	139,620,280	150,575,666
Results available to common shareholders, basic	Th\$	139,620,280	150,575,666
Weighed average number of shares, basic		6,118,965,160	6,118,965,160
<b>Earnings per share</b>	<b>\$</b>	<b>22.818</b>	<b>24.608</b>

**Disclosure of information on diluted earnings (losses) per share**

The Company has not carried out any transaction with a potential diluting effect entailing diluted earnings per share other than the basic earnings per share.

## Note 26. Business Segments

The Group discloses information by segment in accordance with IFRS No. 8, "Operative Segments", which sets the reporting standards for operative segments and related disclosures for products and services. Operative segments are defined as components of an entity on which separate financial information exists and is regularly used by Management for making decisions, allocating resources and evaluating performance.

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

- Water utility business operations.
- Non-water utility business operations.

**Description of types of products and services that provide regular income from each segment reported**

The Water Utility segment consists only of sanitation services that permit the provision of products and production services, water distribution and sewage collection and treatment. This segment includes the subsidiaries Aguas Andinas S.A. and its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A., and Essal S.A. through Iberaguas Ltda.

The Non-Water Utility segment consists of environmental analysis, liquid waste treatment (Riles) and comprehensive engineering services, plus the sale of sanitation service and energy project products. The subsidiaries included are EcoRiles S.A., Anam S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A.

## GENERAL INFORMATION ON RESULTS, ASSETS, LIABILITIES AND EQUITY.

GENERAL INFORMATION ON RESULTS	31-12-2017		31-12-2016	
	Water Th\$	Non-Water Th\$	Water Th\$	Non-Water Th\$
Revenues from ordinary activities with external customers	484,300,578	25,239,999	469,116,411	23,133,234
Revenues from ordinary activities between segments	989,298	4,314,127	782,634	4,074,938
Raw materials and consumables used	-25,086,612	-10,043,948	-23,152,734	-10,503,558
Employees benefit expenses	-48,419,753	-7,230,674	-46,968,101	-6,711,269
Operating expenses	-118,800,873	-6,657,188	-111,898,151	-6,332,311
Depreciation and amortization	-73,722,846	-699,021	-66,318,416	-719,000
Other revenue and expenses	2,306,663	329,304	16,728,956	-2,131,435
Financial income	5,928,429	224,228	6,366,834	223,193
Financial costs	-31,125,774	-86,145	-27,106,024	-127,580
Result of indexation and exchange differences	-11,958,387	21,474	-20,198,764	21,064
Income tax charge	-45,056,455	-1,284,170	-43,242,225	-200,236
<b>Earnings by segment</b>	<b>139,354,268</b>	<b>4,127,986</b>	<b>154,110,419</b>	<b>727,040</b>
<b>Earnings by segment attributable to owners of the controller</b>	<b>135,492,295</b>	<b>4,127,986</b>	<b>149,848,626</b>	<b>727,040</b>
Earnings (losses) by segment attributable to non-controller shares	3,861,973	0	4,261,793	0

TOTAL ASSETS, LIABILITIES AND EQUITY	31-12-2017		31-12-2016	
	Water Th\$	Non-Water Th\$	Water Th\$	Non-Water Th\$
Current assets	142,790,325	14,731,411	172,864,658	13,158,165
Non-current assets	1,626,875,139	20,251,891	1,575,986,816	15,034,226
<b>Total assets</b>	<b>1,769,665,464</b>	<b>34,983,302</b>	<b>1,748,851,474</b>	<b>28,192,391</b>
Current liabilities	230,408,065	14,472,469	208,250,144	8,905,636
Non-current liabilities	866,317,420	151,337	872,883,250	122,410
Equity attributable to owners of the controller	622,271,278	20,359,496	614,992,835	19,164,345
Non-controller shares	50,668,701	0	52,725,245	0
<b>Total assets and liabilities</b>	<b>1,769,665,464</b>	<b>34,983,302</b>	<b>1,748,851,474</b>	<b>28,192,391</b>

## Significant items of income and expenses by segment

## Water and Non-Water Utility Segments

The significant items of ordinary income and expenses are mainly 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.

## Income

The Company's Income is generated mainly by the regulated services relating to the production and distribution of water as well as the collection, treatment and disposal of sewage, and other regulated services (including income from cutting and restoring supply, monitoring liquid waste discharges and fixed charges).

## Detail of significant revenue items

## Water Segment

The significant items of ordinary revenues are mainly related to the potable water and sewage water business, that is, income from the sale of water, overconsumption, variable charge, fixed charge, sewage service, sewer use and wastewater treatment. Income from fixed asset sales can also be included.

## 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 water utility subsidiaries are regulated by the SISS and their tariffs are set in accordance with the D.F.L. No. 70 of 1988 on Sanitation Service Tariffs.

The tariff levels are reviewed every five years and, during that period, are subject to additional polynomial indexation adjustments, if the accumulated variation after the previous adjustment is 3.0% or more, according to calculations based on different inflation indexes.



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, 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 for the 2015-2020 period ended. 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, are numbers 152-2015; 83-2015; and 139 2015, respectively.

Whereas for subsidiary Essal S.A., the current tariffs for 2016-2021 period were approved by Decree No. 143 on August 25, 2016, and published in the Official Gazette on January 21, 2017.

#### Non-water utility segment

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

#### Detail of significant expense items

#### Water utility segment

The significant expense items are mainly the payment of wages, electric power, Wastewater Treatment Plant Operation, depreciation of movable and immovable property, financial interest expenses, and income tax.

#### Non-water utility segment

The significant expense items are mainly the payment of wages, the cost of materials for sale and income tax payments.

#### Detailed explanation on the measurement of results, assets, liabilities and equity for each segment

These segments were measured by grouping the subsidiaries directly related to the segment.

The accounting criteria used was booking 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, since the standard dictates that there are no accounting policies showing different criteria for assigning costs or similar items.

There are no differences in the nature of the measurement of assets and liabilities, since the standard dictates that there are no accounting policies showing different allocation criteria.

<b>RECONCILIATION OF REVENUES FROM ORDINARY ACTIVITIES</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
Revenues from ordinary activities of the segments	514,844,001	497,353,881
Elimination of ordinary activity revenues between segments	-5,303,424	-5,104,236
<b>Revenues from ordinary activities</b>	<b>509,540,577</b>	<b>492,249,645</b>
<b>RECONCILIATION OF EARNINGS</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
Total consolidated earnings (loss) of segments	143,482,254	154,837,459
Consolidation of elimination of earnings (loss) between segments	-3,861,974	-4,261,793
<b>Consolidation of earnings (loss)</b>	<b>139,620,280</b>	<b>150,575,666</b>
<b>RECONCILIATION OF SEGMENT ASSETS, LIABILITIES AND EQUITY OF SEGMENTS</b>	<b>31-12-2017 Th\$</b>	<b>31-12-2016 Th\$</b>
Reconciliation of assets		
Consolidation total assets of segments	1,804,648,766	1,777,043,865
Elimination of accounts between segments	-7,768,630	-5,224,729
<b>Total assets</b>	<b>1,796,880,136</b>	<b>1,771,819,136</b>
Reconciliation of liabilities		
Consolidation total liabilities of segments	1,111,349,291	1,090,161,440
Elimination of accounts between segments	-7,768,632	-5,224,729
<b>Total liabilities</b>	<b>1,103,580,659</b>	<b>1,084,936,711</b>
Reconciliation of equity		
Consolidation total equities of segments	642,630,776	634,157,180
<b>Equity attributable to owners of the controller</b>	<b>642,630,776</b>	<b>634,157,180</b>

## Information on the main customers

### MAIN CUSTOMERS OF THE WATER UTILITY SEGMENT:

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

### MAIN CUSTOMERS OF THE NON-WATER UTILITY SEGMENT:

- Papeles Cordillera S.A.
- Soprole S.A.
- EME Serv. Generales Ltda.
- Cervecera CCU Chile Ltda.
- Inmobiliaria Constructora Nueva Pacífico
- Constructora Pérez y Gómez Ltda
- Cartulinas CMPC S.A.
- Metrogas S.A.
- Watt's S.A.
- Cooperativa Agrícola y Lechera La Unión

### TYPES OF PRODUCTS IN THE WATER AND NON-WATER UTILITY SEGMENTS:

#### Water utility segment

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

- Potable water production and distribution.
- Sewage water collection and treatment.

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

#### Non-water utility segment

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

- Outsourcing service for operations in industrial waste and excess organic load treatment plants (Ecoriles S.A. subsidiary).
- Physical, chemical and biological analysis of water, air and solids (subsidiary Anam S.A.).
- Comprehensive Engineering Services and sale of products including pipes, valves, taps and other related items (subsidiary Gestión y Servicios S.A.).
- Energy projects (subsidiary Aguas del Maipo S.A.).

## Note 27. Environment

### Disclosure of information on environment-related disbursements

The following information on environment-related disbursements is disclosed in compliance with Circular No. 1901 of October 30, 2008, of the Commission for the Financial Markets.

The table below summarizes the environment-related disbursements:

#### AGUAS ANDINAS S.A.

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Expansion and upgrade Curacaví WWTP	1,709,635	8,542
Expansion and upgrade other localities WWTP	57,130	2,886
Expansion and upgrade Paine WWTP	2,536	29,943
Expansion and upgrade Pomaire WWTP	0	22,742
Expansion and upgrade San José de Maipo WWTP	2,145	24,040
Expansion and upgrade Talagante WWTP	1,358,967	53,815
Expansion and upgrade Valdivia de Paine WWTP	0	34,996
Upgrade and renewal of clearing equipment and facilities	1,162,682	1,150,811
La Farfana plant	3,567,160	3,397,612
Mapocho - Trebal plant	9,381,667	40,514,557
El Rutal handling and disposal of slurry external platform	17,403	294,296
<b>Total</b>	<b>17,259,325</b>	<b>45,534,240</b>

#### AGUAS MANQUEHUE S.A.

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Upgrade and renewal clearing equipment and facilities	60,863	91,427
<b>Total</b>	<b>60,863</b>	<b>91,427</b>

#### AGUAS DEL MAIPO

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Biogas clearing plant	6,121,864	0
<b>Total</b>	<b>6,121,864</b>	<b>0</b>

#### ESSAL S.A.

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Upgrade disposal infrastructure	149,612	318,325
Upgrade EDAR system	285,144	542,240
Renewal of treatment and disposal equipment	104,899	36,579
<b>Total</b>	<b>539,655</b>	<b>897,144</b>

#### ENVIRONMENTAL INVESTMENTS PROJECTED FOR THE FINANCIAL YEAR 2018:

COMPANY	Th\$
Aguas Andinas S.A.	31,786,690
Aguas Manquehue S.A.	168,059
Essal S.A.	430,725
<b>Total</b>	<b>32,385,474</b>

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

All of the projects above are part of the cost for the respective construction works.

#### Fixed or estimated date for future disbursements, disbursements in the period

The projected disbursements are expected to be made in 2018.

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

## Note 28. Events Occurring After the Date of The Statement of Financial Position

In January 2018, Aguas Andinas completed the collective bargaining with the Workers, Operators and Professionals Unions No. 1, 2 and 3. The agreement entails signing a new collective bargaining agreement replacing the current one, which expires in July 2018. The agreement was signed on January 29, 2018, and is valid for three years.

As of the date of issue of these consolidated financial statements, the Management of the Company and its Subsidiaries is not aware of any other subsequent events that may affect their financial position as of December 31, 2017.



# Earnings Release

Financial year ended on December 31, 2017

## 1. SUMMARY OF 2017

- The Company's revenues amounted to CLP Th\$509,540,577, which was CLP Th\$17,290,932 (3.5%) higher than in 2016. This increase was mainly explained by higher volumes supplied, together with the tariff indexations recorded in 2016 and 2017.
- The non-regulated subsidiaries increased their revenue by CLP Th\$2,288,136 due to higher sales of EcoRiles and Análisis Ambientales, partially offset by lower sales of materials in Gestión y Servicios. Additionally, during the second half of the year Aguas del Maipo recorded sales of biogas from the Methanization Plant located at the La Farfana plant.
- Costs amounted to CLP Th\$210,935,624, an increase of 5.1%, mainly due to higher activity in network maintenance by CLP Th\$3,767,241,

- higher electricity costs by CLP Th\$2,240,197, higher personnel costs by CLP Th\$1,926,398, increase in the allowance for doubtful accounts by CLP Th\$1,706,306, higher operating cost of sewage plants by CLP Th\$1,280,664 and higher costs due to increases in requests for modification of water utility infrastructure by CLP Th\$1,018,933. This is partially offset by lower activity in work requested by customers by CLP Th\$1,318,979 and lower costs in chemical inputs by CLP Th\$577,806.
- The EBITDA for the financial year reached CLP Th\$298,604,953, an increase of 2.4% when compared to the same period of the previous year.
  - The financial income displayed a loss of CLP Th\$36,996,176, generating a lower loss by CLP Th\$3,825,100 when compared to the previous year, mainly as a result of a lower revaluation of the debt, readjustable in Unidades de Fomento.

- Other earnings were obtained by CLP Th\$2,608,255, lower by CLP Th\$11,989,266 to those obtained in 2016, mainly due to the fact that the subsidiary Aguas Cordillera sold in 2016 a large area of land in the district of Vitacura.
- Income tax expense at the close of fiscal year 2017 was CLP Th\$46,340,625, higher by CLP Th\$2,898,163 when compared to the previous year. This variation was mainly explained by the change in the tax rate from 24% to 25.5%, due to the Tax Reform.
- Net income as of December 31, 2017 amounted to CLP Th\$139,620,280, which is CLP Th\$10,955,386 (7.3%) lower than that obtained at the close of the 2016 financial year.

## 2. RESULTS

### 2.1 ACCUMULATED RESULTS

INCOME STATEMENT (CLP\$ THOUSANDS)	Dic. 17	Dic. 16	% Var.	2017 / 2016
Ordinary Revenue	509,540,577	492,249,645	3.5%	17,290,932
Operating Costs and Expenses	(210,935,624)	(200,736,266)	5.1%	(10,199,358)
EBITDA	298,604,953	291,513,379	2.4%	7,091,574
Depreciation and Amortization	(74,394,154)	(67,009,703)	11.0%	(7,384,451)
Operating income	224,210,799	224,503,676	(0.1%)	(292,877)
Other Earnings	2,608,255	14,597,521	>200%	(11,989,266)
Financial Results*	(36,996,176)	(40,821,276)	(9.4%)	3,825,100
Tax Expense	(46,340,625)	(43,442,462)	6.7%	(2,898,163)
<b>Net Income</b>	<b>139,620,280</b>	<b>150,575,666</b>	<b>(7.3%)</b>	<b>(10,955,386)</b>

\* Includes interest income, finance costs, exchange rate differences and income by readjustment units.

## 2.2 INCOME ANALYSIS

	Dec. 17		Dec. 16		Variation	
	Sales CLP Th\$	Share	Sales CLP Th\$	Share	CLP Th\$.	%
Potable Water	195,090,811	38.3%	190,399,865	38.7%	4,690,946	2.5%
Sewage	240,399,095	47.2%	235,458,940	47.8%	4,940,155	2.1%
Other Regulated Income	18,408,224	3.6%	17,161,349	3.5%	1,246,875	7.3%
Non- Regulated income	55,642,447	10.9%	49,229,491	10.0%	6,412,956	13.0%
<b>Total</b>	<b>509,540,577</b>	<b>100.0%</b>	<b>492,249,645</b>	<b>100.0%</b>	<b>17,290,932</b>	<b>3.5%</b>

SALES VOLUME (THOUSANDS OF M³)	Dec. 17	Dec. 16	% Var.	Difference
Potable Water	575,046	569,199	1%	5,847
Sewage Collection	554,261	549,505	0.9%	4,756
Sewage Treatment and Disposal	484,298	479,031	1.1%	5,267
Interconnections*	123,751	123,379	0.3%	372
CLIENTS	Dec. 17	Dec. 16	% Var.	Difference
Potable Water	2,259,245	2,213,869	2.0%	45,376
Sewage Collection	2,205,940	2,160,473	2.1%	45,467

\* The interconnections include Treatment and Disposal of Sewage from other water utility companies.

## a. Regulated Businesses

### 1. Potable Water

Potable water revenue at the end of 2017 reached CLP Th\$195,090,811, which meant an increase of CLP Th\$4,690,947 when compared to the previous year, as a result of a higher volume supplied along with the tariff indexations recorded during 2016 and 2017.

### 2. Sewage

Sewage revenue at the end of 2017 reached CLP Th\$240,399,095, an increase of 2.1% when compared to 2016. The increase of CLP Th\$4,940,155 was mainly due to a higher volume supplied along with the tariff indexations recorded during 2016 and 2017.

### 3. Other Regulated Income

This item shows an increase of CLP Th\$1,246,875, which was mainly explained by the variation in the provision for unbilled consumptions along with higher revenues from base charge to customers.

## b. Non-Regulated Income

Non-regulated revenue increased by CLP Th\$6,412,955 at the end of 2017 when compared to the previous year. This variation was explained by:

### 1. Sanitation Services

An increase of CLP Th\$4,124,819 mainly due to higher revenue associated with changes in the water utility infrastructure requested by third parties along with insurance reimbursements.

### 2. Non-Sanitation Services

An increase of CLP Th\$2,288,136 which was mainly explained by higher activity in Anam and EcoRiles, this is offset by a decrease in Gestión y Servicios due to lower sales of materials. Additionally, during the second semester of this year Aguas del Maipo recorded biogas sales for the Methanization Plant located at the La Farfana plant.

(CLP TH\$)	Dec. 17	Dec. 16	Var.%
Anam S.A.	4,258,167	3,339,493	27.5%
EcoRiles S.A.	13,004,146	12,341,678	5.4%
Gestión y Servicios S.A.	6,780,639	7,408,804	(8.5%)
Aguas del Maipo S.A.	1,335,159	0	-
<b>Non-regulated non-water utility products</b>	<b>25,378,111</b>	<b>23,089,975</b>	<b>9.9%</b>

## 2.3. EXPENSE ANALYSIS

### a) Raw Materials and Consumables Used

As of December 31, 2017, costs of raw materials and consumables amounted to CLP Th\$34,924,849, which is CLP Th\$1,482,089 higher than the previous year. The increase was mainly due to higher electricity costs by CLP Th\$2,315,717, due to higher production of potable water from groundwater sources and higher tariffs for re-liquidation, offset by lower cost of chemical supplies by CLP Th\$577,806.

### b) Expenses due to Employee Benefits

As of December 31, 2017, employee benefits expenses amounted to CLP Th\$55,548,304, which is CLP Th\$1,926,398 higher than in the previous year, generated by higher remuneration and bonuses associated with readjustments by CPI, together with a larger staff.

### c) Depreciation and Amortization Expenses

As of December 31, 2017, depreciation and amortization amounted to CLP Th\$74,394,154, higher by CLP Th\$7,384,451 than in the previous year. This is the result of depreciation associated with new assets such as the fourth module of the Trebal-Mapocho Plant and works associated with the Hydraulic Efficiency Plan.

### d) Other Expenses

As of December 31, 2017, these expenses amounted to CLP Th\$120,462,471, which is CLP Th\$6,790,871 higher than in 2016, mainly explained by a higher network maintenance activity by CLP Th\$3,767,241, a higher allocation for uncollectible accounts by CLP Th\$1,706,306, a higher operating cost of sewage plants by CLP Th\$1,280,664, associated mainly with the variation in the UF and higher costs for moving water utility infrastructure by CLP Th\$1,018,933. This is partially offset by a lower activity in work requested by customers by CLP Th\$1,318,979.

## 2 2.4. ANALYSIS OF FINANCIAL INCOME AND OTHER INCOME

### a) Other Earnings

As of December 31, 2017, other earnings amounting to CLP Th\$2,608,255 were obtained, which were CLP Th\$11,989,266 lower than in 2016, mainly due to the sale of a large plot of land in the district of Vitacura by the subsidiary Aguas Cordillera in 2016.

### b) Financial Income

As of December 31, 2017, interest income amounting to CLP Th\$6,052,997 was obtained, which is CLP Th\$420,967 less than that obtained in 2016, mainly due to lower interest income resulting from lower temporary cash surpluses.

### c) Financial Expenses

As of December 31, 2017, financial expenses amounted to CLP Th\$31,112,258, which meant an increase of CLP Th\$3,994,717 when compared to those in 2016. This was mainly explained by lower financial capitalization and the impact of inflation insurance, partially offset by lower interest on bonds and banks.



**d) Results from Indexation Units**

At the closing of the 2017 financial year, losses of CLP Th\$11,945,903 were recorded, resulting in a lower expense of CLP Th\$8,213,809, when compared to 2016. This was mainly explained by a lower revaluation of the debt due to the lower variation of the UF when compared to 2016.

**e) Income Tax Expense (Revenue)**

Income tax expense at the closing of the 2017 financial year was CLP Th\$46,340,625, higher by CLP Th\$2,898,163 when compared to the previous year. This variation was mainly explained by the change in the tax rate from 24% to 25.5%, due to the Tax Reform.

**f) Net income**

Net income as of December 31, 2017 amounted to CLP Th\$139,620,280, which is CLP Th\$10,955,386 (7.3%) lower than that recorded in 2016.

**3. RESULTS BY SEGMENT****3.1 ACCUMULATED RESULTS, WATER SEGMENT**

INCOME STATEMENT (CLP TH\$)	Dec. 17	Dec. 16	% Var.	2017 / 2016
External Revenues	484,300,578	469,116,410	3.2%	15,184,168
Revenue Between Segments	989,298	782,634	26.4%	206,664
Operating Costs and Expenses	(192,307,238)	(182,018,986)	5.7%	(10,288,252)
<b>EBITDA</b>	<b>292,982,637</b>	<b>287,880,058</b>	1.8%	<b>5,102,579</b>
Depreciation and Amortization	(73,722,846)	(66,318,416)	11.2%	(7,404,430)
Operating Income	219,259,792	221,561,642	(1.0%)	(2,301,850)
Other Earnings	2,306,663	16,728,956	(86.2%)	(14,422,293)
Financial Results*	(37,155,732)	(40,937,954)	(9.2%)	3,782,222
Tax Expense	(45,056,455)	(43,242,225)	4.2%	(1,814,230)
<b>Net Income</b>	<b>135,492,294</b>	<b>149,848,626</b>	<b>(9.6%)</b>	<b>(14,356,332)</b>

\* Includes interest income, finance costs, exchange rate differences and income due to readjustment units.

The revenues of this segment showed a decrease of 9.6% when compared to the previous financial year, mainly composed of:

- An increase in external revenue, mainly associated with higher tariffs and higher volumes supplied.
- An increase in costs of 5.7% mainly due to higher activity in network maintenance, higher cost of electricity, higher provision for uncollectible bills, higher personnel costs, higher costs associated with modifications to water utility infrastructure and higher operating costs of sewage plants, associated with variations in the UF.
- An increase in depreciation and amortization cost, mainly due to new assets such as the fourth module of the Trebal-Mapocho Sewage Treatment Plant.

• A decrease in other earnings, mainly due to the fact that in 2016 the company Aguas Cordillera sold a large plot of land in the district of Vitacura.

• An improvement in the financial income when compared to 2016, mainly due to a lower revaluation of the readjustable debt in Unidades de Fomento.

• Higher income tax expense when compared to the previous year, mainly justified by higher earnings before tax, combined with the change in tax rate from 24.0% to 25.5% due to the Tax Reform.

### 3.2 ACCUMULATED RESULTS, NON-WATER SEGMENT

INCOME STATEMENT (CLP TH\$)	Dec. 17	Dec. 16	% Var.	2017 / 2016
External Revenues	25,239,999	23,133,234	9.1%	2,106,765
Revenue Between Segments	4,314,127	4,074,938	5.9%	239,189
Operating Costs and Expenses	(23,931,810)	(23,547,138)	1.6%	(384,672)
<b>EBITDA</b>	<b>5,622,316</b>	<b>3,661,034</b>	53.6%	<b>1,961,282</b>
Depreciation and Amortization	(699,021)	(719,000)	(2.8%)	19,979
Operating Income	4,923,295	2,942,034	67.3%	1,981,261
Other Earnings	329,304	(2,131,435)	(115.4%)	2,460,739
Financial Results*	159,557	116,677	36.8%	42,880
Tax Expense	(1,284,170)	(200,236)	>200%	(1,083,934)
<b>Net Income</b>	<b>4,127,986</b>	<b>727,040</b>	<b>&gt;200%</b>	<b>3,400,946</b>

\* Includes interest income, finance costs, exchange rate differences and income due to readjustment units.

The income of this segment showed an increase of more than 200% when compared to the previous year, mainly composed of:

- An increase in external revenues was mainly due to increased activity in EcoRiles (mainly due to new projects in operating plants) and Anam due to increased activity in laboratory services. This is offset by lower activity in Gestión y Servicios (mainly due to lower sales volume of network materials and meters). Additionally, during the second half of the year Aguas del Maipo recorded sales of biogas from the Methanization Plant located at the La Farfana plant.
- An increase in inter-segment revenues mainly due to the higher activity due to excess load on EcoRiles' activity.
- An increase in costs, which corresponds to higher activity in Anam and EcoRiles, offset by a decrease in activity in Gestión y Servicios.

- An increase in other earnings that was mainly explained by the recovery of a part of the guarantee notes issued by Gestión y Servicios and that had been provisioned in 2016 due to being older than 4 years. Additionally, asset sales were recorded.
- A higher income tax expense at the end of 2017, mainly due to an increase in the income before tax together with an increase in the tax rate from 24.0% to 25.5%.

## 4. QUARTERLY RESULTS

INCOME STATEMENT (CLP TH\$)	4T17	4T16	% Var.	4T17 - 4T16
Ordinary Revenue	134,896,633	131,555,571	2.5%	3,341,062
Operating Costs and Expenses	(54,638,404)	(53,429,059)	2.3%	(1,209,345)
<b>EBITDA</b>	<b>80,258,229</b>	<b>78,126,512</b>	<b>2.7%</b>	<b>2,131,717</b>
Depreciation and Amortization	(19,281,659)	(16,934,222)	13.9%	(2,347,437)
<b>Operating Income</b>	<b>60,976,570</b>	<b>61,192,290</b>	<b>(0.4%)</b>	<b>(215,720)</b>
Other Earnings	848,740	14,845,686	(94.3%)	(13,996,946)
Financial Results*	(9,802,366)	(8,421,576)	16.4%	(1,380,790)
Tax Expense	(12,669,172)	(15,258,183)	(17.0%)	2,589,011
<b>Net Income</b>	<b>38,190,585</b>	<b>51,019,197</b>	<b>(25.1%)</b>	<b>(12,828,612)</b>

\* Includes interest income, finance costs, exchange rate differences and income by readjustment units.

### 4.1 REVENUE ANALYSIS

#### a) Operational Revenue

Ordinary revenue for the fourth quarter of 2017 amounted to CLP Th\$134,896,633, CLP Th\$3,341,062 (2.5%) higher than in the same quarter of the previous financial year. This variation was mainly explained by the sale of biogas from Aguas del Maipo, increased agreements with developers, insurance refunds and higher revenues associated with modifications of water utility infrastructure requested by third parties.

### 4.2 EXPENSES ANALYSIS

#### a) Raw Materials and Consumables Used

In the fourth quarter of 2017, raw materials and consumables costs reached CLP Th\$9,820,536, CLP Th\$1,171,833 higher than in the same quarter of 2016. The increase was mainly due to higher cost of electric energy amounting to CLP Th\$1,641,596, due to higher production of potable water from underground sources and higher tariffs for

re-liquidations, partially offset by a lower cost of chemical supplies amounting to CLP Th\$288,223.

#### b) Personnel Expenses

During the fourth quarter of 2017, Expenses due to employee benefits reached CLP Th\$15,031,860, which were CLP Th\$58,401 higher than in the same quarter of the previous year.

#### c) Depreciation and Amortization Expenses

Depreciation and amortization for the fourth quarter of 2017 amounted to CLP Th\$19,281,659, CLP Th\$2,347,436 higher than that recorded in the same quarter of 2016, associated with new investments included in the period.

#### d) Other Expenses

During the fourth quarter of 2017, the Other expenses amounted to CLP Th\$29,786,009, which are CLP Th\$20,889 lower than those recorded in the same quarter of the previous year.

### 4.3 FINANCIAL INCOME AND OTHER EARNINGS ANALYSIS

#### a) Financial Income

Financial income for the fourth quarter of 2017 reached CLP Th\$1,165,258, which are CLP Th\$169,362 lower than the CLP Th\$169,362 recorded in the same quarter of 2016, mainly due to lower financial interests.

#### b) Financial Expenses

Financial expenses for the fourth quarter of 2017 reached CLP Th\$8,670,514, which are CLP Th\$2,084,622 higher than in the same period of 2016. This was mainly explained by lower financial capitalization and the impact of inflation insurance.

#### c) Results from Indexation Units

In the fourth quarter of 2017, losses by CLP Th\$2,301,804 were recorded, a figure that decreased by CLP Th\$861,443 when compared to the same period of 2016, mainly explained by a lower revaluation of the debt, due to the lower variation of the UF when compared to the same quarter of 2016.

#### d) Income Tax Expense (Revenue)

The income tax provision at the end of the fourth quarter of 2017 was CLP Th\$12,669,172, lower by CLP Th\$2,589,011 when compared to the same quarter last year. This variation was mainly explained by a lower income before taxes of CLP Th\$15,593,456, which is partially offset by a higher tax rate due to the Tax Reform.

#### e) Net Income

Net income for the fourth quarter of 2017 amounted to CLP Th\$38,190,585, which is CLP Th\$12,828,612 (25.1%) lower than in the same quarter of 2016.



## 5. BALANCE SHEET

	Dec. 17	Dec. 16	
	CLP Th\$	CLP Th\$	Var. %
<b>ASSETS</b>			
Current assets	150,618,761	182,071,355	(17.3%)
Non-current assets	1,646,261,375	1,589,747,781	3.6%
<b>Total assets</b>	<b>1,796,880,136</b>	<b>1,771,819,136</b>	<b>1.4%</b>
<b>ASSETS AND EQUITY</b>			
Current liabilities	237,111,903	211,931,051	11.9%
Non-current liabilities	866,468,756	873,005,660	(0.7%)
<b>Total liabilities</b>	<b>1,103,580,659</b>	<b>1,084,936,711</b>	<b>1.7%</b>
Equity attributable to the controller	642,630,776	634,157,180	1.3%
Minority Interest	50,668,701	52,725,245	(3.9%)
<b>Total Shareholders' Equity</b>	<b>693,299,477</b>	<b>686,882,425</b>	<b>0.9%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,796,880,136</b>	<b>1,771,819,136</b>	<b>1.4%</b>

## 5.1 ASSET ANALYSIS

Aguas Andinas' total consolidated assets as of December 31, 2017 showed an increase of 1.4% when compared to December 31, 2016, from CLP Th\$1,771,819,136 to CLP Th\$1,796,880,136.

Current assets decreased by CLP Th\$31,452,594, mainly due to the decrease in cash and cash equivalents by CLP Th\$46,068,103, mainly due to the sale of a large plot of land in the Vitacura district by the subsidiary Aguas Cordillera in 2016. This is partially offset by trade and other receivables by CLP Th\$7,227,246 mainly explained by the increase in regulated sales, together with recoverable taxes amounting to CLP Th\$6,463,152.

Non-current assets increased by CLP Th\$56,513,594 mainly explained by the net increase in plant and equipment properties by CLP Th\$57,193,730 associated with the investments made during the year.

The main investment works are shown in the following table:

INVESTMENTS (CLP TH\$)	Dec. 17
Sewerage Networks	13,595,574
Chamisero Potable Water Plant	9,327,456
Potable Water Networks	8,451,451
Turbidity Events Emergency Works	8,106,442
Biogas Purification Plant	6,121,864
<b>Connections and Meters</b>	<b>6,019,370</b>

5.2 LIABILITIES AND EQUITY ANALYSIS

Liabilities payable as of December 2017 increased by CLP Th\$18,643,948 when compared to December 2016.

Current liabilities increased by CLP Th\$25,180,852. This variation was mainly due to the reclassification of the Series J Bond due to its maturity in 2018. This is partially offset by lower debt from Reimbursable Financial Contributions (promissory notes).

Non-current liabilities showed a decrease of CLP Th\$6,536,904 (0.7%), which corresponds mainly to a decrease of CLP Th\$5,283,345 in bank loans.

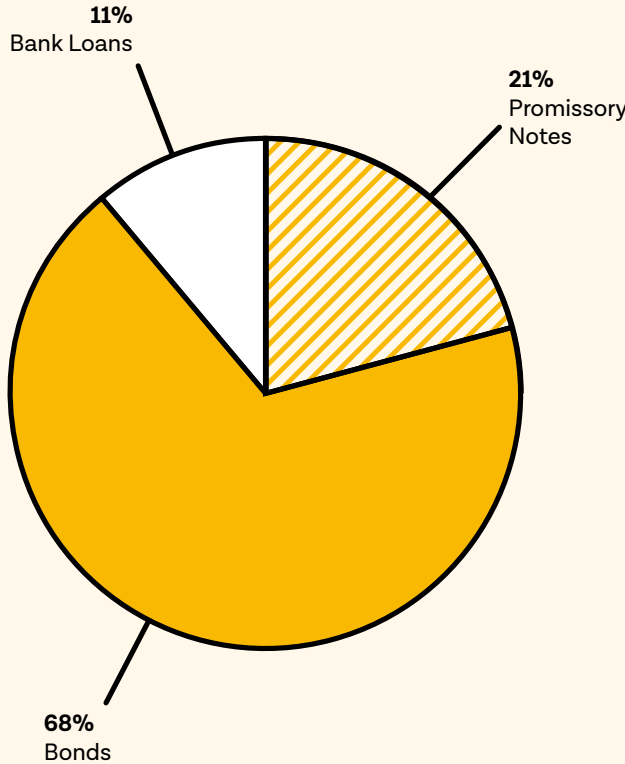
Total equity increased by CLP Th\$6,417,052 and net equity attributable to the controllers increased by CLP Th\$8,473,596.

The maturity profile of the financial debt as of December 31, 2017 is as follows:

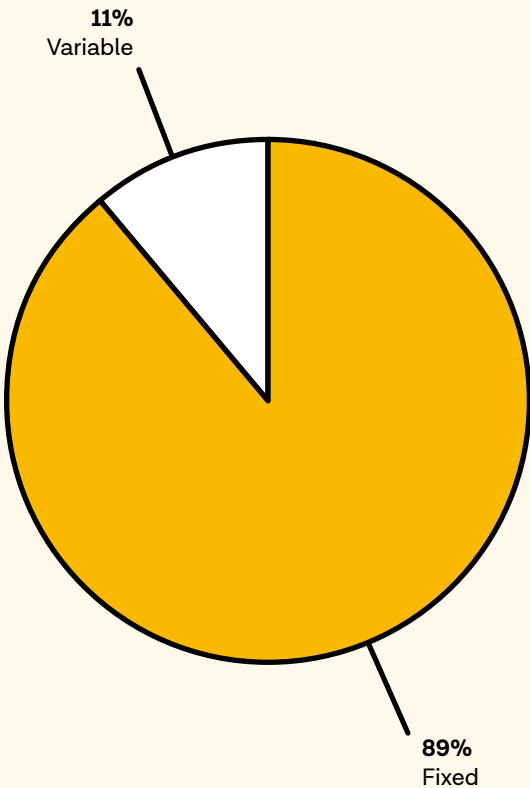
CAPITAL CLP Th\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	More than 5 years
Promissory Notes	\$	181,902,132	15,309,206	20,764,356	44,137,532	101,691,038
Bonds	\$	580,156,234	35,856,224	19,232,757	19,604,953	505,462,300
Bank Loans	\$	95,019,210	6,283,345	72,717,761	16,018,104	0
Totals		857,077,576	57,448,775	112,714,874	79,760,589	607,153,338

5.3 FINANCIAL LIABILITIES STRUCTURE

Composition by instrument



Composition by interest Rate



## 6. CASH FLOW

CASH FLOW STATEMENT (CLP Th\$)	Dec. 17	Dec. 16	% Var.
Operating activities	213,469,168	234,098,851	(8.8%)
Investment activities	(113,828,958)	(93,180,602)	22.2%
Financing activities	(145,708,313)	(108,995,335)	33.7%
<b>Net flow for the period</b>	<b>(46,068,103)</b>	<b>31,922,914</b>	<b>(244.3%)</b>
<b>Closing cash balance</b>	<b>18,808,340</b>	<b>64,876,443</b>	<b>(71.0%)</b>

EBITDA from operating activities decreased by CLP Th\$20,629,683 when comparing December 2017 to December 2016.

The main variations were as follows:

- Increase in payment to suppliers by CLP Th\$18,660,275, mainly associated with higher payments to water utility infrastructure transfers suppliers and leases.
- An increase of CLP Th\$9,080,251 in income taxes paid, which is explained by the change in the PPM rate in the 2017 period (including payment for income associated with the sale of a large land plot in the Vitacura district which was owned by the subsidiary Aguas Cordillera), plus an increase in sales.
- Increase in payments for employee benefits of CLP Th\$4,024,900, when compared to the previous year, generated by higher compensations and bonuses associated with readjustments by CPI, together with a larger staff.
- Increase in payments for premiums and benefits, annuities and other obligations derived from policies subscribed amounting to

CLP Th\$2,884,400, associated with the payment of fire insurance corresponding to 24 months.

- Increase in financial interest income of CLP Th\$1,245,986.

These variations were partially offset by the following concept:

- Increase in revenue from sales of goods and services by CLP Th\$17,657,393 mainly due to higher sales volume and higher average rates and an increase in revenue.

The disbursement for investment activities decreased by CLP Th\$20,648,356, mainly due to the completion of the construction of the fourth module of the Mapocho-Trebal sewage treatment plant and the sale of the plot Isla Lo Mata in Aguas Cordillera during 2016.

Financing activities generated a net negative cash flow of CLP Th\$36,712,978, this is due to higher loan repayment of CLP Th\$40,236,337, partially offset by the placement of Series C bonds by the Essal subsidiary in the fourth quarter of the year, for a total of UF 1.0 million.



## 7. FINANCIAL RATIOS

		Dec. 17	Dec. 16
<b>LIQUIDITY</b>			
Current Liquidity	times	0.64	0.86
Acid Test Ratio	times	0.08	0.31
<b>LEVERAGE</b>			
Total Leverage	times	1.59	1.58
Current Leverage	times	0.21	0.20
Long-term Leverage	times	0.79	0.80
Interest Coverage Ratio	times	7.10	8.31
<b>EARNINGS</b>			
ROE	%	21.87	24.07
ROA	%	7.82	8.70
Earnings Per Share	\$	22.82	24.61
Dividend Yield (*)	%	5.43	6.05

**Current liquidity:** current assets / current liabilities.

**Acid ratio:** cash and cash equivalents / current liabilities.

**Total leverage:** payable liabilities / total equity.

**Current leverage:** current liabilities/liabilities payable.

**Long-term leverage:** non-current liabilities/liabilities payable.

**Interest coverage ratio:** income before taxes and annualized interest / annualized financial expenses.

**Return on equity:** annualized return for the year/total average net assets for the financial year.

**Return on assets:** income of the annualized financial year/total assets annualized average of the financial year.

**Earnings per share:** annualized income of the financial year/ number of shares subscribed and paid.

**Dividend yield:** dividends paid per share / share price.

(\*) The share price as of December 2017 amounts to \$407.40, while in December 2016 it amounted to \$348.73.

As of December 2017, current liquidity decreased by 25.6% due to a decrease in current assets by CLP Th\$31,452.594 (17.3%), mainly explained by the sale of a large plot of land in the district of Vitacura in 2016, and an increase in current liabilities by CLP Th\$25,180,852, as a result of the reclassification of the Series J Bond due to its maturity in 2018.

Total leverage decreased by 0.8%, as a result of an increase in the liability by CLP Th\$18,643,948, mainly due to the payment of interim dividends in the first quarter of 2017, offset by an increase in total equity of CLP Th\$6,417,052, explained by the income generated in 2017, offset by the distribution of dividends corresponding to 2016.

The annualized return on equity attributable to the controller displayed a decrease of 9.1%, due to an increase in the average equity of CLP Th\$12,717,399 and a decrease in the result for the year of CLP Th\$10,955,386.

## 8. OTHER INFORMATION

### a) Tariffs

The most important factor determining our operating income and financial condition is the tariffs set for our regulated sales and services. As a water utility company we are regulated by the S.I.S.S.S. and our tariffs are set in accordance with the Law of Tariffs of Sanitation Services D. F. L. No. 70 of 1988.

Our tariff levels are reviewed every five years and, during this period, are subject to additional readjustments linked to an indexation polynomial, which are applied when the accumulated variation from the previous adjustment is 3.0% or higher, according to calculations made based on various inflation indexes. Specifically, the readjustments are applied based on a formula that includes the Consumer Price Index, the Imported

Manufacturing Sector Goods Price Index and the Manufacturing Producer Price Index, all of which are measured by the Chilean National Statistics Institute. The most recent indexations carried out by each Group company were applied on the following dates: In addition, the tariffs are subject to readjustment to reflect additional services previously authorized by the S.I.S.S.

<b>AGUAS ANDINAS S.A.:</b>	
Group 1	July 2017
Group 2	July 2017
Rinconada de Maipú	January 2016, January 2017 and September 2017
<b>AGUAS CORDILLERA S.A.</b>	
	January 2017
<b>AGUAS CORDILLERA S.A.</b>	
Santa María	March 2016
Chicureo	June 2017
Chamisero	November 2016
Los Trapenses	March 2016
Valle Grande 3	January 2016, January 2017 and September 2017
<b>ESSAL S.A.:</b>	
Group 1	-
Group 2	-
Group 3	-
Chinquihue	May 2017
Los Alerces	-

The tariffs in force for the 2015-2020 period for Aguas Andinas S. A., were approved by Decree No. 83 dated on June 5, 2015, of the Ministry of Economy, Development and Reconstruction and came into force on March 1, 2015 (published in the Official Gazette on September 3, 2015). The current tariffs for Aguas Cordillera S. A. for the same five-year period 2015-2020 were approved by Decree No. 152 dated on October 19, 2015, and came into force as of June 30, 2015 (published in the Official Gazette on November 25, 2015) and the current tariffs for Aguas Manquehue S.A. 2015-2020 were approved by Decree No. 139 dated on 16 September 2015 and came into force on May 19, 2015 (published in the Official Gazette on November 25, 2015).

Meanwhile, for the subsidiary Essal, the tariffs in force for the period 2016-2021 were approved by Decree No. 143 dated on August 25, 2016, and came into force on September 12, 2016 (published in the Official Gazette on January 21, 2017).

#### b) Market Risk

Our company displays a favorable situation in terms of risk, which is mainly due to the specific characteristics of the water utility sector. Our business is seasonal and operating results may vary from quarter to quarter. The highest levels of demand and income are recorded during the summer months (December to March) and the lowest levels of demand and income during the winter months (June to September). Overall, the demand for water is greater in warmer months than in cooler months, mainly due to the additional water requirements generated by irrigation systems and other external uses of water.

Adverse weather conditions may eventually affect the optimal delivery of water utility services, because the processes of collection and production of potable water depend to a large extent on the climatic conditions that develop in river basins. Factors such as weather precipitation (snow, hail, rain, and fog), temperature, humidity, sediment carryover, river flows and turbidity determine not only the quantity, quality and continuity of raw water available at each uptake,

but also the possibility of its being properly treated in potable water treatment plants.

In case of drought, we have important water reserves that we maintain in the El Yeso, Laguna Negra and Lo Encañado reservoirs, in addition to the contingency plans that we have developed, which allow us to reduce the possible negative impacts on our operations that could be generated by adverse weather conditions. In the current period, drought persists since 2010, which means that contingency plans such as the purchase of raw water, intensive use of wells, leasing and purchase of water rights, among others, are being applied. All this in order to reduce the impact of the drought and to provide our services normally, both in terms of quality and continuity.

#### c) Market Analysis

The Company does not display variation in the market in which it participates because, due to the nature of its services and the legal regulations in force, it does not have competitors in its concession area.

Aguas Andinas S. A. has 100% potable water coverage, 98.8% for sewerage service and 100% of sewage treatment in the Santiago basin.

Aguas Cordillera S. A. has 100% potable water coverage, 98.9% for sewerage service and 100% in sewage treatment.

Aguas Manquehue S. A. has 100% potable water coverage, 99.4% sewerage service and 100% in sewage treatment.

Essal S. A. has 100% potable water coverage, 95.7% sewerage service in the X Region and 92.6% in the XIV Region, and 100% sewage treatment.

#### d) Capital Investments

One of the variables that has the greatest impact on our operational income and financial condition are capital investments. These are of two types:

**Committed investments.** We are required to agree an investment plan with the S.I.S.S., which describes the investments we must make during the 15 years following the date on which the corresponding investment plan enters in force. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to maintaining certain standards of quality and service coverage. The aforementioned investment plan is subject to review every five years and may require amendments when certain significant events occur.

Dates of approval and updating of the development plans of the Aguas Group:

**Aguas Andinas S.A.**

Greater Santiago Area: December 23, 2015

Localities: April 5, 2013, September 26, 2013, December 31, 2014, January 12, 2015 and November 17, 2015

**Aguas Cordillera S.A.**

Aguas Cordillera and Villa Los Dominicos: December 21, 2015

**Aguas Manquehue S.A.**

Santa María and Los Trapenses: December 23, 2014

Chicureo, Chamisero and Valle Grande III: August 10, 2016

Alto Lampa: November 22, 2013

**Essal S.A.**

Localities in the X and XIV Regions: June 1, 2016, June 14, 2016, August 12, 2016 and January 16, 2016

**Non-committed investments.** Non-committed investments are those that are not contemplated in the investment plan and that we make voluntarily in order to ensure the quality of our services and replace obsolete assets. Overall, these are related to the replacement of network infrastructure and other assets, the acquisition of water rights and investments in unregulated businesses, among others.

In accordance with current international financial reporting standards in Chile, specifically IAS 23, interest on capital investments in work in progress is capitalized. IAS 23 establishes that when a company acquires debt in order to finance investments, the interest on that debt must be reduced by the interest expense and included into the financed construction work up to the total amount of such interest, applying the respective rate to the disbursements made at the date of submission of the financial statements. As a result, the financial costs associated with our capital investment plan affect the amount of interest expense recorded in the income statements, and these financial costs are recorded together with the work in progress under “Property, Plant and Equipment” in our financial statements.

**e) Financial Aspects**

**Currency Risks:** Our revenue is largely linked to local currency developments. Therefore, our debt is mainly denominated in this currency and, therefore, we do not record significant foreign currency operations risks.

**Interest Rate Risk:** As of December 31, 2017, the interest rate risk held by Aguas Andinas S.A. is 88.9% at a fixed rate and 11.1% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issues (76.1%) and reimbursable financial contributions/promissory notes (23.9%), while variable rate debt corresponds to loans with domestic banks.

As of December 31, 2016, the interest rate risk held by Aguas Andinas S.A. consisted of 88.5% at a fixed rate and 11.5% at a variable rate. Fixed-rate debt consisted of short-term and long-term bond issues (74.2%) and reimbursable financial contributions/promissory notes (25.8%), while variable rate debt consisted of loans with domestic banks.

The Company maintains a policy of monitoring and managing the interest rate, which, with the purpose of optimizing financing cost, permanently evaluates the hedging instruments available in the financial market.

All this favorable situation has meant that the risk classifiers have assigned us a risk rating of AA+ for long-term debt. In the case of shares, Fitch and ICR assigned us a first class classification level 1 for the A series and a first class level 4 for the B series.



# Análisis Ambientales S.A.

## GENERAL BACKGROUND

Name  
**Análisis Ambientales S.A.**

Type of Company  
**Closed corporation, governed by what is stated in the Bylaws of its incorporation and the legal provisions that may be applicable.**

Legal address  
**Américo Vespucio 451, Quilicura**

Telephone                      Fax  
**(56-2) 569 44 00      (56 2) 569 2509**

Tax ID number (RUT)  
**96.828.120-8**

Subscribed and paid-in capital:  
**M\$ 262,456**

External auditors  
**Ernst & Young**

Tax ID number (RUT)  
**77.802.430-6**

## CORPORATE PURPOSE

The Company’s purpose is to perform all types of physical, chemical and biological analyses of water, air and solids, including soils, sludge and waste, as well as any other element that is directly or indirectly related to the environment.

## INCORPORATION DOCUMENTS

Análisis Ambientales S.A. was incorporated by public deed dated August 20, 2001, before the notary public Mr. Ivan Torrealba Acevedo and its extract was published in the Official Gazette on September 20, 2001, its trademark is ANAM S. A.

## BOARD OF DIRECTORS

President  
**Guillermo Pickering De La Fuente**

Named Directors  
**Laureano Cano Iniesta**  
**Narciso Berberana Saenz**

CEO  
**Juan José Gross Rudloff**

Percentage of Parent Company 99.00%

Share that represents the investment in the assets of the Parent Company:

Investment in the company represents a share of 0.31%

## BUSINESS RELATIONSHIP WITH THE PARENT COMPANY

During the financial year ended on December 31, 2017, the Company maintained a physical, chemical and biological analysis services contract for water and sludge, and laboratory operations. Similar trade relations are expected in the future.

## NOTE 2. PREPARATION BASIS AND ACCOUNTING POLICIES.

### 2.1 PREPARATION BASIS

These financial statements correspond to the financial position statements as of December 31, 2017 and 2016 and the comprehensive income statements from changes in equity and cash flows for the financial year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (hereinafter “IASB”), and represent the full, explicit and unreserved adoption of the aforementioned IFRSs.

The Company complies with all the legal conditions of the environment in which it carries out its operations, mainly in the generation of biogas, has normal operating conditions in each area in which it operates, its projections show a profitable operation and has the capacity to access the financial system to finance its operations, which determines its ability to continue as an operating company, in accordance with the accounting standards under which these financial statements are issued.

#### Functional and submission currency

The individual financial statements are submitted in the currency of the main economic environment in which the Company operates (functional currency). As required by IAS 21. The financial statements are submitted in Chilean pesos, which is the Company’s functional currency and the submission currency for the financial statements.

#### New accounting procedures

The standards and interpretations, as well as the improvements and amendments to IFRSs that have been issued, in force at the date of these financial statements, are detailed below: the Company has applied these standards and concluded that they did not significantly affect the financial statements.

AMENDMENTS AND/OR MODIFICATIONS	Mandatory application date
IFRS 12, Disclosures of interests in other companies	Annual periods beginning on or after January 1, 2017
IAS 7, Statement of cash flows	Annual periods beginning on or after January 1, 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2017

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but are not yet in force at the date of these financial statements, are detailed below. The Company has not applied these standards in advance.

NEW STANDARDS	Mandatory application date
IFRS 9, Financial Instruments, classification and measurement	Annual periods beginning on or after January 1, 2018
IFRS 15, Revenue from Client Contracts	Annual periods beginning on or after January 1, 2018
IFRIC 22, Foreign currency transactions and advance payments	Annual periods beginning on or after January 1, 2018
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019
IFRIC 23, Treatment of uncertain tax positions	Annual periods beginning on or after January 1, 2019
IFRS 17, Insurance Contracts	Annual periods beginning on or after January 1, 2021

IMPROVEMENTS AND MODIFICATIONS	Mandatory application date
IFRS 1, Adoption of IFRS for the first time	Annual periods beginning on or after January 1, 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1, 2018
IFRS 4 Insurance contracts	Annual periods beginning on or after January 1, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2018
IAS 40 Investment properties	Annual periods beginning on or after January 1, 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1, 2019
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1, 2019
IAS 12, Income Taxes	Annual periods beginning on or after January 1, 2019
IAS 23, Cost of loans	Annual periods beginning on or after January 1, 2019
IAS 28, Investments in associates	Annual periods beginning on or after January 1, 2019
IFRS 10, Consolidated Financial Statements	To be determined

The Company’s management is analyzing the potential impact on the financial statements of the aforementioned standards and amendments. However, those in force for annual periods beginning on January 1, 2018 have been analyzed and it is estimated that they will not have a material impact on the preparation and submission of future financial statements.

### Responsibility for the information and estimates

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) and the instructions issued by the Commission for Financial Markets. These financial statements were approved by the Board of Directors at a meeting held on March 28, 2018.

The Company's financial statements for 2016 were approved by its Board of Directors at its meeting held on March 23, 2017.

Estimates such as these have been used in preparing the financial statements:

- Service life of fixed and intangible assets.
- Impairment losses on assets.
- Income due to services pending invoicing.
- Provisions for commitments to third parties.

Although these estimates and judgments were made on the basis of the best information available at the date of issuance of these financial statements, it is possible that events that may occur in the future may require them to be modified (upward or downward) in future periods, which would be recorded prospectively, at the time the change is known, recognizing the effects of such changes in the corresponding future financial statements.

## 2.2 ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of these financial statements are described below.

### A. INTANGIBLE ASSETS OTHER THAN GOODWILL

The Company recognizes an identifiable intangible asset when it can demonstrate that it is probable that the future economic earnings attributed to it will flow to the company and the cost can be valued correctly. The basis for recognition and measurement is the cost method.

#### i. Intangible assets acquired separately:

Intangible assets acquired separately are presented at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a linear basis using estimated service lives. The estimated service lives and the amortization method are reviewed at each balance sheet date, prospectively accounting for the effect of any changes in the estimate.

#### ii. Amortization method for intangible assets:

##### Intangible assets with a defined service life

The amortization method applied by the Company reflects the pattern in which it is expected to be used by the Company and the future economic earnings of the asset. For this purpose, the Company uses the linear amortization method.

##### Software

The estimated service life of software is 4 years. For other assets with a defined service life, the period of service life in which they are depreciated corresponds to the periods defined in the contracts or copyright giving rise to them.

### Intangible assets with an undefined service life

Intangible assets with undefined service lives correspond to water rights, which were obtained as indefinite, in accordance with the provisions of the purchase contracts.

#### Determining service life

The factors to be considered for the estimation of service life include, but are not limited to, the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.
- Natural and climatic factors and technological changes that affect the capacity to generate earnings.

The service life may require modifications over time due to changes in estimates as a result of changes in assumptions about the aforementioned factors.

### B. PROPERTY, PLANT AND EQUIPMENT

The Company uses the cost method for the valuation of Property, Plant and Equipment. The historical cost includes expenses that are directly attributable to the purchase of the asset.

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is probable that the future economic earnings associated with the fixed assets will flow to the Company and the cost of the asset can be reliably determined. The value of the replaced component is written off. All other repairs and maintenance are charged to profit or loss for the financial year in which they occur.



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

The depreciation method applied by the Company reflects the pattern in which assets are expected to be used by the Company during the period in which they generate economic earnings. For this purpose, the Company uses the straight-line depreciation method throughout its technical service life, based on studies prepared by independent experts (specialist external companies). The residual value and service life of the assets are reviewed and adjusted, if necessary, at each balance sheet date.

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

### Service lives:

The service lives considered for the purpose of calculating depreciation are based on technical studies prepared by specialist external companies, which are reviewed as soon as there is a history that allows us to consider that the service life of an asset has been modified.

The allocation of the total service life of the assets is made on the basis of several factors, including the nature of the equipment. Such factors usually include:

1. Nature of the material components of the equipment or constructions.
2. Means of operation of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations.

The range of service life (in years) by asset type is as follows:

ITEM	Service life (years) Minimum	Service life (years) Maximum
Buildings	25	80
Plant and equipment	5	10
Information technology equipment	4	4
Fixed installations and accessories	5	5
Motor Vehicles	7	7

### Cost estimation policy for decommissioning, removal or rehabilitation of property, plant and equipment:

Due to the nature of the assets being constructed in the Company and the fact that there are no contractual obligations or other constructive requirements such as those mentioned by IFRSs in the regulatory framework, the concept of decommissioning costs is not applicable at the date of these financial statements.

### Fixed Assets Sales Policy

Earnings or losses on the sale of fixed assets are calculated by comparing the income obtained with the carrying amount and are recorded in the comprehensive income statement.

### C. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets with a defined service life to determine whether there are indicators that these assets have suffered an impairment loss. If such indicators exist, the recoverable value of the assets is estimated to determine the amount of the impairment loss (if any). When it is not possible to estimate the recoverable amount of a particular asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with undefined service lives are tested for impairment on an annual basis and where there are indications that the tangible asset may have been impaired before the end of that period.

The recoverable amount is the higher amount between fair value minus costs to sell and value in use. For the estimation of value in use, estimated future cash flows are discounted to their present value using a before taxes discount rate that reflects both current market conditions of the value of money over time and the specific risks associated with the asset.

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (or cash-generating unit) is adjusted to its recoverable amount and an impairment loss is recognized immediately. When an impairment loss is reversed, the carrying amount of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided that the adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss of the asset (or cash-generating unit) been recognized in prior financial years.

## D. LEASES

### i. Financial leases

Leases are classified as financial leases when the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### ii. Operating leases

Operating lease payments are recognized as an expense on a linear basis over the life of the lease, except when another systematic basis is more representative to reflect the timing pattern in which the economic earnings of the leased asset are consumed. Contingent leases are recognized as an expense in the period in which they occur.

In the event that lease incentives are received in order to enter into an operating lease, such incentives are recognized as a liability. The cumulative earnings from incentives is recognized on a linear basis as a reduction of the lease expense, except when another systematic basis is more representative to reflect the time pattern in which the economic earnings of the leased asset are consumed.

### iii. Implicit leases

The Company reviews its contracts to verify the existence of implicit leases, in accordance with IFRIC 4.

## E. FINANCIAL ASSETS

Acquisition and disposal of financial instruments are recognized on the trade date, i.e. the date on which the Company undertakes to acquire or sell the asset. Investments are derecognized when the rights to receive cash flow from investments have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories:

- Financial assets at fair value through earnings or losses
- Investments held to maturity.
- Loans and accounts receivable.
- Available-for-sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

The Company invests in low-risk instruments that comply with classification standards established in its investment policies. Mutual investment funds must therefore have an AAfm / M1 rating (quotas with very high protection against loss, associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Fixed-term deposits and arranged agreements are instruments with an N-1

rating (instruments with the highest capacity to pay capital and interest on the agreed terms and deadlines).

The bodies issuing these instruments correspond to banking companies or subsidiaries of banks, with an N-1 risk rating and their instruments have a risk rating of at least AA (with a very high capacity to pay capital and interest on the agreed terms and deadlines, which would not be significantly affected 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 used to calculate the amortized cost of a financial asset or liability and the allocation of interest income or expense over the entire period. The effective interest rate corresponds to 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. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments, are not listed in an active market and are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest method, minus any impairment loss, except for short-term accounts receivable where the recognition of interest would be intangible.

### Trade debtors and other accounts receivable

Trade debtors and other accounts receivable are initially recognized at fair value, these are recorded at net value of estimates of doubtful accounts receivable or of low collection probability.

The trade debtors' policy is subject to the credit policy, which establishes the payment terms, as well as the different scenarios to be agreed upon by delinquent customers.

### Impairment policy for trade debtors and other account receivables

The Company periodically evaluates the impairment losses affecting its financial assets. The amount is recorded in the accrual account. The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the comprehensive income statement under "other expenses". When an account receivable is uncollectible, it is regularized against the provision account for accounts receivable.

Estimates are based on the age of debts and historical recovery, as detailed below:

Clients with debts over 120 days are 100% provisioned for overdue debt.

Notes receivable with past-due debt are provisioned at 100%.

## F. DIVIDEND PAYMENT POLICY

The dividend policy is to record, at the closing of each year, a minimum dividend of 30% in accordance with Article 79 of Law 18,046 governing Corporations and, to the extent that the financing conditions allow, a definitive dividend at the Ordinary Shareholders' Meeting.

## G. FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities are presented at the respective exchange rates in effect at each financial year end, according to the following parities:

CURRENCY	31-12-2017 \$	31-12-2016 \$
US Dollar	614.75	669.47
Euro	739.15	705.60

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Earnings and losses in foreign currency resulting from the liquidation of these transactions and from exchange at the closing exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the comprehensive income statement.

Exchange differences are recognized in earnings or losses in the financial year in which they are accrued.

#### **H. FINANCIAL LIABILITIES**

Loans and similar items are initially recognized at fair value, net of costs incurred in the transaction. They are subsequently measured at amortized cost using the effective interest rate.

#### **I. PROVISIONS AND CONTINGENT LIABILITIES**

Provisions are recognized when the Company has a present obligation arising from past events for which it is probable that the Company will use resources to settle the obligation and on which it can make a reasonable estimate of the amount of the obligation.

Provisions are quantified taking into account the best available information on the event and its consequences, and are re-estimated at each balance sheet date. Recorded provisions are used to cover the specific risks for which they were originally recognized and are reviewed, in whole or in part, when these risks disappear or decrease.

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated equity damage is estimated to be unlikely. Under IFRS, the Company does not recognize any provision for these items.

#### **J. EMPLOYEE BENEFITS**

The Company has 231 employees, distributed among 4 principal executives, 85 professionals and 142 in technical, employee and administrative staff.

##### **Policies on defined benefit plans**

The workers of Análisis Ambientales S.A. are governed by the rules laid down in articles 159,160 and 161 of the Labor Code.

#### **K. INCOME TAX AND DEFERRED TAXES**

Income tax expenses correspond to the sum of income tax payable and changes in deferred tax assets and liabilities.

The income tax payable is determined on the basis of the period's tax result. The Company's income tax payable is calculated using the tax rates that have been approved, or are in the final approval process, at the closing date of the financial position statement.

Deferred taxes are recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating the tax result, and are accounted for using the balance sheet-based liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be used to offset such differences. Deferred tax assets or liabilities are not recognized if temporary differences arise from the impairment or initial recognition (except in a business combination) of other assets and liabilities in a transaction that does not affect taxable income or financial results.

The carrying value of deferred tax assets is reviewed at the date of each financial position statement and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to enable recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect in the period in which the liability is settled or the asset is liquidated, based on tax rates that have been approved or the approval process is practically completed at the end of the period of the financial position statement. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and these are related to the same body and tax authority.

#### **L. ORDINARY INCOME**

##### **Ordinary income recognition policy**

Income arising from all normal operations and other events are recorded at their fair value of payment received or receivable based on payment terms, rebates and credit notes. The amount of the income can be reliably measured.

##### **Ordinary revenue recognition policy for sales of goods**

Ordinary revenue from sales of goods are recognized once the risk and significant advantages derived from the ownership of the goods are transferred, the Company does not have any relationship with the goods sold, the amount of income can be measured reliably, it is probable that the Company will receive the economic earnings associated with the sale and the costs incurred in the operation are also measurable reliably.



**Service sales ordinary revenue recognition policy**

Income from the sale of services is measured at fair value. Invoices are invoiced based on actual consumption or work performed on the service receivable, net of returns, trade discounts and rebates. Therefore, income is recognized when it is transferred to the customer and recovery is considered probable, associated costs and possible discounts for erroneous collections can be reliably estimated.

**M. ENVIRONMENTAL INFORMATION**

The Company works to reduce its impact on the environment by improving its use of its resources to produce and deliver the service (reduce energy consumption, and improve waste management). This action allows it to meet its 2015-2020 targets and become a sustainable company. During 2007, all processes were certified under the ISO 14001 standard, which is maintained to date, allowing us to work in the water cycle process under this standard.

Assets are valued at acquisition cost and depreciated on a linear basis over the estimated remaining service lives of the various assets.

**N. CASH FLOW STATEMENT**

The cash flow statement includes the cash flows made during the year, which include value added tax (VAT), determined by the direct method and with the following criteria:

**Cash and cash equivalents:** Represent inflows and outflows of cash and cash equivalents, defined as short-term investments with high liquidity and low risk of changes in their value (less than 3 months from the date of trade and without restrictions).

**Operating activities:** Represent activities typical of the normal operation of the company's business, as well as other activities not classified as investing or financing.

**Investment activities:** Represent acquisition, sale or other disposal of non-cash long-term assets and other investments not included in cash and cash equivalents.

**Financing activities:** Represent activities that result in changes in the amount and composition of equity and liabilities that are not part of ordinary activities.

**O. RECLASSIFICATIONS**

For comparative purposes, certain reclassifications have been made to the financial position statement as of December 31, 2016, in accordance with the following detail:

RECLASSIFICATIONS	Increase / (Decrease) Th\$
<b>Cash flow statement:</b>	
Collection from sales and services rendered	24
Payment to suppliers for the supply of goods and services	-24

**DISCLOSURES ABOUT RELATED COMPANIES**

**Balances and transactions with related parties**

Transactions between the Company and related parties are carried out under market conditions.

**ACCOUNTS RECEIVABLE FROM RELATED PARTIES**

TIN RELATED PARTY	Name of related party	Nature of the relationship	Country of Origin	Nature of the transactions with the related party	Type of Currency	Terms	Guarantees	Current ( Thousands \$)	
								Dec 17	Dec 16
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	190,228	441,095
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Lease of property	CLP	30 Days	No Guarantees	0	3,736
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	<b>30 Days</b>	No Guarantees	106,760	77,806
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	29,491	32,469
96.579.800-5	ESSAL S.A.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	222,352	207,879
96.945.210-3	Ecoriles S.A.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	60,109	51,654
96.713.610-7	Suez Concesiones Chile S.A.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	366	0
76.078.231-9	Emp. Dep. Agua Serv. Mapocho-Trebal Ltda.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	8,138	3,503
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	14,408	80,693
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	1,012	0
76.148.998-4	Degremont S.A. Agencia en Chile	Related to the Controller	CL	Laboratory Analysis and sampling service	CLP	30 Days	No Guarantees	4,065	0
<b>Total Accounts Receivable</b>								<b>636,929</b>	<b>898,835</b>

**ACCOUNTS PAYABLE TO RELATED PARTIES**

TIN RELATED PARTY	Name of related party	Nature of the relationship	Country of Origin	Nature of the transactions with the related party	Type of Currency	Terms	Guarantees	Current ( Thousands \$)	
								Dec 17	Dec 16
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan	CLP	30 Days	No Guarantees	0	1,692,000
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Interest	CLP	30 Days	No Guarantees	198,046	136,397
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividends	CLP	<b>30 Days</b>	No Guarantees	345,487	207,527
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Dividends	CLP	30 Days	No Guarantees	3,490	2,096
96.799.790-0	Servicios y Proyectos Ambientales S.A.	Related to the Controller	CL	Environmental monitoring services	CLP	30 Days	No Guarantees	3,376	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Odor Services	CLP	30 Days	No Guarantees	0	14,084
<b>Total Accounts payable</b>								<b>550,399</b>	<b>2,052,104</b>

## ACCOUNTS PAYABLE TO RELATED PARTIES NON-CURRENT

TIN RELATED PARTY	Name related party	Relationship	Country	Nature of transaction with related parties	Currency	Security	Current ( Thousands \$ )	
							Dec 17	Dec 16
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Debt	CLP	Unsecured	624,000	0
<b>Total Accounts payable</b>							<b>624,000</b>	<b>0</b>

## Transactions

The materiality criterion for reporting transactions with related parties is for amounts over Th\$100,000.

## TRANSACTIONS

TIN RELATED PARTY	Name of related party	Nature of the relationship	Country of Origin	Nature of the transactions with the related party	Type of Currency	Current ( Thousands \$ )			
						31-12-2017		31-12-2016	
						Amount	Effects on Income (Charge)/ Credit	Amount	Effects on Income (Charge)/ Credit
61.808.000-1	Aguas Andinas S.A.	Controlador	CL	Laboratory Analysis and sampling contract	CLP	2,824,886	2,373,853	2,685,078	2,256,368
61.808.000-1	Aguas Andinas S.A.	Controlador	CL	Obtaining loans	CLP	2,031,000	-198,046	2,432,000	-136,397
61.808.000-1	Aguas Andinas S.A.	Controlador	CL	Repayment of loans	CLP	-3,099,000	0	-3,490,000	0
96.809.310-K	Aguas Cordillera S.A.	Relacionada al Controlador	CL	Laboratory Analysis and sampling contract	CLP	681,870	573,000	465,934	391,541
89.221.000-4	Aguas Manquehue S.A.	Relacionada al Controlador	CL	Laboratory Analysis and sampling contract	CLP	214,581	180,320	190,577	160,148
96.579.800-5	ESSAL S.A.	Relacionada al Controlador	CL	Laboratory Analysis and sampling contract	CLP	969,954	815,087	823,720	692,201
96.945.210-3	Ecoriles S.A.	Relacionada al Controlador	CL	Laboratory Analysis and sampling contract	CLP	463,343	389,364	325,782	273,766

Note: The materiality criterion for reporting transactions with related parties is for amounts over Th\$ 100,000.



## FINANCIAL SITUATION STATEMENTS

ASSETS	2017 Th\$	2016 Th\$
Current Assets	1,838,309	2,029,111
Non-Current Assets	5,238,248	5,354,352
<b>Total Assets</b>	<b>7,076,557</b>	<b>7,383,463</b>
LIABILITIES	2017 Th\$	2016 Th\$
Current Liabilities	1,700,455	2,956,521
Non-Current Liabilities	624,000	0
Equity	4,752,102	4,426,942
<b>Total Liabilities and Equity</b>	<b>7,076,557</b>	<b>7,383,463</b>

## COMPREHENSIVE INCOME STATEMENTS

	2017 Th\$	2016 Th\$
Ordinary Income	8,301,209	7,159,548
Cost of Operation	(6,706,861)	(6,167,761)
Other (loss) gains/losses	(1,772)	0
Financial Results	(62,637)	(115,362)
Other than operation	6,129	8,751
Income Tax	(372,811)	(186,434)
<b>Earnings of the financial year</b>	<b>1,163,257</b>	<b>698,742</b>

## CASH FLOW STATEMENT

	2017 Th\$	2016 Th\$
Net Cash Flows from Operating Activities	2,102,735	1,537,032
Net Cash Flows from Investment Activities	(300,158)	(541,891)
Net Cash Flows from Financing Activities	(1,766,742)	(1,058,000)
Net Increase (Decrease) in Cash and Cash Equivalent	35,835	(62,859)
Initial Cash and Cash Equivalent Balance	4,238	67,098
<b>Final Cash and Cash Equivalent Balance</b>	<b>40,073</b>	<b>4,239</b>

## EQUITY CHANGE STATEMENT

	2017 Th\$	2016 Th\$
Share capital issued	262,456	262,456
Other equity interests	(21,450)	(21,450)
Accumulated gains (losses)	4,511,096	4,185,936
<b>Final Equity Balance</b>	<b>4,752,102</b>	<b>4,426,942</b>

# Ecoriles S.A.

## GENERAL BACKGROUND

Name	<b>Ecoriles S.A.</b>		
Type of Company	<b>Closed joint-stock company, is governed by the following in the corporate by-laws and by the provisions of the Applicable legal provisions.</b>		
Legal address	<b>Av. Walter Lihn 1868 - Santiago</b>		
Telephone	<b>(56-2) 569 22 29</b>	Fax	<b>(56-2) 569 22 44</b>
Tax ID number (RUT)	<b>96.828.120-8</b>		
Subscribed and paid-in capital	<b>Th\$ 333,787</b>		
External auditors	<b>Ernst &amp; Young</b>		
Tax ID number (RUT)	<b>77.802.430-</b>		

## CORPORATE PURPOSE

The Company’s purpose is the treatment of liquid waste and all activities associated with or linked to the treatment of sewage and wastewater, through the provision of technical advice and development of training services, design, construction, and marketing of equipment, maintenance and operation of all types of facilities.

## INCORPORATING DOCUMENTS

Ecoriles S. A., was incorporated by public deed dated December 15, 2000 before the notary public Sr. Juan Ricardo San Martín Urrejola and its extract was published in the Official Gazette on 16 January 2001.

## BOARD OF DIRECTORS

Chairman	<b>Guillermo Pickering De La Fuente (Director of Aguas Andinas S.A.)</b>
Named Directors	<b>Laureano Cano Iniesta (Director of Aguas Andinas S.A.)</b> <b>Narciso Berberana Saenz (CEO of Aguas Andinas S.A.)</b>
CEO	<b>Juan José Gross Rudloff</b>
Percentage of Parent Company	99.03846%
Share that represents the investment in the assets of the Parent Company:	
Investment in the company represents a share of	0.21%

## BUSINESS RELATIONSHIP WITH THE PARENT COMPANY

During the financial year ended on December 31, 2016, the Company maintained a service contract for the treatment of excess load and leasing of real estate. Similar business relations are expected in the future.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 1.1 PREPARATION BASIS

This financial statement corresponds to the financial position statement as of December 31, 2017 and the comprehensive income statements from changes in equity and cash flows for the financial year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (hereinafter IASB), and represent the full, explicit and unreserved adoption of the aforementioned IFRSs.

The Company complies with all the legal conditions of the environment in which it carries out its operations, mainly in the generation of biogas, has normal operating conditions in each area in which it operates, its projections show a profitable operation and has the capacity to access the financial system to finance its operations, which determines its ability to continue as an operating company, in accordance with the IFRS accounting standards under which these financial statements are issued.

#### Functional and submission currency

The individual financial statements are submitted in the currency of the main economic environment in which the Company operates (functional currency). The financial statements are submitted in Chilean pesos, which is the Company's functional currency and the submission currency for the financial statements.

#### New accounting procedures

The standards and interpretations, as well as the improvements and amendments to IFRSs that have been issued, in force at the date of these financial statements, are detailed below: the Company has applied these standards and concluded that they did not significantly affect the financial statements.

AMENDMENTS AND/OR MODIFICATIONS	Mandatory application date
IFRS 12, Disclosures of interests in other companies	Annual periods beginning on or after January 1, 2017
IAS 7, Statement of cash flows	Annual periods beginning on or after January 1, 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2017

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but are not yet in force at the date of these financial statements, are detailed below. The Company has not applied these standards in advance.

NEW STANDARDS	Mandatory application date
IFRS 9, Financial Instruments, classification and measurement	Annual periods beginning on or after January 1, 2018
IFRS 15, Revenue from Client Contracts	Annual periods beginning on or after January 1, 2018
IFRIC 22, Foreign currency transactions and advance payments	Annual periods beginning on or after January 1, 2018
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019
IFRIC 23, Treatment of uncertain tax positions	Annual periods beginning on or after January 1, 2019
IFRS 17, Insurance Contracts	Annual periods beginning on or after January 1, 2021

IMPROVEMENTS AND MODIFICATIONS	Mandatory application date
IFRS 1, Adoption of IFRS for the first time	Annual periods beginning on or after January 1, 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1, 2018
IFRS 4 Insurance contracts	Annual periods beginning on or after January 1, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2018
IAS 40 Investment properties	Annual periods beginning on or after January 1, 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1, 2019
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1, 2019
IAS 12, Income Taxes	Annual periods beginning on or after January 1, 2019
IAS 23, Cost of loans	Annual periods beginning on or after January 1, 2019
IAS 28, Investments in associates	Annual periods beginning on or after January 1, 2019
IFRS 10, Consolidated Financial Statements	To be determined

The Company's management is analyzing the potential impact on the financial statements of the aforementioned standards and amendments. However, those in force for annual periods beginning on January 1, 2018 have been analyzed and it is estimated that they will not have a material impact on the preparation and submission of future financial statements.



**Responsibility for the information and estimates made**

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in the International Financial Reporting Standards (NIIF) and the instructions of the Commission for the Financial Markets have been applied. These financial statements were approved by the Board of Directors at a meeting held on March 28, 2018.

The financial statements of Ecoriles S.A. for 2016 were approved by its Board of Directors at its meeting held on March 23, 2017.

Estimates such as these have been used in preparing the financial statements:

- Service life of fixed and intangible assets
- Impairment losses on assets
- Provisions for commitments to third parties

Although these estimates and judgments were made on the basis of the best information available at the date of issuance of these financial statements, it is possible that events that may occur in the future may require them to be modified (upward or downward) in future periods, which would be recorded prospectively, at the time the change is known, recognizing the effects of such changes in the corresponding future financial statements.

**1.2 ACCOUNTING POLICIES**

The main accounting policies adopted in the preparation of these financial statements are described below.

**A. INTANGIBLE ASSETS OTHER THAN GOODWILL**

The Company recognizes an identifiable intangible asset when it can demonstrate that it is probable that the future economic earnings

attributed to it will flow to the company and the cost can be valued correctly.

**i. Intangible assets acquired separately**

Intangible assets acquired separately are presented at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a linear basis using estimated service lives. The estimated service lives and the amortization method are reviewed at each balance sheet date, prospectively accounting for the effect of any changes in the estimate.

**ii. Amortization method for intangible assets****Intangible assets with a defined service life**

The amortization method applied by the Company reflects the pattern in which it is expected to be used by the Company and the future economic earnings of the asset. For this purpose, the Company uses the linear amortization method.

**Software**

The estimated service life of software is 4 years. For other assets with a defined service life, the period of service life in which they are depreciated corresponds to the periods defined in the contracts or copyright giving rise to them.

**Intangible assets with an undefined service life**

Intangible assets with undefined service lives correspond to water rights, which were obtained as indefinite, in accordance with the provisions of the purchase contracts.

**Determining service life**

The factors to be considered for the estimation of service life include, but are not limited to, the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.

- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.
- Natural and climatic factors and technological changes that affect the capacity to generate earnings.

The service life may require modifications over time due to changes in estimates as a result of changes in assumptions about the aforementioned factors.

**B. PROPERTY, PLANT AND EQUIPMENT**

The Company uses the cost method for the valuation of Property, Plant and Equipment. The historical cost includes expenses that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is probable that the future economic earnings associated with the fixed assets will flow to the Company and the cost of the asset can be reliably determined. The value of the replaced component is written off. All other repairs and maintenance are charged to profit or loss for the financial year in which they occur.

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

The depreciation method applied by the Company reflects the pattern in which assets are expected to be used by the Company during the period in which they generate economic earnings. For this purpose, the Company uses the straight-line depreciation method throughout its technical service life, based on studies prepared by independent experts (specialist external companies). The residual value and service life of the assets are reviewed and adjusted, if necessary, at each balance sheet date.

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

**Service lives:**

The service lives considered for the purpose of calculating depreciation are based on technical studies prepared by specialist external companies, which are reviewed as soon as there is a history that allows us to consider that the service life of an asset has been modified.

The allocation of the total service life of the assets is made on the basis of several factors, including the nature of the equipment. Such factors usually include:

1. Nature of the material components of the equipment or constructions.
2. Means of operation of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations.

The range of service life (in years) by asset type is as follows:

ITEM	Service life Minimum	Service life Maximum
Plant and equipment	25	80
Information technologies equipment	5	50
Fixed installations and accessories	4	4
Other property, plant and equipment	5	80

**Cost estimation policy for decommissioning, removal or rehabilitation of property, plant and equipment:**

Due to the nature of the assets being constructed in the Company and the fact that there are no contractual obligations or other constructive requirements such as those mentioned by IFRSs in the regulatory framework, the concept of decommissioning costs is not applicable at the date of these financial statements.

**Fixed Assets Sales Policy**

Earnings or losses on the sale of fixed assets are calculated by comparing the income obtained with the carrying amount and are recorded in the comprehensive income statement.

**C. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets with a defined service life to determine whether there are indicators that these assets have suffered an impairment loss. If such indicators exist, the recoverable value of the assets is estimated to determine the amount of the impairment loss (if any). When it is not possible to estimate the recoverable amount of a particular asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with undefined service lives are tested for impairment on an annual basis and where there are indications that the asset may have been impaired before the end of that period.

The recoverable amount is the higher amount between fair value minus costs to sell and value in use. For the estimation of value in use, estimated future cash flows are discounted to their present value using a before taxes discount rate that reflects both current market conditions of the value of money over time and the specific risks associated with the asset..

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (or cash-generating unit) is adjusted to its recoverable amount and an impairment loss is recognized immediately. When an impairment loss is reversed, the carrying amount of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable

value, provided that the adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss of the asset (or cash-generating unit) been recognized in prior financial years.

**D. LEASES****i. Financial leases**

Leases are classified as financial leases when the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**ii. Operating leases**

Operating lease payments are recognized as an expense on a linear basis over the life of the lease, except when another systematic basis is more representative to reflect the timing pattern in which the economic earnings of the leased asset are consumed. Contingent leases are recognized as an expense in the period in which they occur.

In the event that lease incentives are received in order to enter into an operating lease, such incentives are recognized as a liability. The cumulative earnings from incentives is recognized on a linear basis as a reduction of the lease expense, except when another systematic basis is more representative to reflect the time pattern in which the economic earnings of the leased asset are consumed.

**iii. Implicit leases**

The Company reviews its contracts to verify the existence of implicit leases, in accordance with IFRIC 4.

## E. FINANCIAL ASSETS

Acquisition and disposal of financial instruments are recognized on the trade date, i.e. the date on which the Company undertakes to acquire or sell the asset. Investments are derecognized when the rights to receive cash flow from investments have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories:

- Financial assets at fair value through earnings or losses
- Investments held to maturity.
- Loans and accounts receivable.
- Available-for-sale financial assets.

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

The Company invests in low-risk instruments that comply with classification standards established in its investment policies. Mutual investment funds must therefore have an AAfm / M1 rating (quotas with very high protection against loss, associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Fixed-term deposits and arranged agreements are instruments with an N-1 rating (instruments with the highest capacity to pay capital and interest on the agreed terms and deadlines).

The bodies issuing these instruments correspond to banking companies or subsidiaries of banks, with an N-1 risk rating and their instruments have a risk rating of at least AA (with a very high capacity to pay capital and interest on the agreed terms and deadlines, which would not be significantly affected 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 used to calculate the amortized cost of a financial asset or liability and the allocation of interest income or expense over the entire period. The effective interest rate corresponds to 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. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments, are not listed in an active market and are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest method, minus any impairment loss, except for short-term accounts receivable where the recognition of interest would be intangible.

### Trade debtors and other accounts receivable

Trade debtors and other accounts receivable are initially recognized at fair value, these are recorded at net value of estimates of doubtful accounts receivable or of low collection probability.

The trade debtors' policy is subject to the credit policy, which establishes the payment terms, as well as the different scenarios to be agreed upon by delinquent customers.

### Impairment policy for trade debtors and other account receivables

The Company periodically evaluates the impairment losses affecting its financial assets. The amount is recorded in the accrual account. The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the comprehensive income statement under "other expenses". When an account receivable is uncollectible, it is regularized against the provision account for accounts receivable.

Estimates are based on the age of debts and historical recovery, as detailed below:

Clients with debts over 120 days are 100% provisioned for overdue debt.

Notes receivable with past-due debt are provisioned at 100%.

## F. INVENTORIES

Materials, spare parts and consumables are valued at acquisition cost, which does not exceed net realizable value. The costing method corresponds to the weighted average cost. Inventories that have not been turned over in the last twelve months are valued and recorded at market value if it was lower.

## G. DIVIDEND POLICY

The dividend policy is to record at the closing of each year a minimum dividend of 30% of the profits, as established in the Corporations Law, and, to the extent that financing conditions allow, a final dividend at the Ordinary Shareholders' Meeting.



## H. FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities are presented at the respective exchange rates in effect at each financial year end, according to the following parities:

CURRENCY	31-12-2017 \$	31-12-2016 \$
US Dollar	614.75	669.47
Euro	739.15	705.60

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Earnings and losses in foreign currency resulting from the liquidation of these transactions and from translation at the closing exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the comprehensive income statement.

Exchange differences are recognized in earnings or losses in the financial year in which they are accrued.

## I. FINANCIAL LIABILITIES

Loans and similar items are initially recognized at fair value, net of costs incurred in the transaction. They are subsequently measured at amortized cost using the effective interest rate.

## J. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Company has a present obligation arising from past events for which it is probable that the Company will use resources to settle the obligation and on which it can make a reasonable estimate of the amount of the obligation.

Provisions are quantified taking into account the best available information on the event and its consequences, and are re-estimated at each balance sheet date. Recorded provisions are used to cover the specific risks for which they were originally recognized and are reviewed, in whole or in part, when these risks disappear or decrease.

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated equity damage is estimated to be unlikely. Under IFRS, the Company does not recognize any provision for these items.

## K. EMPLOYEE BENEFITS

The Company has 200 employees distributed among 3 main executives and 197 professionals, technicians, employees and administrative staff.

### Policies on defined benefit plans

The workers of EcoRiles S. A. are governed by the rules established in articles 159,160 and 161 of the Labor Code.

## L. INCOME TAX AND DEFERRED TAXES

Income tax expenses correspond to the sum of income tax payable and changes in deferred tax assets and liabilities.

The income tax payable is determined on the basis of the financial year's tax result. The Company's income tax payable is calculated using the tax rates that have been approved, or are in the final approval process, at the closing date of the financial position statement.

Deferred taxes are recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating the tax result, and are accounted for using the balance sheet-based

liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be used to offset such differences. Deferred tax assets or liabilities are not recognized if temporary differences arise from the impairment or initial recognition (except in a business combination) of other assets and liabilities in a transaction that does not affect taxable income or financial results.

The carrying value of deferred tax assets is reviewed at the date of each financial position statement and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to enable recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect in the period in which the liability is settled or the asset is liquidated, based on tax rates that have been approved or the approval process is practically completed at the end of the period of the financial position statement. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and these are related to the same tax authority.

## M. ORDINARY INCOME

### Ordinary income recognition policy

Income arising from all normal operations and other events are recorded at their fair value of payment received or receivable based on payment terms, rebates and credit notes. The amount of the income can be reliably measured.

**Ordinary revenue recognition policy for sales of services**

Revenue from the sale of services is measured at fair value. Invoices are invoiced based on the work performed on the consideration receivable, net of returns, trade discounts and rebates. Therefore, income is recognized when the risk is transferred to the buyer, recovery is considered probable, associated costs and possible discounts for erroneous collections can be estimated reliably.

**Ordinary revenue recognition policy for sales of goods**

If there is any sale of property, plant and equipment, revenue shall be recognized when it can be measured reliably.

**Operating activities:** Represent activities typical of the normal operation of the company's business, as well as other activities not classified as investing or financing.

**Investment activities:** Represent acquisition, sale or other disposal of non-cash long-term assets and other investments not included in cash and cash equivalents.

**Financing activities:** Represent activities that result in changes in the amount and composition of net equity and liabilities that are not part of ordinary activities.

**N. ENVIRONMENTAL INFORMATION**

The Company works to reduce its impact on the environment by improving its use of its resources to produce and deliver the service (reduce energy consumption, and improve waste management). This action allows it to meet its 2015-2020 targets and become a sustainable company. During 2007, all processes were certified under the ISO 14001 standard, which is maintained to date, allowing us to work in the water cycle process under this standard.

Assets are valued at acquisition cost and depreciated on a linear basis over the estimated remaining service lives of the various assets.

**O. CASH FLOW STATEMENT**

The cash flow statement includes the cash flows movements during the period, which include value added tax (VAT), determined by the direct method and using the following criteria:

**Cash and cash equivalents:** Represent inflows and outflows of cash and cash equivalents, defined as short-term investments with high liquidity and low risk of changes in their value (less than 3 months from the date of trade and without restrictions).

## DISCLOSURES ABOUT RELATED COMPANIES

## Balances and transactions with related parties

## ACCOUNTS RECEIVABLE FROM RELATED PARTIES

TIN REALTED PARTY	Name of Related Party	Nature of the Relationship	Country of Origin	Nature of the Transaction with Related Parties	Type of Currency	Guarantees	Current (Thousands \$)	
							Dec 17	Dec 16
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Interest on Loans granted	CLP	No Guarantees	1,531	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loan receivable	CLP	No Guarantees	230,000	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Real estate rental	CLP	No Guarantees	3,135	3,083
61.808.000-5	Aguas Cordillera S.A.	Controller	CL	San Antonio Project	CLP	No Guarantees	187,080	249,136
76.148.998-4	Suez Medio Ambiente Chile S.A.	Related to the Controller	CL	Income from plant operations	CLP	No Guarantees	33,628	21,978
<b>Total Accounts Receivable</b>							<b>455,374</b>	<b>274,197</b>

## ACCOUNTS PAYABLE TO RELATED COMPANIES

TIN REALTED PARTY	Name of Related Party	Nature of the Relationship	Country of Origin	Nature of the Transaction with Related Parties	Type of Currency	Guarantees	Current (Thousands \$)	
							Dec 17	Dec 16
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Other payments to EE-RR	CLP	No Guarantees	-260	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Excess organic discharge to the network	CLP	No Guarantees	-158,427	-212,168
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividends payable	CLP	No Guarantees	-499,255	-511,823
61.808.000-5	Aguas Cordillera S.A.	Controller	CL	Dividends payable	CLP	No Guarantees	-4,847	-4,969
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	CL	Chemical and bacteriological analysis services	CLP	No Guarantees	-60,109	-51,654
76.080.553-K	Suez Advanced Solutions	Related to the Controller	CL	Purchase of equipment	CLP	No Guarantees	0	-627
96.828.120-8	Gestión y Servicios S.A.	Related to the Controller	CL	Purchase of Supplies	CLP	No Guarantees	-157,507	-169,164
<b>Total Accounts payable</b>							<b>-880,405</b>	<b>-950,405</b>



## TRANSACTIONS

RUT REALTED PARTY	Name of Related Party	Nature of the Relationship	Country of Origin	Nature of the Transaction with Related Parties	Type of Currency	Current (Thousands \$)			
						Dec 17		Dec 16	
						Amount	Effects on Income (Charge)/ Credit	Amount	Effects on Income (Charge)/ Credit
96.809.310-K	Aguas Cordillera S.A.	Related to the controller	CL	San Antonio Proyect	CLP	-287,262	-287,262	-334,114	-334,114
96.967.550-1	Análisis Ambientales S.A.	Related to the controller	CL	Laboratory analysis	CLP	463,343	-389,364	325,782	-273,766
96828120-8	Gestión y Servicios S.A	Related to the controller	CL	Purchase of chemical inputs	CLP	1,729,695	-1,453,526	1,137,753	-956,095

The materiality criterion for reporting transactions with related parties is for amounts larger than Th\$100.000.

## FINANCIAL SITUATION STATEMENT

ASSETS	2017 Th\$	2016 Th\$
Current Assets	4,718,568	5,103,621
Non-Current Assets	501,160	425,004
<b>Total Assets</b>	<b>5,219,728</b>	<b>5,528,625</b>
LIABILITIES	2017 Th\$	2016 Th\$
Current Liabilities	2,101,177	2,380,465
Non-Current Liabilities	-	-
Equity	3,118,551	3,148,160
<b>Total Assets and Equity</b>	<b>5,219,728</b>	<b>5,528,625</b>

## COMPREHENSIVE INCOME STATEMENTS

	2017 Th\$	2016 Th\$
Ordinary Income	13,389,212	12,726,542
Cost of Operation	(11,176,764)	(10,522,650)
Financial Results	14,105	42,883
Other than the operation	4,895	7,015
Income tax	(551,107)	(531,150)
<b>Earnings of the Financial Year</b>	<b>1,680,341</b>	<b>1,722,640</b>

## CASH FLOW STATEMENT

	2017 Th\$	2016 Th\$
Net Cash Flows from Operating Activities	1,054,308	1,457,506
Net Cash Flows from Investment Activities	(416,297)	(101,739)
Net Cash Flows from Financing Activities	(1,722,641)	(1,450,000)
Net Increase (Decrease) in Cash and Cash Equivalent	(1,084,630)	(94,233)
Cash and Cash Equivalent Initial Balance	1,467,751	1,561,984
<b>Cash and Cash Equivalent Final Balance</b>	<b>383,121</b>	<b>1,467,751</b>

## EQUITY CHANGES STATEMENT

	2017 Th\$	2016 Th\$
Issued capital	333,787	333,787
Other equity interests	(27,279)	(27,279)
Accumulated gains (losses)	2,812,043	2,841,652
<b>Final Equity Balance</b>	<b>3,118,551</b>	<b>3,148,160</b>

# Gestion y Servicios S.A.

## GENERAL BACKGROUND

Name  
**Gestión y Servicios S.A.**

Type of Company  
**Closed Joint Stock Company**

Legal address  
**Av. Presidente Balmaceda N° 1398**

Telephone                      Fax  
**(56 2) 569 23 42      (56 2) 569 23 98**

Tax ID number (RUT)  
**96.828.120-8**

Subscribed and paid-in capital  
**M\$ 506,908**

External auditors  
**Ernst & Young**

Tax ID number (RUT)  
**77.802.430-6**

## CORPORATE PURPOSE

The Company’s purpose is the development, purchase and sale of water utility materials, sale of biogas, construction and consultancy services for specialty works.

## INCORPORATION DOCUMENTS

The Company was incorporated as a joint-stock company under the name of Aguas del Maipo S. A., by a public deed dated June 6,1997, granted in the notary’s office in Santiago of Mr. Patricio Zaldivar Mackenna, and subsequently amended the by-laws as recorded in a deed dated November 10, 2000, in the Notary’s office of Mr. Patricio Zaldivar Mackenna, changing its corporate name to Gestión y Servicios S. A.

## BOARD OF DIRECTORS

President  
**Guillermo Pickering De La Fuente**

Directors  
**Laureano Cano Inesta**  
**Narciso Berberana Saenz** (Senior executive in Aguas Andinas S.A.)  
**Ivan Yarur Sairafi** (Senior executive in Aguas Andinas S.A.)  
**Camilo Larraín Sánchez** (Senior executive in Aguas Andinas S.A.)

CEO  
**Juan José Gross Rudloff**

Percentage ownership interest in parent company: **97.84783%**

Proportion represented by the investment in the assets of the Parent Company: **Investment in Compant represents a share of 0.22%.**

## COMMERCIAL RELATIONSHIP WITH THE PARENT COMPANY:

During the year ended on December 31, 2017, the Company maintained contracts for the purchase and sale of materials and leases with its Parent company. Similar trade relations are expected in the future.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 1.1 PREPARATION BASIS

These financial statements correspond to the financial position statements as of December 31, 2017 and 2016 and the comprehensive income statements from changes in equity and cash flows for the financial year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (hereinafter “IASB”), and represent the full, explicit and unreserved adoption of the aforementioned IFRSs.

The Company complies with all the legal conditions of the environment in which it carries out its operations, mainly in the generation of biogas, has normal operating conditions in each area in which it operates, its projections show a profitable operation and has the capacity to access the financial system to finance its operations, which determines its ability to continue as an operating company, in accordance with the IFRS accounting standards under which these financial statements are issued.

#### Functional and submission currency

The Company’s financial statements are submitted in the currency of the main economic environment in which the Company operates (functional currency). For purposes of the financial statements, the Company’s results and financial position are expressed in Chilean pesos (rounded in thousands of pesos), which is the Company’s functional currency, and the submission currency for the financial statements.

#### New accounting procedures

The standards and interpretations, as well as the improvements and amendments to IFRSs that have been issued, in force at the date of these financial statements, are detailed below: the Company has applied these standards and concluded that they did not significantly affect the financial statements.

AMENDMENTS AND/OR MODIFICATIONS	Mandatory application date
IFRS 12, Disclosures of interests in other companies	Annual periods beginning on or after January 1, 2017
IAS 7, Statement of cash flows	Annual periods beginning on or after January 1, 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2017

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but are not yet in force at the date of these financial statements, are detailed below. The Company has not applied these standards in advance.

NEW STANDARDS	Mandatory application date
IFRS 9, Financial Instruments, classification and measurement	Annual periods beginning on or after January 1, 2018
IFRS 15, Revenue from Client Contracts	Annual periods beginning on or after January 1, 2018
IFRIC 22, Foreign currency transactions and advance payments	Annual periods beginning on or after January 1, 2018
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019
IFRIC 23, Treatment of uncertain tax positions	Annual periods beginning on or after January 1, 2019
IFRS 17, Insurance Contracts	Annual periods beginning on or after January 1, 2021

IMPROVEMENTS AND MODIFICATIONS	Mandatory application date
IFRS 1, Adoption of IFRS for the first time	Annual periods beginning on or after January 1, 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1, 2018
IFRS 4 Insurance contracts	Annual periods beginning on or after January 1, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2018
IAS 40 Investment properties	Annual periods beginning on or after January 1, 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1, 2019
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1, 2019
IAS 12, Income Taxes	Annual periods beginning on or after January 1, 2019
IAS 23, Cost of loans	Annual periods beginning on or after January 1, 2019
IAS 28, Investments in associates	Annual periods beginning on or after January 1, 2019
IFRS 10, Consolidated Financial Statements	To be determined

The Company’s management is analyzing the potential impact on the financial statements of the aforementioned standards and amendments. However, those in force for annual periods beginning on January 1, 2018 have been analyzed and it is estimated that they will not have a material impact on the preparation and submission of future financial statements.



### Responsibility for the information and estimates

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS). These financial statements were approved by the Board of Directors at a meeting held on March 28, 2018.

The financial statements of Gestión y Servicios S.A. for 2016 were approved by its Board of Directors at its meeting held on March 23, 2017.

Estimates such as these have been used in preparing the financial statements:

- Service life of fixed and intangible assets
- Impairment losses on assets
- Assumptions used in the Actuarial calculation of employee contract termination benefits.
- Provisions for commitments to third parties
- Risks arising from litigation

Although these estimates and judgments were made on the basis of the best information available at the date of issuance of these financial statements, it is possible that events that may occur in the future may require them to be modified (upward or downward) in future periods, which would be recorded prospectively, at the time the change is known, recognizing the effects of such changes in the corresponding future financial statements.

## 1.2 ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of these financial statements are described below.

### A. INTANGIBLE ASSETS OTHER THAN GOODWILL

The Company recognizes an identifiable intangible asset when it can demonstrate that it is probable that the future economic earnings attributed to it will flow to the company and the cost can be valued correctly.

#### i. Intangible assets acquired separately:

Intangible assets acquired separately are presented at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a linear basis using estimated service lives. The estimated service lives and the amortization method are reviewed at each balance sheet date, prospectively accounting for the effect of any changes in the estimate.

#### ii Amortization method for intangible assets:

##### Intangible assets with a defined service life

The amortization method applied by the Company reflects the pattern in which it is expected to be used by the Company and the future economic earnings of the asset. For this purpose, the Company uses the linear amortization method.

##### Software

The estimated service life of software is 4 years. For other assets with a defined service life, the period of service life in which they are depreciated corresponds to the periods defined in the contracts or copyright giving rise to them.

##### Intangible assets with an undefined service life

Intangible assets with undefined service lives correspond to water rights, which were obtained as indefinite, in accordance with the

provisions of the purchase contracts and the rights obtained from the Directorate General of Water, under the Ministry of Public Works.

#### Determining service life

The factors to be considered for the estimation of service life include are, among others, the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.
- Natural and climatic factors and technological changes that affect the capacity to generate earnings.

The service life may require modifications over time due to changes in estimates as a result of changes in assumptions about the aforementioned factors.

### B. PROPERTY, PLANT AND EQUIPMENT

The Company uses the cost method for the valuation of Property, Plant and Equipment. The historical cost includes expenses that are directly attributable to the purchase of the asset.

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is probable that the future economic earnings associated with the fixed assets will flow to the Company and the cost of the asset can be reliably determined. The value of the replaced component is written off. All other repairs and maintenance are charged to profit or loss for the financial year in which they occur.

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

The depreciation method applied by the Company reflects the pattern in which assets are expected to be used by the Company during the

period in which they generate economic earnings. For this purpose, the Company uses the straight-line depreciation method throughout its technical service life, based on studies prepared by independent experts (specialist external companies). The residual value and service life of the assets are reviewed and adjusted, if necessary, at the closing of each financial situation statement.

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount (Note 11)

#### Service lives:

The service lives considered for the purpose of calculating depreciation are based on technical studies prepared by specialist external companies, which are reviewed as soon as there is a history that allows us to consider that the service life of an asset has been modified.

The allocation of the total service life of the assets is made on the basis of several factors, including the nature of the equipment. Such factors usually include:

1. Nature of the material components of the equipment or constructions.
2. Means of operation of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations.

The range of service life (in years) by asset type is as follows:

ITEM	Service life (years) Minimum	Service life (years) Maximum
Plant and equipment	7	20
Information technology equipment	4	4
Fixed installations and accessories	10	10
Motor Vehicles	7	7

#### Cost estimation policy for decommissioning, removal or rehabilitation of property, plant and equipment:

Due to the nature of the assets being constructed in the Company and the fact that there are no contractual obligations or other constructive requirements such as those mentioned by IFRSs in the regulatory framework, the concept of decommissioning costs is not applicable at the date of these financial statements.

#### Fixed Assets Sales Policy

Earnings or losses on the sale of fixed assets are calculated by comparing the income obtained with the carrying amount and are recorded in the comprehensive income statement.

#### C. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets with a defined service life to determine whether there are indicators that these assets have suffered an impairment loss. If such indicators exist, the recoverable value of the assets is estimated to determine the amount of the impairment loss (if any). When it is not possible to estimate the recoverable amount of a particular asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with undefined service lives are tested for impairment on an annual basis and where there are indications that the tangible asset may have been impaired before the end of that period.

The recoverable amount is the higher amount between fair value minus costs to sell and value in use. For the estimation of value in use, estimated future cash flows are discounted to their present value using a before taxes discount rate that reflects both current market conditions of the value of money over time and the specific risks associated with the asset.

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (or cash-generating unit) is adjusted to its recoverable amount and an impairment loss is recognized immediately. When an impairment loss is reversed, the carrying amount of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided that the adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss of the asset (or cash-generating unit) been recognized in prior financial years.

#### D. LEASES

##### i. Financial leases

Leases are classified as financial leases when the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### ii. Operating leases

Operating lease payments are recognized as an expense on a linear basis over the life of the lease, except when another systematic basis is more representative to reflect the timing pattern in which the economic earnings of the leased asset are consumed. Contingent leases are recognized as an expense in the period in which they occur.

In the event that lease incentives are received in order to enter into an operating lease, such incentives are recognized as a liability. The cumulative earnings from incentives is recognized on a linear basis as a reduction of the lease expense, except when another systematic basis is more representative to reflect the time pattern in which the economic earnings of the leased asset are consumed.

##### iii. Implicit leases

The Company reviews its contracts to verify the existence of implicit leases, in accordance with IFRIC 4.

## E. FINANCIAL ASSETS

Acquisition and disposal of financial instruments are recognized on the trade date, i.e. the date on which the Company undertakes to acquire or sell the asset. Investments are derecognized when the rights to receive cash flow from investments have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories:

- Financial assets at fair value through earnings or losses
- Investments held to maturity.
- Loans and accounts receivable.
- Available-for-sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

The Company invests in low-risk instruments that comply with classification standards established in its investment policies. Mutual investment funds must therefore have an AAfm / M1 rating (quotas with very high protection against loss, associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Fixed-term deposits and arranged agreements are instruments with an N-1 rating (instruments with the highest capacity to pay capital and interest on the agreed terms and deadlines).

The bodies issuing these instruments correspond to banking companies or subsidiaries of banks, with an N-1 risk rating and their instruments have a risk rating of at least AA (with a very high capacity to pay capital and interest on the agreed terms and deadlines, which would not be significantly affected 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 used to calculate the amortized cost of a financial asset or liability and the allocation of interest income or expense over the entire period. The effective interest rate corresponds to 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. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments, are not listed in an active market and are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest method, minus any impairment loss, except for short-term accounts receivable where the recognition of interest would be intangible.

#### Trade debtors and other accounts receivable

Trade debtors and other accounts receivable are initially recognized at fair value, these are recorded at net value of estimates of doubtful accounts receivable or of low collection probability.

The trade debtors' policy is subject to the credit policy, which establishes the payment terms, as well as the different scenarios to be agreed upon by delinquent customers.

#### Impairment policy for trade debtors and other account receivables

The Company periodically evaluates the impairment losses affecting its financial assets. The amount is recorded in the accrual account. The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the comprehensive income statement under "other expenses". When an account receivable is uncollectible, it is regularized against the provision account for accounts receivable.

Estimates are based on the age of debts and historical recovery, as detailed below:

Clients with debts over 120 days are 100% provisioned for overdue debt.

Notes receivable with past-due debt are provisioned at 100%.

## F. INVENTORIES

Materials, spare parts and consumables are valued at acquisition cost, which does not exceed net realizable value. The costing method corresponds to the weighted average cost. Inventories that have not rotated in the last twelve months are valued and recorded at the lower of market value.

## G. DIVIDEND PAYMENT POLICY

The Company's dividend policy and in accordance with article 79 of Law 18.046, which governs corporations, is to distribute at least 30% of the net profits for each financial year. In the event that these dividends do not exist or are lower than the minimum established by law, the corresponding provision shall be made.

In addition to this, the remaining 70% may be distributed as an additional dividend, subject to prior approval by the ordinary shareholders' meeting, provided that it is maintained at the Company's current level of capitalization and is compatible with investment policies.

## H. FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities are presented at the respective exchange rates in effect at each financial year end, according to the following parities:

CURRENCY	31-12-2017 \$	31-12-2016 \$
US Dollar	614.75	669.47
Euro	739.15	705.60

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Earnings and losses in foreign currency resulting from the liquidation of these transactions and from exchange at the closing exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the comprehensive income statement.

Exchange differences are recognized in earnings or losses in the financial year in which they are accrued.

## I. PASIVOS FINANCIEROS

Los préstamos y similares se registran inicialmente a su valor razonable, neto de los costos incurridos en la transacción. Posteriormente, se valoran a costo amortizado, utilizando la tasa de interés efectiva.

## J. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Company has a present obligation arising from past events for which it is probable that the Company will use resources to settle the obligation and on which it can make a reasonable estimate of the amount of the obligation.

Provisions are quantified taking into account the best available information on the event and its consequences, and are re-estimated at each balance sheet date. Recorded provisions are used to cover the specific risks for which they were originally recognized and are reviewed, in whole or in part, when these risks disappear or decrease.

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated equity damage is estimated to be unlikely. Under IFRS, the Company does not recognize any provision for these items, although, as required by the same standard, they are detailed if they exist in note 12.

## K. EMPLOYEE BENEFITS

The Company has 25 employees distributed in 1 principal executive, 15 professionals and 9 distributed among technicians, administrative and workers.

### Policies on defined benefit plans

The workers of Gestión y Servicios S. A. are governed by the rules established in articles 159, 160 and 161 of the Labor Code.

Only 1 employee, transferred from the parent company in 2002, registers compensation at current value and advance payment granted on account of said compensation at that date. Since 2003 it has been recorded at actuarial value, determined using the projected credit unit method.

## L. INCOME TAX AND DEFERRED TAXES

Income tax expenses correspond to the sum of income tax payable and changes in deferred tax assets and liabilities.

The income tax payable is determined on the basis of the period's tax result. The Company's income tax payable is calculated using the tax rates that have been approved, or are in the final approval process, at the closing date of the financial position statement.

Deferred taxes are recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating the tax result, and are accounted for using the balance sheet-based liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be used to offset such differences. Deferred tax assets or liabilities are not recognized if temporary differences arise from the impairment or initial recognition (except in a business combination) of other assets and liabilities in a transaction that does not affect taxable income or financial results.

The carrying value of deferred tax assets is reviewed at the date of each financial position statement and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to enable recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect in the period in which the liability is settled or the asset is liquidated, based on tax rates that have been approved or the approval process is practically completed at the end of the period of the financial position statement. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and these are related to the same body and tax authority.



## M. ORDINARY INCOME

### Ordinary income recognition policy

Income arising from all normal operations and other events are recorded at their fair value of payment received or receivable based on payment terms, rebates and credit notes. The amount of the income can be reliably measured.

### Ordinary income recognition policy for sales of goods

Ordinary revenue from sales of goods are recognized once the risk and significant advantages derived from the ownership of the goods are transferred, the Company does not have any relationship with the goods sold, the amount of income can be measured reliably, it is probable that the Company will receive the economic earnings associated with the sale and the costs incurred in the operation are also measurable reliably.

### Service sales ordinary revenue recognition policy

Income from the sale of services is measured at fair value. Invoices are invoiced based on actual consumption or work performed on the service receivable, net of returns, trade discounts and rebates. Therefore, income is recognized when it is transferred to the customer and recovery is considered probable, associated costs and possible discounts for erroneous collections can be reliably estimated.

The invoicing and any possible provision is carried out on the basis of work done.

## N. ENVIRONMENTAL INFORMATION

The Company works to reduce its impact on the environment by improving its use of its resources to produce and deliver the service (reduce energy consumption, and improve waste management). This action allows it to meet its 2015-2020 targets and become a sustainable company. During 2007, all processes were certified under the ISO 14001 standard, which is maintained to date.

## O. CASH FLOW STATEMENT

The cash flow statement includes the cash flows made during the year, which include value added tax (VAT), determined by the direct method and with the following criteria:

**Cash and cash equivalents:** Represent inflows and outflows of cash and cash equivalents, defined as short-term investments with high liquidity and low risk of changes in their value (less than 3 months from the date of trade and without restrictions).

**Operating activities:** Represent activities typical of the normal operation of the company's business, as well as other activities not classified as investing or financing.

**Investment activities:** Represent acquisition, sale or other disposal of non-cash long-term assets and other investments not included in cash and cash equivalents.

**Financing activities:** Represent activities that result in changes in the amount and composition of equity and liabilities that are not part of ordinary activities.

## DISCLOSURES ABOUT RELATED COMPANIES

### Balances and transactions with related parties

Transactions between the Company and related parties are carried out under market conditions. These transactions have been eliminated on consolidation and are not disclosed in this note.

## ACCOUNTS RECEIVABLE FROM RELATED PARTIES

TIN RELATED PARTY	Name of Related Party	Nature of the Relationship	Country of Origin	Naturaleza of Transactions with Related parties	Type of Currency	Guarantees	Current ( Thousands of \$)	
							31-12-2017	31-12-2016
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Real estate rental, guarantee. U. F. 18,73	CLP	Guarantees	502	494
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Retention of Pipeline renovation works	CLP	No Guarantees	137,465	137,465
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Materials Sales	CLP	No Guarantees	524	14,264
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Meter Verification Contract	CLP	No Guarantees	1,149	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan	CLP	No Guarantees	665,779	0
96.945.210-3	Ecoriles S.A.	Related to the Controller	CL	Sales of Chemical Supplies	CLP	No Guarantees	157,507	169,164
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Materials Sales	CLP	No Guarantees	0	225
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Meter Verification Contract	CLP	No Guarantees	0	0
76.080.553-K	Aqualogy Solutions Chile LTDA.	Related to the Controller	CL	Materials Sales	CLP	No Guarantees	15,287	28,215
96.579.800-5	Essal S.A.	Related to the Controller	CL	Materials Sales	CLP	No Guarantees	0	8,568
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Pipeline Cleaning Contract	CLP	No Guarantees	0	1,080
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Meter Verification Contract	CLP	No Guarantees	136	0
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Materials Sales	CLP	No Guarantees	85	6,154
<b>Total Accounts Receivable</b>							<b>978,434</b>	<b>365,629</b>

## ACCOUNTS PAYABLE TO RELATED COMPANIES

TIN RELATED PARTY	Name of Related Party	Nature of the Relationship	Country of Origin	Naturaleza of Transactions with Related parties	Type of Currency	Guarantees	Current ( Thousands of \$)	
							31-12-2017	31-12-2016
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Purchase of Materials	CLP	No Guarantees	3,919	1,482
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Interim dividend	CLP	No Guarantees	180,424	0
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Interim dividend	CLP	No Guarantees	3,969	0
76.080.553-K	Aqualogy Solutions Chile LTDA.	Related to the Controller	CL	Purchase of Materials	CLP	No Guarantees	241,984	170,330
<b>Total Accounts payable</b>							<b>430,296</b>	<b>171,812</b>

Transactions

Transactions with related parties are originated in Chile, the type of currency of the transaction is in pesos.

TRANSACTIONS

TIN RELATED PARTY	Name of Related Party	Nature of the Relationship	Nature of the Transactions with the Related Party	Corrientes (Miles de \$)			
				31-12-2017		31-12-2016	
				Amount	Effects on Income (Charge)/Credit	Amount	Effects on Income (Charge)/Credit
61.808.000-1	Aguas Andinas S.A.	Controller	Dividend			489,239	
61.808.000-1	Aguas Andinas S.A.	Controller	Loan granted	2,720,000	30,779		
61.808.000-1	Aguas Andinas S.A.	Controller	Loan collection	2,085,000			
61.808.000-1	Aguas Andinas S.A.	Controller	Sales of materials	110,039	92,470	202,788	170,410
96.945.210-3	Ecoriles S.A.	Related to the Controller	Sales of chemical supplies	1,729,695	1,453,526	1,137,753	956,095
76.080.553-K	Aqualogy Solutions Chile LTDA.	Related to the Controller	Sales of materials	68,147	57,267	352,985	296,626
76.080.553-K	Aqualogy Solutions Chile LTDA.	Related to the Controller	Purchase of materials	2,299,384	-1,043,716	1,644,992	-1,258,569

Note: The materiality criterion for reporting transactions with related parties is for amounts larger than Th\$ 100,000.

## FINANCIAL SITUATION STATEMENTS

ASSETS	2017 Th\$	2016 Th\$
Current Assets	6,325,828	5,768,832
Non-current Assets	780,187	907,094
<b>Total Assets</b>	<b>7,106,015</b>	<b>6,675,926</b>
LIABILITIES	2017 M\$	2016 M\$
Current liabilities	3,687,532	3,690,043
Non-current liabilities	41,863	40,043
Equity	3,376,620	2,945,840
<b>Total Liabilities and Equity</b>	<b>7,106,015</b>	<b>6,675,926</b>

## COMPREHENSIVE INCOME STATEMENTS

	2017 Th\$	2016 Th\$
Ordinary Income	8,363,693	8,569,328
Cost of Operation	(7,928,958)	(8,094,804)
Financial Results	30,533	14,446
Other than operation	339,270	(2,295,062)
Income Tax	(189,894)	553,002
<b>Earnings of the financial year</b>	<b>614,644</b>	<b>(1,253,090)</b>

## CASH FLOW STATEMENT

	2017 Th\$	2016 Th\$
Net Cash Flows from Operating Activities	403,826	1,063,565
Net Cash Flows from Investment Activities	2,062,476	(104,489)
Net Cash Flows from Financing Activities	(2,720,000)	(500,000)
Net Increase (Decrease) in Cash and Cash Equivalent	(253,698)	459,076
Initial Cash and Cash Equivalent Balance	961,747	502,671
<b>Final Cash and Cash Equivalent Balance</b>	<b>708,049</b>	<b>961,747</b>

## EQUITY CHANGE STATEMENT

	2017 Th\$	2016 Th\$
Issued capital	506,908	506,908
Other equity interests	(41,428)	(41,428)
Accumulated earning (losses)	2,911,140	2,480,360
<b>Final Equity Balance</b>	<b>3,376,620</b>	<b>2,945,840</b>



# Iberaguas LTDA. and Subsidiary

GENERAL BACKGROUND		CORPORATE PURPOSE	ADMINISTRATION
<p>Name</p> <p><b>Inversiones Iberaguas Limitada.</b></p> <p>Type of Company</p> <p><b>Limited Investment Company subject to the provisions of the Civil Code, Commercial Code and Law No. 3,918</b></p> <p>Legal address</p> <p><b>Avda. Presidente Balmaceda N° 1398, Santiago, Chile</b></p> <p>Telephone</p> <p><b>(56-2) 569 2382</b></p> <p>Tax ID number (RUT)</p> <p><b>96.897.320-7</b></p> <p>Subscribed and paid-in capital</p> <p><b>M\$ 49,090,900</b></p> <p>External auditors</p> <p><b>Ernst &amp; Young</b></p> <p>TIN Auditors</p> <p><b>77.802.430-6</b></p>		<p>The purpose of the Company is to invest in and participate in businesses in the water utility sector, especially in companies and undertakings whose purpose is to provide public services for the production and distribution of potable water, collection and disposal of wastewater and any other services related to such activities.</p>	<p>Representatives</p> <p><b>Felipe Larraín Aspillaga</b> (President of Aguas Andinas S.A.)</p> <p><b>van Yarur Sairafi</b> (Main Executive of Aguas Andinas S.A.)</p>
		INCORPORATION DOCUMENTS	<p>Percentage of Parent Company</p> <p>Aguas Andinas S.A. 99.999998% direct</p> <p>Aguas Cordillera S.A. 0.000002% indirect</p>
		<p>The Company was incorporated by public deed 20 May 1999, in the notary’s office of Mr. Aliro Veloso Muñoz. Its capital amounts to Th\$ 49,090,900. An extract of the by-laws was published in the Official Gazette of May 27, 1999, and was registered in the Commercial Registry on pages 19,028, N°15,038 of 1999 of the Real Estate Conservator of Santiago.</p> <p>At a shareholders’ meeting of Iberaguas S. A., on August 9, 1999, it was agreed to transform Iberaguas S. A. into a limited liability company, known as “Sociedad de responsabilidad limitada”. Inversiones Iberaguas Ltda.</p> <p>On July 10, 2008, Aguas Andinas S. A. and Aguas Cordillera S. A. acquired the social rights of Inversiones Iberaguas Ltda. in 99.999998% and 0.000002% respectively; the deed was registered in the notary’s office of Mr. Raúl Undurraga Laso Repertoire N° 3,561-2008.</p>	<p><b>BUSINESS RELATIONSHIP WITH PARENT COMPANY</b></p> <p>During the financial year ended on December 31, 2017, the Company maintained business relationships with the Parent Company and related companies, which mainly include laboratory services, consulting and implementation of IT services, supplies of materials, these are subject to market conditions and it is expected that similar business relationships will be maintained in the future.</p>

## 2. PREPARATION BASIS AND ACCOUNTING POLICIES

### 2.1. PREPARATION BASIS

These financial statements correspond to the financial position statements as of December 31, 2017 and 2016 and the comprehensive income statements from changes in equity and cash flows for the financial year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (hereinafter “IASB”), and represent the full, explicit and unreserved adoption of the aforementioned IFRSs.

The consolidated financial statements issued as of December 31, 2017 were originally prepared in accordance with instructions and standards issued by the Commission for the Financial Markets, which were composed of International Financial Reporting Standards (IFRS) and specific instructions issued by Circular Letter 856 dated October 17, 2014, which instructed the audited companies to record changes in deferred tax assets and liabilities in equity as a result of the increase in the first category tax rate established in Chile by Law 20.780.

#### Functional and submission currency

The financial statements are presented in the currency of the principal economic environment in which the Company and its subsidiary operate (functional currency). For financial statement purposes, results and financial position are expressed in Chilean pesos, which are the functional currency of the Company and its subsidiary and the presentation currency for the consolidated financial statements.

#### New accounting procedures

The standards and interpretations, as well as the improvements and amendments to IFRSs that have been issued, in force at the date of these financial statements, are detailed below: the Company has applied these standards and concluded that they did not significantly affect the financial statements.

AMENDMENTS AND/OR MODIFICATIONS	Mandatory application date
IFRS 12, Disclosures of interests in other companies	Annual periods beginning on or after January 1, 2017
IAS 7, Statement of cash flows	Annual periods beginning on or after January 1, 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2017

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but are not yet in force at the date of these financial statements, are detailed below. The Company has not applied these standards in advance.

NEW STANDARDS	Mandatory application date
IFRS 9, Financial Instruments, classification and measurement	Annual periods beginning on or after January 1, 2018
IFRS 15, Revenue from Client Contracts	Annual periods beginning on or after January 1, 2018
IFRIC 22, Foreign currency transactions and advance payments	Annual periods beginning on or after January 1, 2018
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019
IFRIC 23, Treatment of uncertain tax positions	Annual periods beginning on or after January 1, 2019
IFRS 17, Insurance Contracts	Annual periods beginning on or after January 1, 2021

IMPROVEMENTS AND MODIFICATIONS	Mandatory application date
IFRS 1, Adoption of IFRS for the first time	Annual periods beginning on or after January 1, 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1, 2018
IFRS 4 Insurance contracts	Annual periods beginning on or after January 1, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2018
IAS 40 Investment properties	Annual periods beginning on or after January 1, 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1, 2019
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1, 2019
IAS 12, Income Taxes	Annual periods beginning on or after January 1, 2019
IAS 23, Cost of loans	Annual periods beginning on or after January 1, 2019
IAS 28, Investments in associates	Annual periods beginning on or after January 1, 2019
IFRS 10, Consolidated Financial Statements	To be determined

#### Responsibility for the information and estimates

The information contained in these financial statements is the responsibility of the Company’s Board of Directors, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) and the instructions issued by the Superintendence of Securities and Insurance (SVS). Management approved these consolidated financial statements at a meeting held on March 26, 2018.

The Company's and its subsidiary's financial statements for 2016 were approved by its Board of Directors at its meeting held on March 28, 2017.

Estimates such as these have been used in preparing the financial statements:

- Service life of fixed and intangible assets with a defined service life
- Impairment losses on assets
- Assumptions used in the actuarial calculation of employee termination benefits
- Assumptions used to calculate the fair value of financial instruments
- Income from unbilled supplies
- Provisions for commitments to third parties
- Risks arising from ongoing litigation

Although these estimates and judgments were made on the basis of the best information available at the date of issuance of these financial statements, it is possible that events that may occur in the future may require them to be modified (upward or downward) in future periods, which would be recorded prospectively, at the time the change is known, recognizing the effects of such changes in the corresponding future financial statements.

## 2.2. ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of these annual financial statements are described below.

### A. CONSOLIDATION BASES

The consolidated financial statements include the financial statements of the Company's Subsidiary. Subsidiary is the company over which Iberaguas Ltda. has the power to direct the relevant activities, is entitled to variable returns from its participation and the ability to use that power to influence the amounts of the investor's returns. The

Subsidiary is consolidated as of the date control is transferred to the Company and excluded from consolidation on the date it ceases.

In the consolidation process, all transactions, balances, gains and losses between the Group entities are eliminated.

The Company and its Subsidiary display uniformity in the policies used by the Group.

The subsidiary included in the consolidated financial statements of Inversiones Iberaguas Ltda. is as follows:

TIN	Company name	Direct %	Indirect %	2017 Total %	Direct %	Indirect %	2016 Total %
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A	51,000000	0,000000	51,000000	51,000000	0,000000	51,000000

### B. OPERATIONAL SEGMENTS

IFRS 8 establishes reporting standards for operating segments and disclosures related to products and services. Operating segments are defined as components of a company for which separate financial information exists and is regularly reviewed by management to make decisions about the resources to be allocated to the segments and evaluate their performance.

The participation in the water utility service represents more than 90%; therefore it is not relevant in other business segments.

### C. INTANGIBLE ASSETS OTHER THAN GOODWILL

The Company recognizes an identifiable intangible asset when it can demonstrate that it is probable that the future economic earnings attributed to it will flow to the company and the cost can be valued correctly.

#### i. Intangible assets acquired separately:

Intangible assets acquired separately are presented at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a linear basis using estimated service lives. The estimated service lives and the amortization method are reviewed at each balance sheet date, prospectively accounting for the effect of any changes in the estimate.

#### ii. Amortization method for intangible assets:

##### Intangible assets with a defined service life

The amortization method applied by the Company reflects the pattern in which it is expected to be used by the Company and the future economic earnings of the asset. For this purpose, the Company uses the linear amortization method.

##### Software

The estimated service life of software is 4 years. For other assets with a defined service life, the period of service life in which they are depreciated corresponds to the periods defined in the contracts or copyright giving rise to them.

**Intangible assets with an undefined service life**

Intangible assets with undefined service lives correspond to water rights, which were obtained as indefinite, in accordance with the provisions of the purchase contracts and the rights obtained from the Directorate General of Water, under the Ministry of Public Works.

**Determining service life**

The factors to be considered for the estimation of service life include, but are not limited to, the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.
- Natural and climatic factors and technological changes that affect the capacity to generate earnings.

The service life may require modifications over time due to changes in estimates as a result of changes in assumptions about the aforementioned factors.

**D. GOODWILL**

The goodwill (lower investment value or goodwill) generated in the business combination represents the excess of the acquisition cost over Iberaguas Ltda.'s interest in the fair value of the assets and liabilities, including the identifiable contingent liabilities of a subsidiary at the acquisition date.

The goodwill that was generated prior to the date of our transition to IFRS, i. e. January 1, 2008, is maintained at the net carrying amount recognized at that date, while the goodwill arising thereafter is recorded using the acquisition method.

The goodwill is not depreciated; instead, at the end of each accounting period, it is estimated whether any impairment has occurred in the

goodwill that reduces its recoverable value to an amount lower than the net cost recognized and, where appropriate, is adjusted for impairment, as required by IAS 36.

**E. PROPERTY, PLANT AND EQUIPMENT**

The Company uses the cost method for the valuation of Property, Plant and Equipment. The historical cost includes expenses that are directly attributable to the purchase of the asset.

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is probable that the future economic earnings associated with the fixed assets will flow to the Company and the cost of the asset can be reliably determined. The value of the replaced component is written off. All other repairs and maintenance are charged to profit or loss for the financial year in which they occur.

**Depreciation method for property, plant and equipment:**

The depreciation method applied by the Company reflects the pattern in which assets are expected to be used by the Company during the period in which they generate economic earnings. For this purpose, the Company uses the straight-line depreciation method throughout its technical service life, based on studies prepared by independent experts (specialist external companies). The residual value and service life of the assets are reviewed and adjusted, if necessary, at each balance sheet date.

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

**Service lives**

The service lives considered for the purpose of calculating depreciation are based on technical studies prepared by specialist external companies, which are reviewed as soon as there is a history that allows us to consider that the service life of an asset has been modified.

The allocation of the total service life of the assets is made on the basis of several factors, including the nature of the equipment. Such factors usually include:

1. Nature of the material components of the equipment or constructions.
2. Means of operation of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations.

The range of service life (in years) by asset type is as follows:

ASSET	SERVICE LIFE (Years)
Buildings	25-80
Fixed installations and Accessories	5-80
Plant and Equipment	5-50
IT Equipment	4
Motor Vehicles	7-10
Other Properties, Plant and Equipment	5-80

**Cost estimation policy for decommissioning, removal or rehabilitation of property, plant and equipment:**

Due to the nature of the assets being constructed in the Company and the fact that there are no contractual obligations or other constructive requirements such as those mentioned by IFRSs in the regulatory framework, the concept of decommissioning costs is not applicable at the date of these financial statements.

**Fixed Assets Sales Policy**

Earnings or losses on the sale of fixed assets are calculated by comparing the income obtained with the carrying amount and are recorded in the comprehensive income statement.



## F. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets with a defined service life to determine whether there are indicators that these assets have suffered an impairment loss. If such indicators exist, the recoverable value of the assets is estimated to determine the amount of the impairment loss (if any). When it is not possible to estimate the recoverable amount of a particular asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with undefined service lives are tested for impairment on an annual basis and where there are indications that the tangible asset may have been impaired before the end of that period.

The recoverable amount is the higher amount between fair value minus costs to sell and value in use. For the estimation of value in use, estimated future cash flows are discounted to their present value using a before taxes discount rate that reflects both current market conditions of the value of money over time and the specific risks associated with the asset.

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (or cash-generating unit) is adjusted to its recoverable amount and an impairment loss is recognized immediately. When an impairment loss is reversed, the carrying amount of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided that the adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss of the asset (or cash-generating unit) been recognized in prior financial years.

## G. LEASES

### i. Financial leases

Leases are classified as financial leases when the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### ii. Operating leases

Operating lease payments are recognized as an expense on a linear basis over the life of the lease, except when another systematic basis is more representative to reflect the timing pattern in which the economic earnings of the leased asset are consumed. Contingent leases are recognized as an expense in the period in which they occur.

In the event that lease incentives are received in order to enter into an operating lease, such incentives are recognized as a liability. The cumulative earnings from incentives is recognized on a linear basis as a reduction of the lease expense, except when another systematic basis is more representative to reflect the time pattern in which the economic earnings of the leased asset are consumed.

### iii. Implicit leases

The Company and its subsidiary review their contracts to verify the existence of implicit leases, in accordance with IFRIC 4.

## H. FINANCIAL ASSETS

Acquisitions and disposals of financial instruments are recognized on the trade date, i.e. the date on which the Company and its subsidiary undertake to acquire or sell the asset. Investments are derecognized when the rights to receive cash flows from investments have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories:

- Financial assets at fair value through earnings or losses
- Investments held to maturity.
- Loans and accounts receivable.
- Available-for-sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

The Company invests in low-risk instruments that comply with classification standards established in its investment policies. Mutual investment funds must therefore have an AAfm / M1 rating (quotas with very high protection against loss, associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Fixed-term deposits and arranged agreements are instruments with an N-1 rating (instruments with the highest capacity to pay capital and interest on the agreed terms and deadlines).

The bodies issuing these instruments correspond to banking companies or subsidiaries of banks, with an N-1 risk rating and their instruments have a risk rating of at least AA (with a very high capacity to pay capital and interest on the agreed terms and deadlines, which would not be significantly affected 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 used to calculate the amortized cost of a financial asset or liability and the allocation of interest income or expense over the entire period. The effective interest rate corresponds to 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. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments, are not listed in an active market and are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest method, minus any impairment loss, except for short-term accounts receivable where the recognition of interest would be intangible.

### Trade debtors and other accounts receivable

The trade debtors correspond to the amounts invoiced for potable water consumption, sewerage services, wastewater treatment and other services, and the income accrued from consumption between the date of the last meter reading (according to the monthly calendar established) and the closing date of the Financial Statement. These are recorded at net value of the allowance for doubtful accounts receivable or with a low probability of collection.

The trade debtors' policy is subject to the credit policy, which establishes the payment terms, as well as the different scenarios to be agreed upon by delinquent customers.

### Impairment policy for trade debtors and other account receivables

The Company and its subsidiary periodically evaluate the impairment losses affecting its financial assets. The amount is recorded in the accrual account. The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the comprehensive income statement under "other expenses". When an account receivable is uncollectible, it is regularized against the provision account for accounts receivable.

Estimates are based on the following historical situation: considering the recovery statistics, which indicate that after the eighth month of unpaid invoices, its possibility of collection is marginal, in other words, the probability of recovering the invoiced value is minimal.

Clients with debts in excess of 8 invoices are 100% provisioned for overdue debt.

Debts for consumption transformed into payment agreements are provisioned at 100% of the agreed balance.

Notes receivable with past-due debt are provisioned at 100%.

## I. INVENTORIES

Materials, spare parts and consumables are valued at acquisition cost as long as they do not exceed the respective net realizable value at year-end. For those materials that have not been rotated in the previous 12-month period, a market price is quoted annually and this value is compared with the recording price, maintaining the lower of these amounts.

## J. FOREIGN CURRENCY TRANSACTIONS

Assets and liabilities in foreign currency are presented at the respective values and/or exchange rates in effect at each financial year-end, according to the following parities: Foreign currency transactions

CURRENCY	31-12-2017 \$	31-12-2016 \$
US Dollar	614.75	669.47
Euro	739.15	705.60

are translated into the functional currency using the exchange rates prevailing at the transaction dates. Earnings and losses in foreign currency resulting from the liquidation of these transactions and from exchange at the closing exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the comprehensive income statement.

Exchange differences are recognized in earnings or losses in the financial year in which they are accrued.

## K. FINANCIAL LIABILITIES

Loans, public obligations and similar obligations are initially recognized at fair value, net of the costs incurred in the transaction. Subsequently, they are valued at amortized cost, using the effective interest rate, except for those operations for which hedging contracts have been entered into and are valued in accordance with the following section.

**Embedded derivative:** The Company assesses the existence of embedded derivatives in financial contracts and instruments to determine whether their characteristics and risks are closely related to the host contract whenever the set is not being accounted for at fair value. If they are not closely related, they are recorded separately by accounting for changes in value directly in the income statement.

At the closing date of these financial statements, The Company and its subsidiary do not have derivative financial instruments.

## L. PROVISIONS AND CONTINGENT LIABILITIES

The Company and its subsidiary record a provision when there is a present obligation arising from past events and its liquidation will result in an outflow of resources, for an amount and/or in a period of time not known with certainty but reasonably reliably.

Provisions are quantified taking into account the best available information on the event and its consequences, and are re-estimated at each balance sheet date. Recorded provisions are used to cover the specific risks for which they were originally recognized and are reviewed, in whole or in part, when these risks disappear or decrease.

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated

equity damage is estimated to be unlikely. Under IFRS, the Company does not recognize any provision for these items, although, as required by the same standard, they are detailed, if any, in Note 14.

## M. EMPLOYEE BENEFITS

The obligation for severance indemnities, which is expected to accrue to employees retiring from the subsidiary, is recorded at actuarial value, determined using the projected unit credit method. Actuarial gains and losses on severance indemnities arising from changes in estimates of turnover, mortality, salary increases or discount rates are determined in accordance with IAS 19 in other comprehensive income, directly affecting equity, which is subsequently reclassified to retained earnings.

Employees who are part of the collective bargaining agreement in force or who are assimilated to it at the date of the financial statements are measured at actuarial value. In such cases there is a ceiling of six months for calculation purposes. In other cases, it is governed by the provisions of the Labor Code, i.e. they are not entitled to compensation unless they are dismissed and with a maximum of 11 months.

Advances granted to staff against these funds are presented net of current obligations. They will be charged in the final settlement in an adjusted form, in accordance with the provisions of the aforementioned agreements.

## N. INCOME TAX AND DEFERRED TAXES

Income tax expenses correspond to the sum of income tax payable and changes in deferred tax assets and liabilities.

The income tax payable is determined on the basis of the period's tax result. The Company's income tax payable is calculated using the tax rates that have been approved, or are in the final approval process, at the closing date of the financial position statement.

Deferred taxes are recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating the tax result, and are accounted for using the balance sheet-based liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be used to offset such differences. Deferred tax assets or liabilities are not recognized if temporary differences arise from the impairment or initial recognition (except in a business combination) of other assets and liabilities in a transaction that does not affect taxable income or financial results.

The carrying value of deferred tax assets is reviewed at the date of each financial position statement and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to enable recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect in the period in which the liability is settled or the asset is liquidated, based on tax rates that have been approved or the approval process is practically completed at the end of the period of the financial position statement. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which The Company and its subsidiary expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and these are related to the same body and tax authority.

## O. ORDINARY INCOME

### Ordinary income recognition policy

Income arising from all normal operations and other events are

recorded at their fair value of payment received or receivable based on payment terms, rebates and credit notes. The amount of the income can be reliably measured.

### Ordinary revenue recognition policy for sales of services

Revenue from the sale of services is measured at fair value. Invoices are invoiced based on actual consumption or work performed on the consideration receivable, net of returns, trade discounts and rebates. Therefore, income is recognized when the benefit is transferred to the buyer, recovery is considered probable and associated costs and possible discounts for erroneous collections can be reliably estimated.

The Company and its subsidiary's service area are divided into billing groups, which determines dates for readings and subsequent billing. This process is developed on the basis of a monthly calendar, which generates that at the end of each month there are unread meters, and therefore, consumption not invoiced. For revenue recognition purposes the Company and its subsidiary estimates unbilled consumptions.

For some groups, information is available on the basis of read consumption and the corresponding rate applies. For other groups, we do not have the reading data at the date of the monthly closing; therefore we proceed to estimate on the basis of physical data from the previous month valued at the current rate.

Any difference between current and estimated consumption is corrected the following month.

The transfer of risks and benefits are produced according to actual consumption and a monthly provision is made for the consumption measured and not invoiced in the month, which is measured based on previous invoicing.

### Method for determining service termination status

The provision of water utility services is verified through the measurement of consumption, in accordance with the provisions of the associated legal regulations.

Revenue from agreements with developers is recorded as revenue as long as certain conditions stipulated in each contract are met, which ensure that the associated economic benefit will flow to the Company and its subsidiary.

#### **Ordinary revenue recognition policy for sales of goods**

Ordinary revenue from sales of goods are recognized once the risk and significant advantages derived from the ownership of the goods are transferred, the Company does not have any relationship with the goods sold, the amount of income can be measured reliably, it is probable that the Company will receive the economic earnings associated with the sale and the costs incurred in the operation are also measurable reliably.

#### **P. ENVIRONMENTAL INFORMATION**

Assets of an environmental nature are those that are used on a lasting basis in the activity of the Company and its subsidiary, whose main purpose is to minimize adverse environmental impacts and to protect and improve the environment, including the reduction or elimination of future pollution of the Company's and subsidiary's operations.

These assets are valued, like any other asset, at acquisition cost.

The Company and Subsidiary depreciate these items on a straight-line basis over the estimated remaining service life of the various items.

#### **Q. CASH FLOW STATEMENTS**

The cash flow statement includes the cash flows made during the year, which include value added tax (VAT), determined by the direct method and with the following criteria:

**Cash and cash equivalents:** Represent inflows and outflows of cash and cash equivalents, defined as short-term investments with high liquidity and low risk of changes in their value (less than 3 months from

the date of trade and without restrictions).

**Operating activities:** Represent activities typical of the normal operation of the company's business, as well as other activities not classified as investing or financing.

**Investment activities:** Represent acquisition, sale or other disposal of non-cash long-term assets and other investments not included in cash and cash equivalents.

**Financing activities:** Represent activities that result in changes in the amount and composition of equity and liabilities that are not part of ordinary activities.

#### **R. RECLASSIFICATIONS**

No reclassifications have been made to the Financial Statements as of December 31, 2017.



## 8. DISCLOSURE ABOUT RELATED PARTIES

### Balances and transactions with related parties

Transactions between the Parent company and its subsidiaries are carried out at market conditions.

### ACCOUNTS PAYABLE TO RELATED COMPANIES

TIN REALTED PARTY	Name of Related Party	Nature of the Relationship	Country of Origin	Nature of the Transaction with Related Parties	Type of Currency	Terms	Guarantees	12/31/17 Th\$	12/31/16 Th\$
96.713.610-7	Agbar Chile S.A.	Related to the Controller	CL	“Change management system development and implementation”	CLP	30 days	No guarantees	0	0
96.713.610-7	Agbar Chile S.A.	Related to the Controller	CL	“Change management system development and implementation”	CLP	30 days	No guarantees	0	0
96.713.610-7	Agbar Chile S.A.	Related to the Controller	CL	“Change management system development and implementation”	CLP	30 days	No guarantees	0	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	“Dividends Payable”	CLP	30 days	No guarantees	101,359	112,502
61.808.000-5	Aguas Andinas S.A.	Controller	CL	SAP Services contract ASP modality	CLP	30 days	Guarantee of faithful fulfillment of the contract for UF750	147,222	72,458
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Comprehensive Tariff Advisory Contract	CLP	30 days	Guarantee of faithful fulfillment of the contract	0	79,044
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Consulting Contract for the Implementation of IT Invoicing Services	CLP	30 days	Guarantee of faithful fulfillment of the contract for UF 2.000	0	137,886
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Payment of E&Y invoices and municipal licenses	CLP	30 days	No guarantees	3,693	0
96.828.120-8	Gestión y Servicios S.A.	Related to the Controller	CL	Purchase of Materials	CLP	30 days	No guarantees	0	8,568
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	CL	Laboratory Services Contract	CLP	30 days	Guarantee of faithful fulfillment of the contract for Th\$30.000	222,352	207,879
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	CL	Geographic System Implementation Contract	CLP	30 days	Guarantee of faithful fulfillment of the contract for UF 887	22,177	14,164
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	CL	AP Meters Supply Contract	CLP	30 days	Guarantee of faithful fulfillment of the contract for Th\$61.629	139,268	0
76.148.998-4	Suez Medioambiente Chile S.A	Related to the Controller	CL	Scada Platform Supply	CLP	30 days	Guarantee of faithful fulfillment of the contract	14,231	20,210
76.148.998-4	Suez Medioambiente Chile S.A	Related to the Controller	CL	Construction Expansion of the Sludge Line at PTAS La Unión	CLP	30 days	Guarantee of faithful fulfillment of the contract for Th\$ 47.110	0	11,477
76.148.998-4	Suez Medioambiente Chile S.A	Related to the Controller	CL	Service for update, operation and safety of the Pudeto and Gamboa Reservoir	CLP	30 days	Guarantee of faithful fulfillment of the contract for UF 705	0	38,087
0-E	Aqua Development Network S.A.	Related to the Controller	CL	Talent Management	CLP	30 days	Guarantee of faithful fulfillment of the contract for Th\$ 8.650	46,049	7,890
<b>Total Accounts Payable</b>								<b>696,351</b>	<b>710,165</b>

## TRANSACTIONS

TIN RELATED PARTY	Name of Related Party	Nature of the Relationship	Nature of the Transaction with Related Parties	Current (Th\$)			
				31-12-2017		31-12-2016	
				Amount	Effects on Income (Charge)/ Credit	Amount	Effects on Income (Charge)/ Credit
61.808.000-5	Aguas Andinas S.A.	Controller	SAP services in ASP mode	73,164	-73,164	142,490	-142,490
61.808.000-5	Aguas Andinas S.A.	Controller	Contract of IT Services Consultancy for the Implementation of Invoicing	20,716	-20,716	170,260	-170,260
61.808.000-5	Aguas Andinas S.A.	Controller	Dividend Payment	329,937	0	300,394	0
61.808.000-5	Aguas Andinas S.A.	Controller	Rates	67,161	0	351,575	0
96.828.120-8	Gestión y Servicios S.A.	Related to the Controller	Purchase of vector trucks	116,282	0	19,500	-19,500
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	Laboratory Services	829,766	-829,766	566,133	-566,133
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	Meter Supply	412,914	0	508,130	0
0-E	Aqua Development Network S.A.	Related to the Controller	Talent Management	159,461	-159,461	0	0

The materiality criterion for reporting transactions with related parties is for amounts accumulated larger than Th\$100,000.

## FINANCIAL SITUATION STATEMENT

ASSETS	2017 Th\$	2016 Th\$
Current Assets	31,844,702	15,182,067
Non-Current Assets	183,107,507	174,524,684
<b>Total Assets</b>	<b>214,952,209</b>	<b>189,706,751</b>
LIABILITIES	2017 Th\$	2016 Th\$
Current Liabilities	15,395,072	15,445,567
Non-Current Liabilities	94,198,693	68,171,861
Equity	105,358,444	106,089,323
<b>Total Assets and Equity</b>	<b>214,952,209</b>	<b>189,706,751</b>

## COMPREHENSIVE INCOME STATEMENTS

	2017 Th\$	2016 Th\$
Ordinary Income	54,926,019	53,655,895
Cost of Operation	(34,781,825)	(33,057,105)
Other Gains (Losses)	81,703	95,167
Financial Results	(2,972,488)	(2,695,516)
Other than the transaction	(862,957)	(1,040,821)
Income Tax	(4,188,086)	(3,829,202)
Earnings attributable to owners of the controlling company	6,211,069	6,678,406
<b>Earnings of the Financial Year</b>	<b>12,202,366</b>	<b>13,128,418</b>

## CASH FLOW STATEMENT

	2017 Th\$	2016 Th\$
Net Cash Flows from Operating Activities	19,030,053	20,716,884
Net Cash Flows from Investment Activities	(14,156,895)	(13,577,658)
Net Cash Flows from Financing Activities	7,645,458	(8,444,542)
Net Increase (Decrease) in Cash and Cash Equivalent	12,527,287	(1,305,316)
Cash and Cash Equivalent Initial Balance	229,405	1,534,721
<b>Cash and Cash Equivalent Final Balance</b>	<b>12,748,021</b>	<b>229,405</b>

## EQUITY CHANGES STATEMENT

	2017 Th\$	2016 Th\$
Share capital issued	49,090,900	49,090,900
Other equity interests	15,234,660	15,234,660
Accumulated gains (losses)	3,501,202	3,988,725
Non-controlling interests	37,531,682	37,775,038
<b>Total equity</b>	<b>105,358,444</b>	<b>106,089,323</b>

# Aguas Cordillera S.A. and Subsidiaries

## GENERAL BACKGROUND

Name	<b>Aguas Cordillera S.A.</b>			
Type of company	<b>Open stock corporation</b>			
Legal address	<b>Avenida Presidente Balmaceda N° 1398, Santiago Chile</b>			
Telephone	Fax			
<b>(56 2) 569 2500</b>	<b>(56 2) 569 2509</b>			
Tax ID number (RUT)	<b>96.809.310-K</b>			
P.O. Box	<b>1818 Santiago- centro</b>			
Activity	<b>Collection, purification, distribution of potable water and wastewater disposal.</b>			
Subscribed and paid-in capital	<b>M\$ 153.608.183</b>			
External auditors	<b>Ernst &amp; Young</b>			
Tax ID number (RUT)	<b>77.802.430-6</b>			

## AGUAS CORDILLERA S.A. CORPORATE PURPOSE

The Company and its subsidiary Aguas Manquehue S. A., in accordance with article two of its Incorporation By-laws, have as their corporate purpose the provision of water utility services, which include the construction and operation of public services intended to produce and distribute potable water and collect and dispose of wastewater. Its current concession area is distributed within the districts of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa.

## INCORPORATION DOCUMENTS

The company was incorporated on April 22, 1996, by means of a public deed granted at the Notary Public of Santiago by Mr. René Benavente Cash, an extract of the incorporation by-laws was registered in the Trade Registry of the Real Estate Conservator of Santiago of that year, on pages 14,143, No. 8,258 and ratified on page 11,059, No. 8,996 both of 1996, published in the Official Gazette on May 4, 1996, ratified on May 9, 1996.

The Company is registered in the Special Register of reporting entities of the Superintendence of Securities and Insurance under No. 170. As a company in the water utility sector, it is supervised by the Superintendence of Sanitary Services, in accordance with Law No. 18,902 and DFL No. 382 and No. 70, both from 1988.

## BOARD OF DIRECTORS

President	<b>Guillermo Pickering De La Fuente</b>
Named Directors	<b>Victor de la Barra Fuenzalida (Vice-president)</b> <b>Sonia Leonor Tschorne Berestesky</b> <b>Loreto Silva Rojas</b> <b>Laureano Cano Iniesta</b>
CEO	<b>Narcís Berberana</b>
Parent company ownership percentage:	<b>99.99003% direct</b>
Share represented by the investment in the parent company’s assets.	<b>Investment in the company represents a 17.02% share.</b>

## BUSINESS RELATIONSHIP WITH PARENT AND SUBSIDIARIES OF PARENT COMPANY

During the financial year ended on December 31, 2017, the Company maintained contracts for the interconnection of potable water and wastewater, leases, purchases and sales of materials with its parent company, which are paid within a maximum period of 30 days. Similar commercial relations are expected in the future.



## NOTE 1. GENERAL INFORMATION

Aguas Cordillera S. A. (hereinafter the “Company”) and its subsidiary are part of the Aguas Andinas Group (hereinafter the “Group”). Its legal address is Avenida Presidente Balmaceda N°1398, Santiago, Chile and its TIN is 96.809.310-K.

Aguas Cordillera S. A. was incorporated as an open stock corporation by public deed on April 22, 1996 in Santiago, before the Notary Public Mr. Rene Benavente Cash. An abstract of the by-laws was published in the Official Gazette of May 4, 1996 and ratified on May 9 of the same year, being registered in the Commercial Registry on pages 14,143, N° 8,258 and ratified on pages 11,059, N° 8,996 both of 1996 of the Real Estate Registrar of Santiago.

The Company and its subsidiary Aguas Manquehue S. A., in accordance with article two of its Articles of Incorporation, have as their corporate purpose the provision of water utility services, which includes the construction and operation of public services intended to produce and distribute potable water and collect and dispose of wastewater. Its current concession area is distributed in the districts of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa.

The Company Aguas Cordillera S. A. and its subsidiary Aguas Manquehue S. A. are registered in the Special Register of Reporting Entities of the Superintendence of Securities and Insurance under No. 170 and No. 2, respectively. As companies in the water utility sector, they are supervised by the Superintendence of Sanitary Services, in accordance with Law No. 18,902 and Decrees with the Force of Law No. 382 and No. 70, both of 1988.

For the purposes of preparing consolidated financial statements, a group is deemed to exist when the parent company has one or more subsidiaries, over which the parent company has direct or indirect control. The accounting policies applied in the preparation of the Group’s consolidated financial statements are detailed in Note 2.2.

The direct controlling company is Aguas Andinas S. A., whose direct controlling company is Inversiones Aguas Metropolitanas S. A. (“IAM”), a corporation controlled by Sociedad General de Aguas Metropolitanas S. A. (“Agbar”), a corporation based in Spain and one of the largest operators of water utility services in the world, which in turn is controlled by Suez Environnement (France), with ENGIE (France) being its main shareholder.

## NOTE 2. PREPARATION BASIS AND ACCOUNTING POLICIES

### 2.1 PREPARATION BASIS

These financial statements correspond to the financial position statement as of December 31, 2017 and 2016 and the comprehensive income statements from changes in equity and cash flows for the financial year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (hereinafter IASB), and represent the full, explicit and unreserved adoption of the aforementioned IFRSs.

The Group complies with the legal conditions of the environment in which it operates, specifically regarding the regulations governing the water utility sector. Aguas Cordillera and its subsidiary display normal operating conditions in each area in which they carry out their activities, their projections show a profitable operation and have the capacity to access the financial system to finance their operations, which in the opinion of the management determines their capacity to continue as functioning company, in accordance with the accounting standards under which these consolidated financial statements are issued.

### Functional and submission currency

The financial statements of the Company and its Subsidiary are submitted in the currency of the main economic environment in which the companies operate (functional currency). For purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in Chilean pesos (rounded in thousands of pesos), which is the functional currency of the companies and the submission currency for the consolidated financial statements.

### New accounting procedures

The standards and interpretations, as well as the improvements and amendments to IFRS that have been issued, in force at the date of these financial statements are detailed below. The Company has applied these standards and concluded that they did not significantly affect the financial statements.

AMMENDMENTS AND/OR MODIFICATIONS	Mandatory application date
IFRS 12, Disclosures of interests in other companies	Annual periods beginning on or after January 1, 2017
IAS 7, Statement of cash flows	Annual periods beginning on or after January 1, 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2017

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but have not yet entered into force at the date of these financial statements, are detailed below. The Company has not applied these standards in advance.

NEW STANDARDS	Mandatory application date
IFRS 9, Financial Instruments, classification and measurement	Annual periods beginning on or after January 1, 2018
IFRS 15, Revenue from Client Contracts	Annual periods beginning on or after January 1, 2018
IFRIC 22, Foreign currency transactions and advance payments	Annual periods beginning on or after January 1, 2018
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019
IFRIC 23, Treatment of uncertain tax positions	Annual periods beginning on or after January 1, 2019
IFRS 17, Insurance Contracts	Annual periods beginning on or after January 1, 2021

IMPROVEMENTS AND MODIFICATIONS	Mandatory application date
IFRS 1, Adoption of IFRS for the first time	Annual periods beginning on or after January 1, 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1, 2018
IFRS 4 Insurance contracts	Annual periods beginning on or after January 1, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2018
IAS 40 Investment properties	Annual periods beginning on or after January 1, 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1, 2019
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1, 2019
IAS 12, Income Taxes	Annual periods beginning on or after January 1, 2019
IAS 23, Cost of loans	Annual periods beginning on or after January 1, 2019
IAS 28, Investments in associates	Annual periods beginning on or after January 1, 2019
IFRS 10, Consolidated Financial Statements	To be determined

The Company's management is analyzing the potential impact that the standards and amendments described above will have on the financial statements. However, those effective for annual periods beginning on or after January 1, 2018 have been analyzed and it is estimated that they will not have a material effect on the preparation and presentation of future financial statements.

#### Responsibility for the information and estimates

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS). These financial statements were approved by the Board of Directors at a meeting held on March 26, 2018.

The consolidated financial statements of Aguas Cordillera S. A. and its subsidiary corresponding to financial year 2016 were approved by its Board of Directors at a meeting held on March 27, 2017.

Estimates such as these have been used in preparing the financial statements:

- Service life of fixed and intangible assets
- Impairment losses on assets
- Assumptions used in the actuarial calculation of employee termination benefits
- Assumptions used to calculate the fair value of financial instruments
- Unbilled supplies revenue
- Provisions for commitments to third parties
- Risks arising from litigation

R.U.T	Company Name	Direct %	Indirect %	Total 2017 (%)	Direct %	Indirect %	Total 2016 (%)
89.221.000-4	Aguas Manquehue S.A.	99.99957	0.00000	99.99957	99.99957	0.00000	99.99957
96.945.219-8	Ecoriles S.A.	0.96154	0.00000	0.96154	0.96154	0.00000	0.96154
96.828.120-8	Gestión y Servicios S.A.	2.15217	0.00000	2.15217	2.15217	0.00000	2.15217
96.967.550-1	Análisis Ambientales S.A.	1.00000	0.00000	1.00000	1.00000	0.00000	1.00000
76.190.084-6	Aguas del Maipo S.A.	8.37904	8.97100	17.35004	8.37904	8.97100	17.35004
96.897.320-7	Iberaguas	0.00002	0.00000	0.00002	0.00002	0.00000	0.00002

Although these estimates and judgments were made on the basis of the best information available at the date of issuance of these financial statements, it is possible that events that may occur in the future may require them to be modified (upward or downward) in future periods, which would be recorded prospectively, at the time the change is known, recognizing the effects of such changes in the corresponding future consolidated financial statements.

## 2.2 ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of these financial statements are described below.

### A. CONSOLIDATION BASIS

The consolidated financial statements include the financial statements of the Company and its Subsidiary. Subsidiaries are those companies over which the company has the power to direct relevant activities, is entitled to variable returns from its participation and the ability to use that power to influence the amounts of investor returns. Subsidiaries are consolidated from the date on which control is transferred and excluded from consolidation on the date on which control ceases.

In the consolidation process, all transactions, balances, gains and losses between the Group entities are eliminated.

The Company and its Subsidiary display uniformity in the policies used.

The companies included in the consolidated financial statements of Aguas Cordillera S. A. are the following:

Aguas Cordillera S. A. consolidates only with Aguas Manquehue S. A., in the other companies it has a direct and/or indirect non-controlling interest.

**B. INTANGIBLE ASSETS OTHER THAN GOODWILL**

The Company recognizes an identifiable intangible asset when it can demonstrate that it is probable that the future economic earnings attributed to it will flow to the company and the cost can be valued correctly.

**i. Intangible assets acquired separately:**

Intangible assets acquired separately are presented at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a linear basis using estimated service lives. The estimated service lives and the amortization method are reviewed at each balance sheet date, prospectively accounting for the effect of any changes in the estimate.

**ii. Amortization method for intangible assets:**

**Intangible assets with a defined service life**

The amortization method applied by the Company reflects the pattern in which it is expected to be used by the Company and the future economic earnings of the asset. For this purpose, the Company uses the linear amortization method.

**Software**

The estimated service life of software is 4 years. For other assets with a defined service life, the period of service life in which they are depreciated corresponds to the periods defined in the contracts or copyright giving rise to them.

**Intangible assets with an undefined service life**

Intangible assets with undefined service lives correspond to water

rights, which were obtained as indefinite, in accordance with the provisions of the purchase contracts and the rights obtained from the General Water Directorate under the Ministry of Public Works.

**Determining service life**

The factors to be considered for the estimation of service life include, among others, the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.
- Natural and climatic factors and technological changes that affect the capacity to generate earnings

The service life may require modifications over time due to changes in estimates as a result of changes in assumptions about the aforementioned factors.

**C. PROPERTY, PLANT AND EQUIPMENT**

The Company uses the cost method for the valuation of Property, Plant and Equipment. The historical cost includes expenses that are directly attributable to the purchase of the asset.

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is probable that the future economic earnings associated with the fixed assets will flow to the Company and the cost of the asset can be reliably determined. The value of the replaced component is written off. All other repairs and maintenance are charged to profit or loss for the financial year in which they occur.

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

The depreciation method applied by the Company reflects the pattern in which assets are expected to be used by the Company during the period in which they generate economic earnings. For this purpose, the Company uses the straight-line depreciation method throughout its technical service life, based on studies prepared by independent experts (specialist external companies). The residual value and service life of the assets are reviewed and adjusted, if necessary, at each closing day of the Financial Situation Statement.

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount (Note 12).

**Service lives**

The service lives considered for the purpose of calculating depreciation are based on technical studies prepared by specialist external companies, which are reviewed as soon as there is a history that allows us to consider that the service life of an asset has been modified.

The allocation of the total service life of the assets is made on the basis of several factors, including the nature of the equipment. Such factors generally include:

1. Nature of the material components of the equipment or constructions.
2. Means of operation of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations.

The range of service life (in years) by asset type is as follows:

ITEM	Service life (years) Minimum	Service life (years) Maximum
Buildings	25	80
Plant and equipment	5	50
Information technology equipment	4	4
Fixed installations and accessories	5	80
Motor Vehicles	7	10
Improvements to leased assets	5	5
Other property, plant and equipment	5	80

**Cost estimation policy for decommissioning, removal or rehabilitation of property, plant and equipment:**

Due to the nature of the assets being constructed in the Company and the fact that there are no contractual obligations or other constructive requirements such as those mentioned by IFRSs in the regulatory framework, the concept of decommissioning costs is not applicable at the date of these consolidated financial statements.

**Fixed Assets Sales Policy**

Earnings or losses on the sale of fixed assets are calculated by comparing the income obtained with the carrying amount and are recorded in the comprehensive income statement.

**D. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets with a defined service life to determine whether there are indicators that these assets have suffered an impairment loss. If such indicators exist, the recoverable value of the assets is estimated to determine the amount of the

impairment loss (if any). When it is not possible to estimate the recoverable amount of a particular asset, the company estimates the recoverable value of the cash-generating unit (CGU) to which the asset belongs.

Intangible assets with undefined service lives are tested for impairment on an annual basis and where there are indications that the asset may have been impaired before the end of that period.

The recoverable amount is the higher amount between fair value minus costs to sell and value in use. For the estimation of value in use, estimated future cash flows are discounted to their present value using a before taxes discount rate that reflects both current market conditions of the value of money over time and the specific risks associated with the asset.

When the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of that asset or cash-generating unit is adjusted to its recoverable amount and an impairment loss is recognized immediately. When an impairment loss is reversed, the carrying amount of the asset or cash-generating unit is adjusted to the revised estimate of its recoverable value, provided that the adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss of the asset or cash-generating unit been recognized in prior financial years.

**E. LEASES**

**i. Financial leases**

Leases are classified as financial leases when the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**ii. Operating leases**

Operating lease payments are recognized as an expense on a linear

basis over the life of the lease, except when another systematic basis is more representative to reflect the timing pattern in which the economic earnings of the leased asset are consumed. Contingent leases are recognized as an expense in the period in which they occur.

In the event that lease incentives are received in order to enter into an operating lease, such incentives are recognized as a liability. The cumulative earnings from incentives is recognized on a linear basis as a reduction of the lease expense, except when another systematic basis is more representative to reflect the time pattern in which the economic earnings of the leased asset are consumed.

**iii. Implicit leases**

The Company and its Subsidiary review their contracts to verify the existence of implied leases, in accordance with IFRIC 4.

**F. FINANCIAL ASSETS**

Acquisition and disposal of financial instruments are recognized on the trade date, i.e. the date on which the Company undertakes to acquire or sell the asset. Investments are derecognized when the rights to receive cash flow from investments have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories:

- Financial assets at fair value through earnings or losses
- Investments held to maturity.
- Loans and accounts receivable.
- Available-for-sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

Aguas Cordillera S. A. and its Subsidiary invest in low-risk instruments that comply with classification standards established in their



investment policies. Mutual investment funds must therefore have an AAfm / M1 rating (quotas with very high protection against loss, associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Fixed-term deposits and agreements, contracted are instruments with an N-1 rating (instruments with the highest capacity to pay principal and interest on the agreed terms and periods).

The bodies issuing these instruments correspond to banking companies or subsidiaries of banks, with an N-1 risk rating and their instruments have a risk rating of at least AA (with a very high capacity to pay capital and interest on the agreed terms and deadlines, which would not be significantly affected 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 used to calculate the amortized cost of a financial asset or liability and the allocation of interest revenue/expense over the corresponding period. The effective interest rate corresponds to 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 income**

Financial assets are presented at fair value through profit or loss when the financial asset is held for trading or is designated as at fair value with changes in income.

Financial assets at fair value through profit or loss are measured at fair value and any resulting gain or loss is recognized in profit or loss. The net loss or earnings recognized in the results include any dividend or interest received on the financial asset.

The subsidiary Aguas del Manquehue S. A. holds shares of Sociedad Eléctrica Puntilla S. A., which have been valued at their fair value at

the acquisition date, in accordance with IAS No. 39. Its subsequent measurement will be made 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 which have fixed or determinable payments, are not listed in an active market and are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest method, minus any impairment loss, except for short-term accounts receivable where the recognition of interest would be intangible.

#### **Trade debtors and other accounts receivable**

The commercial debtors correspond to the amounts invoiced for potable water consumption, sewerage services, wastewater treatment and other services and to the income earned from consumption between the date of the last meter reading (according to the established monthly calendar) and the closing date of the Financial Statement. These are recorded at net value of the estimation for doubtful accounts receivable or with a low probability of collection.

The commercial debtors' policy is subject to the credit policy, which establishes the payment terms, as well as the different scenarios to be agreed upon by delinquent customers.

#### **Impairment policy for trade debtors and other account receivables**

The Company periodically evaluates the impairment losses affecting its financial assets. The amount is recorded in the accrual account. The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the comprehensive income statement under "other expenses". When an account receivable is uncollectible, it is regularized against the provision account for accounts receivable.

Estimates are based on the following historical situation: considering the recovery statistics, which indicate that after the eighth month of unpaid invoicing, its possibility of collection is marginal, in other words, the probability of recovering an invoiced value is minimal.

For Aguas Cordillera S. A. and Aguas Manquehue S. A., the debt of customers with more than 8 unpaid invoices is 100% provisioned.

For Aguas Cordillera S. A. and Aguas Manquehue S. A., the consumption debts transformed into payment agreements are provisioned at 100% of the agreed balance.

Documents receivable with past-due debt are provisioned at 100%.

#### **G. INVENTORIES**

Materials, spare parts and consumables are valued at acquisition cost, which does not exceed net realizable value. The costing method corresponds to the weighted average cost. Inventories that have not been rotated in the last twelve months are valued and recorded at market value if it is lower.

#### **H. DIVIDEND POLICY**

At an ordinary shareholders' meeting held on April 20, 2017, it was resolved to maintain as the company's dividend policy, the current dividend policy, the distribution of 50% of net profits for the corresponding financial year, i.e. 30% as a mandatory dividend and the remaining 20% as an additional dividend.

The minimum dividend established in the Corporations Law, equivalent to 30% of profit for the year, shall be recorded at the end of each year. In the event that interim dividends do not exist or are less than the aforementioned 30%, the corresponding provision shall be recorded.

## I. FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities are presented at the respective exchange rates in effect at each financial year end, according to the following parities:

CURRENCY	31-12-2017 \$	31-12-2016 \$
Us Dollar	614.75	669.47
Euro	739.15	705.60

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Earnings and losses in foreign currency resulting from the liquidation of these transactions and from conversion at the closing exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the consolidated comprehensive income statement. Exchange differences are recognized in earnings or losses in the financial year in which they are accrued.

## J. FINANCIAL LIABILITIES

Loans and similar items are initially recognized at fair value, net of costs incurred in the transaction. Subsequently, they are measured at amortized cost using the effective interest rate, except for hedging contracts.

### Implicit derivative

Aguas Cordillera S. A. and its Subsidiary assess the existence of derivatives embedded in contracts and financial instruments to determine whether their characteristics and risks are closely related to the main contract, provided that the set is not being accounted for at fair value. If not closely related, they are recorded separately, accounting for changes in value directly in the consolidated income statement.

## K. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when Aguas Cordillera S.A. and its Subsidiary, have a present obligation arising from past events, and for which it is probable that the Company will use resources to settle the obligation and on which it can make a reasonable estimate of the amount of the obligation.

Provisions are quantified taking into account the best available information on the event and its consequences, and are re-estimated at each balance sheet date. Recorded provisions are used to cover the specific risks for which they were originally recognized and are reviewed, in whole or in part, when these risks disappear or decrease.

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated equity damage is estimated to be of low probability. In accordance with IFRSs, Aguas Cordillera S. A. and its Subsidiary do not recognize any provision for these items, although, as required, they are detailed in Note No. 13, if any.

## L. EMPLOYEE BENEFITS

The liability for severance payment, which is estimated to accrue for retired workers at Aguas Cordillera S. A. and Aguas Manquehue S. A., is recorded at actuarial value, determined using the projected unit credit method. Actuarial gains and losses on severance payments arising from changes in estimates or changes in rotation rates, mortality rates, early retirement due to dismissal, salary increases, inflation or discount rates are determined in accordance with IAS 19 in other comprehensive income, directly affecting equity, which is subsequently reclassified to retained earnings.

The severance payment for years of service of the Company and Subsidiary is governed by the provisions of the Labor Code, except for the amount of compensation in any event, accumulated as of

December 31, 2002 and the payment for dismissal of 1 salary without limit of amount or years, for workers who are part of the collective bargaining agreements in force and to whom, through their individual labor contract, the same benefit was extended. The amount in any event, accumulated on that date is adjusted quarterly according to the variation in the consumer price index. Likewise, the aforementioned collective bargaining agreements establish that workers retiring in Aguas Cordillera S. A. and Aguas Manquehue S. A. continue to accrue this benefit after December 2002.

Advances granted to staff against these funds are presented net of current obligations. They will be charged in the final settlement in an adjusted form, in accordance with the provisions of the aforementioned agreements.

## M. INCOME TAX AND DEFERRED TAXES

Income tax expenses correspond to the sum of income tax payable and changes in deferred tax assets and liabilities.

The income tax payable is determined on the basis of the period's tax result. The income tax payable by Aguas Cordillera S. A. and its Subsidiary, is calculated using the tax rates that have been approved, or are in the final approval process, at the closing date of the financial position statement.

Deferred taxes are recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating the tax result, and are accounted for using the balance sheet-based liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be used to offset such differences. Deferred tax assets or liabilities are not recognized if temporary differences arise from the impairment or initial recognition (except in a business

combination) of other assets and liabilities in a transaction that does not affect taxable income or financial results.

The carrying value of deferred tax assets is reviewed at the date of each financial position statement and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to enable recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect in the period in which the liability is settled or the asset is liquidated, based on tax rates that have been approved or the approval process is practically completed at the end of the period of the financial position statement. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which Aguas Cordillera S.A. y Filial expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and these are related to the same body and tax authority.

## N. ORDINARY INCOME

### Ordinary income recognition policy

Income arising from all normal operations and other events are recorded at their fair value of payment received or receivable based on payment terms, rebates and credit notes. The amount of the income can be reliably measured.

### Ordinary revenue recognition policy for sales of goods

Ordinary revenue from sales of goods are recognized once the risk and significant advantages derived from the ownership of the goods are transferred, the Company does not have any relationship with the goods sold, the amount of revenue can be measured reliably, it is probable that the Company will receive the economic earnings

associated with the sale and the costs incurred in the operation are also measurable reliably.

### Service sales ordinary revenue recognition policy

Income from the sale of services is measured at fair value. Invoices are invoiced based on actual consumption or work performed on the service receivable, net of returns, trade discounts and rebates. Therefore, income is recognized when it is transferred to the customer and recovery is considered probable, associated costs and possible discounts for erroneous collections can be reliably estimated.

The service area of the Company and its Subsidiary is divided into billing groups, which determines the dates for meter readings and subsequent billing. This process is developed on the basis of a monthly calendar, which causes that at the end of each month, unread consumption remains, and therefore is not yet invoiced.

For billing groups that have the information on the basis of actually read consumption, the corresponding rate will be applied.

In those cases in which the Company or its subsidiary does not have all the consumptions read, the best estimate of those incomes pending invoicing will be made, this is based on the physical data of the previous month valued at the current rate, considering in both cases (invoicing or estimate) normal or over-consumption rate as appropriate.

The transfer of risks and benefits varies according to the company's business. For water utility companies, the provision of services and all their associated charges is made according to actual consumption and monthly provision is made on the consumption which has not been invoiced based on previous invoicing.

### Method for determining service termination status

The provision of water utility services is verified through the measurement of consumption, in accordance with the provisions of the associated legal regulations.

Income from agreements with developers is recorded as ordinary income as long as certain conditions stipulated in each contract are met, which ensure that the associated economic benefit will flow to the Company.

## O. EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of the profit (loss) attributable to holders of equity instruments of the Parent Company and the number of ordinary shares in circulation during the years ended on December 31, 2017 and 2016.

During the years ended on December 31, 2017 and 2016, the Group has not carried out any type of dilutive effect operation that result in diluted earnings per share which is different from the basic earnings per share.

## P. ENVIRONMENTAL INFORMATION

The Company works to reduce its impact on the environment by improving its use of resources to produce and deliver the service (reduce energy consumption, and improve waste management). This action allows it to meet its 2015-2020 targets and become a sustainable company.

During 2007, all processes were certified under the ISO 14001 standard, which is maintained to date, allowing us to work in the water cycle process under these standards.

Assets are valued at acquisition cost and depreciated on a linear basis over their estimated remaining service lives.

## Q. CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement includes the cash movement during the year, which includes value added tax (VAT), determined by the direct method and using the following criteria:

**Cash and cash equivalents:** Represent inflows and outflows of cash and cash equivalents, defined as short-term investments with high liquidity and low risk of changes in their value (less than 3 months from the date of trade and without restrictions).

**Operating activities:** Represent activities typical of the normal operation of the company's business, as well as other activities not classified as investing or financing.

**Investment activities:** Represent acquisition, sale or other disposal of non-cash long-term assets and other investments not included in cash and cash equivalents.

**Financing activities:** Represent activities that result in changes in the amount and composition of equity and liabilities that are not part of ordinary activities.

## R. CONSTRUCTION CONTRACTS

For construction contracts, Aguas Cordillera and its subsidiary use the "Percentage of completion method" for recognizing revenues and expenses relating to a contract still under execution. Under this method, contract revenues are compared with contract costs incurred in its degree of progress, which will reveal the amount of revenue from ordinary activities, expenses and earnings that can be attributed to the executed portion of the contract.

Contract costs are recognized when incurred. When the result of a construction contract can be reliably estimated and the contract is likely to be profitable, contract revenues are recognized over the contract period. When it is probable that total contract costs will exceed total contract revenues, the estimated loss is recognized immediately as an expense for the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are recognized only up to the limit of the contract costs incurred that are likely to be recovered.

Aguas Cordillera S. A. and its Subsidiary present the gross amount owed by customers for the work of all contracts in progress for which costs incurred plus recognized earnings (minus recognized losses) exceed partial invoicing as an asset. Partial invoicing not paid by customers and withholdings are included under "Trade and other receivables".

Aguas Cordillera S. A. and its Subsidiary present the gross amount owed to customers for the work of all contracts in progress for which partial invoicing exceeds the costs incurred plus recognized benefits (less recognized losses) as a liability.

## S. CAPITALIZED FINANCING COSTS

### Interest bearing loan policy

Loan costs that are directly attributable to the acquisition, construction or production of assets that fulfill the qualifying conditions are capitalized as part of the cost of such assets.

### Capitalization policy for interest costs

Interest paid or accrued on debts financing qualifying assets is capitalized in accordance with IAS 23. IAS 23 establishes that when the Company acquires debt in order to finance investments, the interest on that debt must be deducted from the financial expense and included in the financed construction work, up to the total amount of such interest, applying the respective rate to the disbursements made at the date of submission of the financial statements.



INFORMATION TO BE DISCLOSED ABOUT RELATED PARTIES

a.Balances and transactions with related parties

Transactions between the Company and its Subsidiary are subject to market conditions. These transactions have been eliminated on consolidation and are not disclosed in this note.

ACCOUNTS RECEIVABLE FROM RELATED PARTIES

TIN RELATED PARTY	Name of related party	Nature of the relationship	Nature of the transactions with related parties	Terms	Guarantees	M\$	
						31-12-2017	31-12-2016
61.808.000-5	Aguas Andinas S.A.	Controller	Collections, sale of materials, lease guarantees, no interest contracts for potable water and sewage interconnections, short term loan in pesos.	30 days	No guarantees	125,361	98,410
61.808.000-5	Aguas Andinas S.A.	Controller	Lease guarantee	30 days	No guarantees	5,272	0
76.190.084-6	Aguas del Maipo S.A.	Related to the Controller	Dividend Provisions	30 days	No guarantees	34,860	0
96.828.120-8	Gestión y Servicios S.A.	Related to the Controller	Dividend Provisions	30 days	No guarantees	3,968	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the Controller	Tenders Bidding Rules	30 days	No guarantees	7	7
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	Dividend Provisions	30 days	No guarantees	3,490	2,096
96.945.210-3	Ecoriles S.A.	Related to the Controller	Dividend Provisions	30 days	No guarantees	4,847	4,969
Total cuentas por cobrar						177,805	105,482

## ACCOUNTS PAYABLE TO RELATED PARTIES

TIN RELATED PARTY	Name of related party	Nature of the relationship	Nature of transactions with related parties	Terms	Guarantees	M\$	
						31-12-2017	31-12-2016
61.808.000-5	Aguas Andinas S.A.	Controller	Collections, sale of materials, lease guarantees, no interest contracts for potable water and sewage interconnections, short term loan in pesos.	30 days	No guarantees	5,274,946	5,827,365
61.808.000-5	Aguas Andinas S.A.	Controller	Loans and interest receivable	30 days	No guarantees	4,497,094	0
61.808.000-5	Aguas Andinas S.A.	Controller	Dividend payable to Aguas Andinas S. A.	30 days	No guarantees	5,666,454	9,606,568
79.046.628-K	Asterión S.A.	Related to the Controller	Service contract for process re-engineering and implementation of new customer service information systems	30 days	Guarantee of faithful fulfillment of the contract for Th\$845.149	11,229	28,835
96.828.120-8	Gestión y Servicios S.A.	Related to the Controller	Sales of materials	30 days	No guarantees	85	6,379
96.828.120-8	Gestión y Servicios S.A.	Related to the Controller	Meter verification contract	30 days	No guarantees	136	0
96.945.210-3	Ecoriles S.A.	Related to the Controller	San antonio project	30 days	No guarantees	187,080	249,136
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	Laboratory analysis and sampling service	30 days	No guarantees	136,251	110,275
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the Controller	Virtual platform, siebel	30 days	No guarantees	8,955	23,283
70.009.410-3	Asociación canalistas sociedad del canal del Maipo	Director Común	Chamisero plant, batuco channel	30 days	No guarantees	10,000	0
Without TIN	Aqua Development Network S.A.	Related to the Controller	Integrated talent management contract	30 days	No guarantees	1,319	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the Controller	San antonio arsenic plant	30 days	Contract fulfillment guarantee. Amount \$24.264	1,786,747	2,210,511
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the Controller	Chamisero plant	30 days	Contract fulfillment guarantee. Amount UF 66.809,74	7,129,098	2,233,069
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the Controller	Ice pigging	30 days	No guarantees	0	100,983
<b>Totals</b>						<b>24,709,394</b>	<b>20,396,404</b>

Transactions with related parties are originated in Chile; the currency type of the transactions is in pesos.

## TRANSACTIONS BETWEEN RELATED PARTIES

TIN RELATED PARTY	Name of related party	Relationship	Country	Nature of the transactions with the related party	Currency	Current (Thousands of \$)			
						31-12-2017		31-12-2016	
						Amount	Effect on results (Charge)/ Credit	Amount	Effects on result (Charge)/ Credit
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Potable water and sewage treatment interconnection	CLP	15,501,477	-15,501,477	15,709,812	-15,709,812
96.967.550-1	Análisis Ambientales S.A.	Related to the controller	CL	Laboratory Services	CLP	896,450	-896,450	656,510	-656,510
79.046.628-K	Asterión S.A.	Otras partes relacionadas	CL	Contrato de servicio de reingeniería de procesos e implantación de nuevos sistemas de información para servicio al cliente	CLP	80,519	-80,519	63,173	-58,715
Without TIN	Aqua Development Network	Related to the controller	CL	Contrato gestión talento integrado	CLP	82,390	-82,390	74,646	-74,646
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	Ice pigging	CLP	0	0	303,081	-303,081
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	Chamisero plant	CLP	6,302,180	-58,306	3,675,000	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	San Antonio Arsenico Plant	CLP	1,710,756	-11,600	3,040,561	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CL	Lo Pinto Proyect	CLP	0	0	704,601	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans Collections	CLP	20,244,623	0	16,380,000	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans Given	CLP	-15,777,623	0	-16,380,000	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividend payment	CLP	23,025,085	0	9,465,701	0
96.945.210-3	EcoRiles S.A.	Related to the controller	CL	Dividend payment	CLP	287,262	287,262	334,114	334,114
96.945.210-3	EcoRiles S.A.	Related to the controller	CL	Dividends collected	CLP	16,564	0	13,942	0
96.828.120-8	Gestión y Servicios S.A.	Related to the controller	CL	Dividends collected	CLP	0	0	10,760	0
76.190.084-6	Aguas del Maipo S.A.	Related to the controller	CL	Dividends collected	CLP	0	0	37,705	0
96.967.550-1	Análisis Ambientales S.A.	Related to the controller	CL	Dividends collected	CLP	6,987	0	0	0

The materiality criterion for reporting transactions with related parties is for amounts in excess of Th\$100,000.

## FINANCIAL SITUATION STATEMENT

ASSETS	2017 Th\$	2016 Th\$
Current Assets	18,111,056	48,898,587
Non-Current Assets	303,296,984	289,572,852
<b>Total Assets</b>	<b>321,408,040</b>	<b>338,471,439</b>
LIABILITIES	2017 Th\$	2016 Th\$
Current liabilities	43,711,165	52,771,971
Non current liabilities	74,137,734	73,086,242
Equity	203,558,909	212,612,997
Minority interests	232	229
<b>Total Assets and Equity</b>	<b>321,408,040</b>	<b>338,471,439</b>

## COMPREHENSIVE INCOME STATEMENTS

	2017 Th\$	2016 Th\$
Ordinary income	63,924,489	63,521,557
Cost of operation	-39,427,384	-40,256,341
Financial result	-818,611	-919,553
Other than operation	616,105	17,600,783
Income tax	-5,404,534	-7,921,350
Minority interest	-14	-10
<b>Earnings attributable to controlling company owners</b>	<b>18,890,051</b>	<b>32,025,086</b>

## CASH FLOW STATEMENT

	2017 Th\$	2016 Th\$
Net cash flows from operating activities	10,620,784	22,689,705
Net cash flows from investing activities	-9,981,002	13,091,106
Net cash flows from financing activities	-34,608,187	-9,882,384
Net increase (decrease) in cash and cash equivalents	-33,968,405	25,898,427
Initial balance of cash and cash equivalents	34,944,556	9,046,129
<b>Final balance of cash and cash equivalents</b>	<b>976,151</b>	<b>34,944,556</b>

## EQUITY CHANGES STATEMENT

	2017 Th\$	2016 Th\$
Share capital issued	153,608,183	153,608,183
Other equity interests	-61,060,426	-61,060,426
Accumulated gains (losses)	111,011,152	120,065,240
Non-controlling interests	232	229
<b>Total equity</b>	<b>203,559,141</b>	<b>212,613,226</b>



# Aguas del Maipo S.A.

## GENERAL BACKGROUND

Name	<b>Aguas del Maipo S.A.</b>				
Type of company	<b>Closed corporation</b>				
Legal address	<b>Avenida Presidente Balmaceda N° 1398, Santiago Chile</b>				
Telephone	Fax				
<b>(56-2) 5692118</b>	<b>(56-2) 5692309</b>				
Tax ID Number (RUT)	<b>76.190.084-6</b>				
Activity	<b>The development and operation of any energy project derived from the use and operation of facilities and natural assets of water utility companies.</b>				
Subscribed and paid-in capital	<b>M\$ 7,971,221</b>				
External auditors	<b>Ernst &amp; Young</b>				
Tax ID Number (RUT)	<b>77.802.430-6</b>				

## CORPORATE PURPOSE

The Company’s purpose is to carry out all types of activities related to water use rights, the development and operation of any energy project derived from the use and operation of facilities and natural assets of sanitary water companies, their products and/or by-products, including electrical cogeneration, biogas generation and hydroelectricity.

## INCORPORATION DOCUMENTS

The company was incorporated on April 1, 2011, by means of a public deed granted in the Notary Public of Santiago de Santiago of Mr. Ivan Torrealba Acevedo, an extract of the by-laws was registered in the Trade Registry of the Real Estate Conservator of Santiago that year, on page 19364 N° 14746 of the Registry of Commerce of Santiago corresponding to the year 2011.

## BOARD OF DIRECTORS

President	<b>Guillermo Pickering De La Fuente</b>
Named Directors	<b>Laureano Cano Iniesta</b> <b>Narciso Berberana Saenz</b>
CEO	<b>Manuel Baurier</b>
Parent company ownership percentage:	<b>82.64996% direct</b>
Share represented by the investment in the parent company’s assets.	<b>Investment in the company represents a share of 0.47%</b>

## BUSINESS RELATIONSHIP WITH PARENT AND SUBSIDIARIES OF PARENT COMPANY

During the financial year ended on December 31, 2017, the Company maintained biogas supply and lease contracts with its Parent company, which are subject to market conditions. Similar trade relations are expected in the future.

## 1. GENERAL INFORMATION

Aguas del Maipo S. A. (hereinafter the “Company”) is a closed corporation. Its legal domicile is Avenida Presidente Balmaceda N° 1398, Santiago, Chile and its TIN is 76.190.084-6.

Aguas del Maipo S. A. was incorporated as a closed corporation by public deed on April 1, 2011 in Santiago, before the Notary Public Mr. Ivan Torrealba Acevedo.

In June 2012, the Company’s share capital was increased by the issuance of 7,517,296 new paid-in shares. These shares were subscribed and paid for by Aguas Andinas S. A., Aguas Cordillera S. A. and Aguas Manquehue S. A. by means of the IN ownership contribution to the Company, of the shares of the open stock corporation named Eléctrica Puntilla S. A.

In August 2012, at the Extraordinary Shareholders’ Meeting, the merger by incorporation of Gestión y Servicios Dos S. A. was resolved, bringing its total assets, liabilities and net worth to Aguas del Maipo S. A., thus becoming the legal continuation of the absorbed company.

The Company’s purpose is to carry out all types of activities related to water rights, the development and exploitation of any energy project derived from the use and exploitation of facilities and natural assets of water utility companies, their products and/or by-products, including electrical cogeneration, biogas generation and hydroelectricity.

The direct controlling company is Aguas Andinas S. A., a corporation whose controller is Sociedad General Aguas de Barcelona S. A. (Agbar), a corporation based in Spain, one of the largest operators of water utility services worldwide, which in turn is controlled by Suez Environnement (France), being ENGIE (France), its main shareholder.

## 2. PREPARATION BASIS AND ACCOUNTING POLICIES

### 2.1. PREPARATION BASIS

This financial statement corresponds to the financial position statement as of December 31, 2017 and 2016 and the comprehensive income statements from changes in equity and cash flows for the financial year then ended, which have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (hereinafter IASB), and represent the full, explicit and unreserved adoption of the aforementioned IFRSs.

The Company complies with all the legal conditions of the environment in which it carries out its operations, mainly in the generation of biogas, has normal operating conditions in each area in which it operates, its projections show a profitable operation and has the capacity to access the financial system to finance its operations, which determines its ability to continue as an operating company, in accordance with the accounting standards under which these financial statements are issued.

### Functional and submission currency

The individual financial statements are submitted in the currency of the main economic environment in which the Company operates (functional currency). As required by IAS 21. The financial statements are submitted in Chilean pesos, which is the Company’s functional currency and the submission currency for the financial statements.

### New accounting procedures

The standards and interpretations, as well as the improvements and amendments to IFRSs that have been issued, in force at the date of these financial statements, are detailed below: the Company has applied these standards and concluded that they did not significantly affect the financial statements.

AMMENDMENTS AND/OR MODIFICATIONS	Mandatory application date
IFRS 12, Disclosures of interests in other companies	Annual periods beginning on or after January 1, 2017
IAS 7, Statement of cash flows	Annual periods beginning on or after January 1, 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2017

The standards and interpretations, as well as the improvements and amendments to IFRS, which have been issued but are not yet in force at the date of these financial statements, are detailed below. The Company has not applied these standards in advance.

NEW STANDARDS	Mandatory application date
IFRS 9, Financial Instruments, classification and measurement	Annual periods beginning on or after January 1, 2018
IFRS 15, Revenue from Client Contracts	Annual periods beginning on or after January 1, 2018
IFRIC 22, Foreign currency transactions and advance payments	Annual periods beginning on or after January 1, 2018
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019
IFRIC 23, Treatment of uncertain tax positions	Annual periods beginning on or after January 1, 2019
IFRS 17, Insurance Contracts	Annual periods beginning on or after January 1, 2021

<b>IMPROVEMENTS AND MODIFICATIONS</b>	<b>Mandatory application date</b>
IFRS 1, Adoption of IFRS for the first time	Annual periods beginning on or after January 1, 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1, 2018
IFRS 4 Insurance contracts	Annual periods beginning on or after January 1, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2018
IAS 40 Investment properties	Annual periods beginning on or after January 1, 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1, 2019
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1, 2019
IAS 12, Income Taxes	Annual periods beginning on or after January 1, 2019
IAS 23, Cost of loans	Annual periods beginning on or after January 1, 2019
IAS 28, Investments in associates	Annual periods beginning on or after January 1, 2019
IFRS 10, Consolidated Financial Statements	To be determined

The Company's management is analyzing the potential impact on the financial statements of the aforementioned standards and amendments. However, those in force for annual periods beginning on January 1, 2018 have been analyzed and it is estimated that they will not have a material impact on the preparation and submission of future financial statements.

### Responsibility for the information and estimates

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) and of the Superintendence of Securities and Insurance (S.V.S.) have been applied. These financial statements were approved by the Board of Directors at a meeting held on March 28, 2018.

The Company's financial statements for 2016 were approved by its Board of Directors at its meeting held on March 29, 2017.

Estimates such as these have been used in preparing the financial statements:

- Service life of fixed and intangible assets
- Asset valuation
- Impairment losses on assets
- Provisions for commitments to third parties

Although these estimates and judgments were made on the basis of the best information available at the date of issuance of these financial statements, it is possible that events that may occur in the future may require them to be modified (upward or downward) in future periods, which would be recorded prospectively, at the time the change is known, recognizing the effects of such changes in the corresponding future financial statements.

### 2.2. - ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of these financial statements are described below.

#### A. Intangible assets other than goodwill

The Company recognizes an identifiable intangible asset when it can demonstrate that it is probable that the future economic earnings attributed to it will flow to the company and the cost can be valued correctly.

The basis for recognition and measurement is the cost method.

#### **i. Intangible assets acquired separately**

Intangible assets acquired separately are presented at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a linear basis using estimated service lives. The estimated service lives and the amortization method are reviewed at each balance sheet date, prospectively accounting for the effect of any changes in the estimate.

#### **ii Amortization method for intangible assets**

##### **Intangible assets with a defined service life**

The amortization method applied by the Company reflects the pattern in which it is expected to be used by the Company and the future economic earnings of the asset. For this purpose, the Company uses the linear amortization method.

##### **Software**

The estimated service life of software is 4 years. For other assets with a defined service life, the period of service life in which they are depreciated corresponds to the periods defined in the contracts or copyright giving rise to them.

##### **Intangible assets with an undefined service life**

Intangible assets with undefined service lives correspond to water rights, which were obtained as indefinite, in accordance with the provisions of the purchase contracts and the rights obtained from the General Water Directorate under the Ministry of Public Works.

##### **Determining service life**

The factors to be considered for the estimation of service life include, but are not limited to, the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.

- Natural and climatic factors and technological changes that affect the capacity to generate earnings.

The service life may require modifications over time due to changes in estimates as a result of changes in assumptions about the aforementioned factors.

#### **B. PROPERTY, PLANT AND EQUIPMENT**

The Company uses the cost method for the valuation of Property, Plant and Equipment. The historical cost includes expenses that are directly attributable to the purchase of the asset.

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is probable that the future economic earnings associated with the fixed assets will flow to the Company and the cost of the asset can be reliably determined. The value of the replaced component is written off. All other repairs and maintenance are charged to profit or loss for the financial year in which they occur.

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

The depreciation method applied by the Company reflects the pattern in which assets are expected to be used by the Company during the period in which they generate economic earnings. For this purpose, the Company uses the straight-line depreciation method throughout its technical service life, based on studies prepared by independent experts (specialist external companies). The residual value and service life of the assets are reviewed and adjusted, if necessary, at each balance sheet date.

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

#### **Service lives**

The service lives considered for the purpose of calculating depreciation are based on technical studies prepared by specialist external companies, which are reviewed as soon as there is a history that allows us to consider that the service life of an asset has been modified.

The allocation of the total service life of the assets is made on the basis of several factors, including the nature of the equipment. Such factors usually include:

1. Nature of the material components of the equipment or constructions.
2. Means of operation of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations.

The range of service life (in years) by asset type is as follows:

ITEM	Service life (years) Minimum	Service life (years) Maximum
Plant and equipment	5	50
Information technologies equipment	4	4
Fixed installations and accessories	5	80
Other property, plant and equipment	4	80

##### **Cost estimation policy for decommissioning, removal or rehabilitation of property, plant and equipment:**

Due to the nature of the assets being constructed in the Company and the fact that there are no contractual obligations or other constructive requirements such as those mentioned by IFRSs in the regulatory framework, the concept of decommissioning costs is not applicable at the date of these financial statements.



### Fixed Assets Sales Policy

Earnings or losses on the sale of fixed assets are calculated by comparing the income obtained with the carrying amount and are recorded in the comprehensive income statement.

### C. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets with a defined service life to determine whether there are indicators that these assets have suffered an impairment loss. If such indicators exist, the recoverable value of the assets is estimated to determine the amount of the impairment loss (if any). When it is not possible to estimate the recoverable amount of a particular asset, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with undefined service lives are tested for impairment on an annual basis and where there are indications that the tangible asset may have been impaired before the end of that period.

The recoverable amount is the higher amount between fair value minus costs to sell and value in use. For the estimation of value in use, estimated future cash flows are discounted to their present value using a before taxes discount rate that reflects both current market conditions of the value of money over time and the specific risks associated with the asset.

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (or cash-generating unit) is adjusted to its recoverable amount and an impairment loss is recognized immediately. When an impairment loss is reversed, the carrying amount of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided that the adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss of the asset (or cash-generating unit) been recognized in prior financial years.

### D. LEASES

#### i. Financial leases

Leases are classified as financial leases when the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ii. Operating leases

Operating lease payments are recognized as an expense on a linear basis over the life of the lease, except when another systematic basis is more representative to reflect the timing pattern in which the economic earnings of the leased asset are consumed. Contingent leases are recognized as an expense in the period in which they occur.

In the event that lease incentives are received in order to enter into an operating lease, such incentives are recognized as a liability. The cumulative earnings from incentives is recognized on a linear basis as a reduction of the lease expense, except when another systematic basis is more representative to reflect the time pattern in which the economic earnings of the leased asset are consumed.

#### iii. Implicit leases

The Company reviews its contracts to verify the existence of implicit leases, in accordance with IFRIC 4.

### E. FINANCIAL ASSETS

Acquisition and disposal of financial instruments are recognized on the trade date, i.e. the date on which the Company undertakes to acquire or sell the asset. Investments are derecognized when the rights to receive cash flow from investments have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories:

- Financial assets at fair value through earnings or losses
- Investments held to maturity.
- Loans and accounts receivable.
- Available-for-sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

Aguas del Maipo S. A. invests in low-risk instruments that comply with classification standards established in its investment policies. Mutual investment funds must therefore have an AAfm / M1 rating (quotas with very high protection against loss, associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Fixed-term deposits and arranged agreements are instruments with an N-1 rating (instruments with the highest capacity to pay capital and interest on the agreed terms and deadlines).

The bodies issuing these instruments correspond to banking companies or subsidiaries of banks, with an N-1 risk rating and their instruments have a risk rating of at least AA (with a very high capacity to pay capital and interest on the agreed terms and deadlines, which would not be significantly affected 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 used to calculate the amortized cost of a financial asset or liability and the allocation of interest income or expense over the entire period. The effective interest rate corresponds to 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. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments, are not listed in an active market and are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest method, minus any impairment loss, except for short-term accounts receivable where the recognition of interest would be intangible.

**Trade debtors and other accounts receivable**

Trade debtors and other accounts receivable are initially recognized at fair value, these are recorded at net value of estimates of doubtful accounts receivable or of low collection probability.

**F. IMPAIRMENT POLICY FOR TRADE DEBTORS AND OTHER ACCOUNT RECEIVABLES**

The Company periodically evaluates the impairment losses affecting its financial assets. The amount is recorded in the accrual account. The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the comprehensive income statement under “other expenses”. When an account receivable is uncollectible, it is regularized against the provision account for accounts receivable.

Estimates are based on the age of debts and historical recovery, as detailed below:

Clients with debts over 120 days are 100% provisioned for overdue debt.

Notes receivable with past-due debt are provisioned at 100%.

**G. DIVIDEND POLICY**

The Company’s dividend policy and in accordance with Article 79 of Law 18,046 governing Corporations, is to distribute at least 30% of the net profits for each fiscal year. In the event that these dividends do not exist or are lower than the minimum established by law, the corresponding provision shall be made.

In addition to this, and with the prior approval of the Ordinary Shareholders’ Meeting, the remaining 70% may be distributed as an additional dividend, provided that the Company’s current level of capitalization is maintained and is compatible with the investment policies.

**H. FOREIGN CURRENCY TRANSACTIONS**

Foreign currency assets and liabilities are presented at the respective exchange rates in effect at each financial year end, according to the following parities:

CURRENCY	31-12-2017 \$	31-12-2016 \$
Us Dollar	614.75	669.47
Euro	739.15	705.60

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Earnings and losses in foreign currency resulting from the liquidation of these transactions and from translation at the closing exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the comprehensive income statement.

Exchange differences are recognized in earnings or losses in the financial year in which they are accrued.

**I. Financial liabilities**

Loans and similar items are initially recognized at fair value, net of costs incurred in the transaction. They are subsequently measured at amortized cost using the effective interest rate.

**J. Provisions and contingent liabilities**

Provisions are recognized when the Company has a present obligation arising from past events for which it is probable that the Company will use resources to settle the obligation and on which it can make a reasonable estimate of the amount of the obligation.

Provisions are quantified taking into account the best available information on the event and its consequences, and are re-estimated at each balance sheet date. Recorded provisions are used to cover the specific risks for which they were originally recognized and are reviewed, in whole or in part, when these risks disappear or decrease.

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated equity damage is estimated to be unlikely. Under IFRS, the Company does not recognize any provision for these items.

**K. INCOME TAX AND DEFERRED TAXES**

Income tax expenses correspond to the sum of income tax payable and changes in deferred tax assets and liabilities.

The income tax payable is determined on the basis of the period’s tax result. The Company’s income tax payable is calculated using the tax rates that have been approved, or are in the final approval process, at the closing date of the financial position statement.

Deferred taxes are recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating the tax result, and are accounted for using the balance sheet-based liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be used to offset such differences. Deferred tax assets or liabilities are not recognized if temporary differences arise from the impairment or initial recognition (except in a business combination) of other assets and liabilities in a transaction that does not affect taxable income or financial results.

The carrying value of deferred tax assets is reviewed at the date of each financial position statement and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to enable recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect in the period in which the liability is settled or the asset is liquidated, based on tax rates that have been approved or the approval process is practically completed at the end of the period

of the financial position statement. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and these are related to the same body and tax authority.

## L. ORDINARY INCOME

### Ordinary income recognition policy

Income arising from all normal operations and other events are recorded at their fair value of payment received or receivable based on payment terms, rebates and credit notes. The amount of the income can be reliably measured.

### Ordinary revenue recognition policy for sales of goods

Ordinary revenue from sales of goods are recognized once the risk and significant advantages derived from the ownership of the goods are transferred, the Company does not have any relationship with the goods sold, the amount of income can be measured reliably, it is probable that the Company will receive the economic earnings associated with the sale and the costs incurred in the operation are also measurable reliably.

### Service sales ordinary revenue recognition policy

Income from the sale of services is measured at fair value. Invoices are invoiced based on actual consumption or work performed on the service receivable, net of returns, trade discounts and rebates. Therefore, income is recognized when it is transferred to the customer and recovery is considered probable, associated costs and possible discounts for erroneous collections can be reliably estimated.

## M. ENVIRONMENTAL INFORMATION

The Company works to reduce its impact on the environment by improving its use of its resources to produce and deliver the service

(reduce energy consumption, and improve waste management).

This action allows it to meet its 2015-2020 targets and become a sustainable company. During 2007, all processes were certified under the ISO 14001 standard, which is maintained to date, allowing us to work in the water cycle process under this standard.

Assets are valued at acquisition cost and depreciated on a linear basis over the estimated remaining service lives of the various assets.

## N. CASH FLOW STATEMENT

The cash flow statement includes the cash flow movement during the period, which is determined according to the following criteria:

**Cash and cash equivalents:** Represent inflows and outflows of cash and cash equivalents, defined as short-term investments with high liquidity and low risk of changes in their value (less than 3 months from the date of trade and without restrictions).

**Operating activities:** Represent activities typical of the normal operation of the company's business, as well as other activities not classified as investing or financing.

**Investment activities:** Represent acquisition, sale or other disposal of non-cash long-term assets and other investments not included in cash and cash equivalents.

**Financing activities:** Represent activities that result in changes in the amount and composition of equity and liabilities that are not part of ordinary activities.

### Accounts receivable from related parties

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

### DISCLOSURES ABOUT RELATED COMPANIES

TIN RELATED PARTY	Name of related party	Nature of the relationship	Nature of the transactions with related parties	Terms	Guarantees	Th\$	
						31-12-2017	31-12-2016
61.808.000-5	Aguas Andinas S.A.	Controller	Guarantee for lease of the office of the La Farfana plant	30 days	No guarantee	643	632
<b>Totals</b>						<b>643</b>	<b>632</b>

### ACCOUNTS PAYABLE TO RELATED COMPANIES

TIN RELATED PARTY	Name of related party	Nature of the relationship	Nature of transactions with related parties	Terms	Guarantees	Th\$	
						31-12-2017	31-12-2016
61.808.000-5	Aguas Andinas S.A.	Controller	Biogas Supply	30 days	No guarantees	103,853	0
61.808.000-5	Aguas Andinas S.A.	Controller	Dividend payable	30 days	No guarantees	166,063	0
96.809.310-K	Aguas Cordillera S.A	Related to the Controller	Dividend payable	<b>30 days</b>	No guarantees	16,835	0
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	Dividend payable	<b>30 days</b>	No guarantees	18,025	0
76.938.110-4	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the Controller	Operation of La Farfana biogas purification plant, control of energy cost supervision	<b>30 days</b>	No guarantees	105,348	79,376
61.808.000-5	Aguas Andinas S.A.	Controller	Loan payable	<b>30 days</b>	No guarantees	2,799,215	0
<b>Totals</b>						<b>3,209,339</b>	<b>79,376</b>



## TRANSACTIONS

TIN RELATED PARTY	Name of related party	Nature of the relationship	Country of origin	Nature of the transactions with the related party	Type of currency	Current (Thousands of \$)			
						31-12-2017		31-12-2016	
						Amount	Effects on Income (Charge)/ Credit	Amount	Effects on Income (Charge)/ Credit
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Biogas purchase	CLP	7,648	-7,648	23,378	-23,378
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Realted to the Controller	CL	Biogas plant maintenance and operation services	CLP	329,350	-329,350	217,048	-217,048
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Obtaining Loans	CLP	2,815,500	0		
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans payment	CLP	-18,000	0		
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividend collection	CLP	0	0	371,925	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividend payment	CLP	0	0	-371,925	0

## FINANCIAL SITUATION STATEMENT

ASSETS	2017 Th\$	2016 Th\$
Current assets	2,066,321	477,419
Non-current assets	14,356,295	8,347,776
<b>Total Assets</b>	<b>16,422,616</b>	<b>8,826,317</b>
LIABILITIES	2017 Th\$	2016 Th\$
Current liabilities	7,200,920	99,426
Non-current liabilities	109,474	82,367
Equity	9,112,222	8,643,402
<b>Total Assets and Liabilities</b>	<b>16,422,616</b>	<b>8,825,195</b>

## COMPREHENSIVE INCOME STATEMENTS

	2017 Th\$	2016 Th\$
Ordinary income	1,335,159	0
Cost of operation	-655,995	-731,324
Other earnings (losses)	0	171,738
Financial result	156,080	153,645
Other than operation	4857	343
Income tax	-170,358	-35,653
<b>Earnings attributable to owners of the controlling company</b>	<b>669,743</b>	<b>-441,252</b>

## CASH FLOW STATEMENT

	2017 Th\$	2016 Th\$
Net cash flows from operating activities	604,804	-636,020
Net cash flows from investing activities	-3,484,590	153,645
Net cash flows from financing activities	2,797,500	-450,000
Net increase (decrease) in cash and cash equivalents	-82,286	-932,375
Initial cash and cash equivalents balance	95,703	1,028,078
<b>Final balance of cash and cash equivalents</b>	<b>13,417</b>	<b>95,703</b>

## FINANCIAL POSITION STATEMENTS

As at december 31 2017

	Aguas Andinas S.A. y Filiales		Aguas Cordillera S.A. y Filiales		Aguas Manquehue S.A		Iberaguas Ltda. y Filial		Essal S.A.	
ASSETS	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$
Current assets	150,618,761	182,071,355	18,111,056	48,898,587	4,698,352	4,859,500	31,844,702	15,182,067	31,844,702	15,166,065
Non-current assets	1,646,261,375	1,589,747,781	303,296,984	289,572,852	88,826,395	79,936,629	183,107,507	174,524,684	156,390,794	147,807,971
<b>Total Assets</b>	<b>1,796,880,136</b>	<b>1,771,819,136</b>	<b>321,408,040</b>	<b>338,471,439</b>	<b>93,524,747</b>	<b>84,796,129</b>	<b>214,952,209</b>	<b>189,706,751</b>	<b>188,235,496</b>	<b>162,974,036</b>
<b>LIABILITIES</b>										
Current liabilities	237,111,903	211,931,051	43,711,165	52,771,971	15,292,813	7,697,070	15,395,072	15,445,567	17,441,588	17,710,264
Non-current liabilities	866,468,756	873,005,660	74,137,734	73,086,242	24,353,717	23,831,041	94,198,693	68,171,861	94,198,693	68,171,861
Equity	642,630,776	634,157,180	203,558,909	212,612,997	53,878,217	53,268,018	67,826,762	68,314,285	76,595,215	77,091,911
Minority Interests	50,668,701	52,725,245	232	229			37,531,682	37,775,038	-	-
<b>Total Liabilities and Equity</b>	<b>1,796,880,136</b>	<b>1,771,819,136</b>	<b>321,408,040</b>	<b>338,471,439</b>	<b>93,524,747</b>	<b>84,796,129</b>	<b>214,952,209</b>	<b>189,706,751</b>	<b>188,235,496</b>	<b>162,974,036</b>
<b>INCOME STATEMENTS</b>										
Regular revenues	509,540,577	492,002,980	63,924,489	63,521,557	12,401,009	11,488,105	54,926,019	53,655,895	54,926,019	53,655,895
Operating cost	(285,329,778)	(267,499,304)	(39,427,384)	(40,256,341)	(7,988,554)	(7,990,314)	(34,781,825)	(33,057,106)	(34,775,772)	(33,044,505)
Financial result	(25,059,261)	(20,643,577)	(818,611)	(919,553)	(63,052)	(64,831)	(2,972,488)	(2,695,516)	(2,972,488)	(2,695,516)
Others not related to the operation	(9,328,660)	(5,580,178)	616,105	17,600,783	(243,448)	(680,928)	(781,254)	(945,654)	(781,033)	(945,421)
Income tax	(46,340,625)	(43,442,462)	(5,404,534)	(7,921,350)	(912,954)	(404,901)	(4,188,086)	(3,829,202)	(4,169,588)	(3,807,165)
Minority Interest	(3,861,973)	(4,261,793)	(14)	(10)	-	-	(5,991,297)	(6,450,011)	-	-
<b>Earnings attributable to owners of the controller</b>	<b>139,620,280</b>	<b>150,575,666</b>	<b>18,890,051</b>	<b>32,025,086</b>	<b>3,193,001</b>	<b>2,347,131</b>	<b>6,211,069</b>	<b>6,678,406</b>	<b>12,227,137</b>	<b>13,163,288</b>
<b>CASH FLOW STATEMENT</b>										
Net cash flows from operation activities	213,469,168	234,098,851	10,620,784	22,689,705	3,431,084	5,613,526	19,030,053	20,716,884	18,224,918	20,750,809
Net cash flows from investment activities	(113,828,958)	(93,180,602)	(9,981,002)	13,091,106	(4,630,611)	(8,952,312)	(14,156,895)	(13,577,658)	(14,156,895)	(13,577,658)
Net cash flows from financing activities	111,446,006	101,104,531	(34,608,187)	(9,882,384)	522,049	1,370,440	7,645,458	(8,444,542)	8,466,594	(8,488,139)
Net cash increase (decrease) and equivalent to cash	(46,068,103)	31,922,914	(33,968,405)	25,898,427	(677,478)	(1,968,346)	12,518,616	(1,305,316)	12,534,617	(1,314,988)
Initial balance of cash and equivalent to cash	64,876,443	32,953,529	34,944,556	9,046,129	1,305,933	3,274,279	229,405	1,534,721	213,404	1,528,392
<b>Final balance of cash and equivalent to cash</b>	<b>18,808,340</b>	<b>64,876,443</b>	<b>976,151</b>	<b>34,944,556</b>	<b>628,455</b>	<b>1,305,933</b>	<b>12,748,021</b>	<b>229,405</b>	<b>12,748,021</b>	<b>213,404</b>

## FINANCIAL POSITION STATEMENTS

As at december 31 2017

	Ecoriles S.A		Aguas del Maipo S.A		Gestión y Servicios S.A		Análisis Ambientales S.A	
ASSETS	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$
Current assets	4,718,568	5,103,621	2,066,321	477,419	6,325,828	5,768,832	1,838,309	2,029,111
Non-current assets	501,160	425,005	14,356,294	8,347,776	780,187	907,094	5,238,248	5,354,352
<b>Total Assets</b>	<b>5,219,728</b>	<b>5,528,626</b>	<b>16,422,614</b>	<b>8,825,195</b>	<b>7,106,015</b>	<b>6,675,926</b>	<b>7,076,557</b>	<b>7,383,463</b>
<b>LIABILITIES</b>								
Current liabilities	2,101,177	2,380,465	7,200,920	99,426	3,687,532	3,690,043	1,700,455	2,956,521
Non-current liabilities	-	-	109,474	82,367	41,863	40,043	624,000	0
Equity	3,118,551	3,148,160	9,112,222	8,643,402	3,376,620	2,945,840	4,752,102	4,426,942
Minority Interests			-	-				
<b>Total Liabilities and Equity</b>	<b>5,219,728</b>	<b>5,528,625</b>	<b>16,422,616</b>	<b>8,825,195</b>	<b>7,106,015</b>	<b>6,675,926</b>	<b>7,076,557</b>	<b>7,383,463</b>
<b>INCOME STATEMENTS</b>								
Regular revenues	13,389,212	12,726,542	1,335,159	-	8,363,693	8,569,328	8,301,209	7,159,548
Operating cost	(11,176,764)	(10,522,650)	(655,995)	(731,324)	(7,928,958)	(8,094,804)	(6,706,861)	(6,167,761)
Financial result	14,105	42,883	156,080	153,645	30,533	14,446	(62,637)	(115,362)
Others not related to the operation	4,895	7,015	4,857	172,081	339,270	(2,295,062)	4,357	8,751
Income tax	(551,107)	(531,150)	(170,358)	(35,653)	(189,894)	553,002	(372,811)	(186,434)
Minority Interest			-	-				
<b>Earnings attributable to owners of the controller</b>	<b>1,680,341</b>	<b>1,722,640</b>	<b>669,743</b>	<b>(441,252)</b>	<b>614,644</b>	<b>(1,253,090)</b>	<b>1,163,257</b>	<b>698,742</b>
<b>CASH FLOW STATEMENT</b>								
Net cash flows from operation activities	1,054,308	1,457,506	604,804	(636,020)	403,826	1,063,565	2,102,735	1,537,032
Net cash flows from investment activities	(416,297)	(101,739)	(3,484,590)	153,645	2,062,476	(104,489)	(300,158)	(541,891)
Net cash flows from financing activities	(1,722,641)	(1,450,000)	2,797,500	(450,000)	(2,720,000)	(500,000)	(1,766,742)	(1,058,000)
Net cash increase (decrease) and equivalent to cash	(1,084,630)	(94,233)	(82,286)	(932,375)	(253,698)	459,076	35,835	(62,859)
Initial balance of cash and equivalent to cash	1,467,751	1,561,984	95,703	1,028,078	961,747	502,671	4,238	67,098
<b>Final balance of cash and equivalent to cash</b>	<b>383,121</b>	<b>1,467,751</b>	<b>13,417</b>	<b>95,703</b>	<b>708,049</b>	<b>961,747</b>	<b>40,073</b>	<b>4,239</b>