

**AGUAS ANDINAS S.A.**

**Registration in the Securities Registry N° 346**

**LEGAL PROSPECTUS FOR ISSUE OF BONDS  
BY SERIES OF NAME OF BEARER RENDERED FOR 30 YEARS**

**ISSUANCE OF SERIES Y, Z, and AA BONDS**

**First placement under the bond series registered in the Securities Registry  
N°777 dated March 3, 2014**

**Second placement under the bond series registered in the Securities  
Registry N°806 dated April 6, 2015**

**Santiago, December 2015**

## GENERAL INFORMATION

### Participating Intermediaries

This prospectus has been prepared by Aguas Andinas SA, hereinafter "**Aguas Andinas**," the "**Company**," the "**Society**," the "**Corporation**" or the "**Issuer**," with the advice of BBVA Financial Advisors S.A.

### Responsibility legend

THE SUPERINTENDENCE OF SECURITIES AND INSURANCE ISSUES NO STATEMENT AS TO THE QUALITY OF THE SECURITIES OFFERED AS INVESTMENT. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS THE EXCLUSIVE RESPONSIBILITY OF THE ISSUER, AND OF THE BROKERS THAT HAVE PARTICIPATED IN ITS ELABORATION. THE INVESTOR MUST ASSESS THE FEASIBILITY OF ACQUIRING THESE SECURITIES, BEARING IN MIND THAT THE ONLY PERSON OR PERSONS RESPONSIBLE FOR THE PAYMENT OF DOCUMENTS ARE THE ISSUER AND THOSE WHICH ARE OBLIGATED TO IT."

### Prospectus Date

December 2015.

## **1.0 ISSUER IDENTIFICATION**

### **1.1 Name or trade name**

Aguas Andinas S.A.

### **1.2 Alternate name**

None

### **1.3 Tax Identification Number**

61.808.000-5

### **1.4 Securities Registry Inscription**

N° 0346, of September 13, 1989

### **1.5 Address**

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## **2.0 BUSINESS ACTIVITIES OF THE CORPORATION**

### **2.0 Historical overview**

The company has its origins in 1861, when the Agua Potable de Santiago Company was founded, which built the first tanks to store water in 1865. In 1894, the Company began construction of drains in Vitacura to retrieve filtered water from the Mapocho River and a tank of 20,000 m<sup>3</sup> on Antonio Varas Street, which still operates to this day.

In 1903, the sewage and paving law of Santiago is enacted, prompting the construction of systems for potable water and sewage. In 1917 the Laguna Negra Aqueduct is inaugurated, in which an 87 km. extension carries water from the mountains to Santiago and is still in operation.

During the following decades, the Company continued to expand its coverage area in the Metropolitan Region through the construction of several projects, such as the "Vizcachas" plant (1953) for the production of potable water, the second stage of "Vizcachitas," located parallel to the aqueduct (1969), and the "Ingeniero Antonio Tagle" plant (1984).

In 1977, the Metropolitan Sanitary Works Company is founded (EMOS), resulting from the integration of the Agua Potable Company of Santiago with the services of Sanitarios Santiago Northwest & Santiago South and the Santiago Administration of Sewage Treatment. It is established as a public limited company in 1989, under the jurisdiction of Law No. 18,777, becoming a subsidiary of the Production Development Corporation (CORFO).

In 1990, construction of the first water sanitation projects began in the Metropolitan Region in the Estación Central sector, finishing the construction of the Western Santiago treatment plant in 1993.

In 1999, following an international bidding process conducted by the Government of Chile, Inversiones Aguas Metropolitana, established by Aguas de Barcelona (50%) and Suez (50%), acquired 51.2% ownership of EMOS. This acquisition was made through the purchase of a block of shares of CORFO for US\$ 694 million and the subscription of a capital increase of US\$ 453 million. The total investment amounted to US \$ 1,147 billion.

During 2000, EMOS' development plan for the 2001-2005 period was defined that placed a strong emphasis on sewage treatment works, which began with the construction of the El Trebal treatment plant. That same year, EMOS acquires 100% of Aguas Cordillera and directly and indirectly 50% of Aguas Manquehue.

In October 2001, as part of a process of corporate renewal and restructuring, EMOS changed its name to Aguas Andinas SA, keeping it as the head of the Grupo Aguas, making Aguas Andinas the principal sanitation company in the country and one of the largest in Latin America, serving about 8 million residents at the consolidated level. The concession areas of Aguas Andinas and its sanitary subsidiaries include a territory of 70,000 hectares located in the Metropolitan Region, plus an area of 67,000 hectares located in Regions X and XIV.

In late 2001, the El Trebal wastewater treatment plant comes online and construction of the La Farfana treatment plant begins, which started operations in 2003.

In January 2002, Aguas Andinas bought the remaining 50% ownership of Aguas Manquehue, giving Aguas Andinas 100% control of the company.

In May of that same year, two small treatment plants were inaugurated for peripheral locations in the Metropolitan Region: Paine and San José de Maipo.

In December 2002, new private shareholders joined the Company's holdings, after CORFO divested part of its shares in Aguas Andinas, particularly among institutional investors, reducing its ownership stake from 44.2% to 35%.

In 2004, Aguas Andinas started construction of the Talagante wastewater treatment plant. Additionally, in 2004 the construction of Padre Hurtado-Talagante Collector-Interceptor was completed, and in November construction of the Curacaví wastewater treatment plant began, which started operations in late 2005.

During 2005, the shareholders of Inversiones Aguas Metropolitanas, parent of Aguas Andinas, conducted a secondary equity offering in the Chilean and international markets.

During 2006, the plant wastewater treatment in the town of Talagante was inaugurated and construction began on the Melipilla plant. Also in sanitation, in July the environmental impact study for the Mapocho Urbano Limpio project was presented to the National Environmental Commission (CONAMA), which allowed for the decontamination of this river's waters and increased treatment coverage for sewage water in the Metropolitan Region. In the environmental branch, in December the Aguas de Ramón Nature Park was opened, the largest park in Santiago, which is situated in an area for conservation and environmental education.

In 2007, the Environmental Impact Assessment was approved for the Mapocho Urbano Limpio project and, after obtaining the Environmental Qualification Resolution ("RCA"), a public bidding and awarding of the construction contracts was conducted. Construction work began in late 2007.

In November 2007, the Environmental Impact Study for the Mapocho wastewater treatment plant project was submitted to CONAMA Metropolitana. Additionally, we highlight the participation of the subsidiary of the Company, Gestión y Servicios, in the biogas supply project from the La Farfana wastewater treatment plant to Metrogas, which began operating during the second half of 2008.

During the first quarter of 2008, Aguas Andinas announced an agreement to acquire Inversiones Iberaguas Limited, which controls 51% of the Servicios Sanitarios Company of Los Lagos S.A. (Essal), which operates in the X Los Lagos Region and the XIV Los Ríos Region. The acquisition was completed on July 10th, 2008. The Company also made a Public Offering for 100% of Essal's shares, declaring it successful on July 10, 2008 and resulting in the acquisition of an additional 2.5% ownership of Essal.

On October 31st, 2008, Aguas Cordillera acquired the only share of Aguas Los Dominicos S.A. that was not in the hands of the society, merging both companies into Aguas Cordillera.

In 2009, construction of the Mapocho Urbano Limpio project was completed; and in mid-December, operation tests began. The project was formally inaugurated on March 30, 2010.

In 2010, construction began on the Mapocho wastewater treatment plant, which forms part of the final stage of the Santiago Watershed Water Treatment Plan. This new plant will be located in the El Trebal enclosure, and will have a capacity of 2.2 m<sup>3</sup>/s, expandable in the second phase to 4.4 m<sup>3</sup>/s, and in the third phase to 6.6 m<sup>3</sup>/s.

In March 2011, the Board of Aguas Andinas agreed to the formation of a new subsidiary, Aguas del Maipo S.A., for the development of any energy project related to the services or natural resources of water utilities. Currently, its shareholders are Aguas Andinas, Aguas Cordillera and Aguas Manquehue.

In June 2011, CORFO sold 1,834,539,519 shares, which corresponds to approximately 29.98% of its ownership it held in Aguas Andinas, retaining only 5% ownership of that company.

On October 26, 2011, the rate-setting decree was published whereby the fifth rate-setting process of Essal concluded. The new rates for Essal became effective on September 12, 2011 and are valid for the 2011-2016 period.

In 2012, Aguas Andinas invested US\$230 million in the construction of the Mapocho wastewater treatment plant. It also successfully began operating the Comprehensive Management Center for El Rutil Biosolids, which is able to manage 300 tons of sludge per day.

In May 2012, CORFO sold 387,676,815 shares in ESSAL, corresponding to 40.46% of the stake it had in this sanitation company, retaining only 5% ownership of that company.

In November 2014, Aguas Andinas and the Superintendence of Sanitary Services (SISS) reached an agreement on the rate-setting process for public potable water and wastewater for 2015-2020. This agreement defines the tariff scenario for the next five years, at the same time contemplating rates for the start-up of new security works to increase the continuity and quality of its services in event of extreme turbidity or power outages, and the start-up of works designed to improve the quality of treated wastewater. In turn, Aguas Manquehue and Aguas Cordillera also concluded their rate-setting processes and reached an agreement with the SISS in November 2014. Current rates for Aguas Andinas for the 2015-2020 were approved by Decree N° 83 dated June 05, 2015 and went into effect on March 1, 2015 (published in the Official Gazette on September 3, 2015).

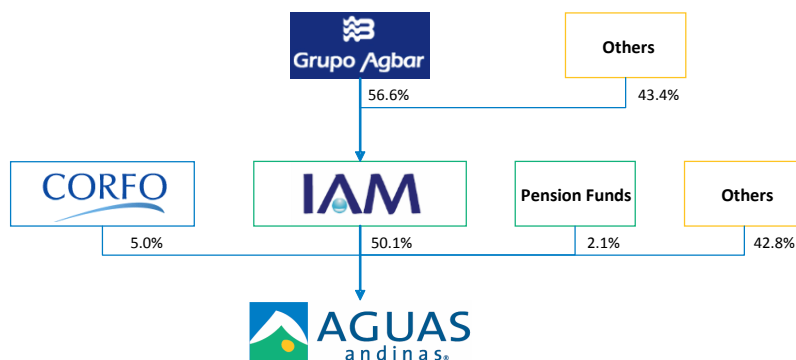
Meanwhile the current tariffs of Aguas Cordillera SA and Aguas Manquehue SA for the 2015-2020 period were approved by Decree N° 152 and N° 139, respectively, and published in the Official Gazette on November 25, 2015.

Also during 2015, Aguas Andinas joined the Dow Jones Sustainability Index for Emerging Markets, which makes it one of three Chilean companies included in this reputable indicator in 2015, which measures the performance of the top 10% of each industry. In addition, the company entered the Dow Jones Chile Index, the first sustainability index of the Santiago Stock Exchange, which included only 12 companies in the country.

### Ownership

As of September 30, 2015, ownership of Aguas Andinas is divided into shares, which together show the following ownership structure.

Figure N°1:  
Ownership structure of Aguas Andinas as of September 30, 2015



Source: Aguas Andinas

On June 7, 2010, Suez Environment Company S.A. (now known as Suez) indirectly acquired 75.31% of total shares issued by Sociedad General de Aguas de Barcelona, S.A. On September 17, 2014, Suez indirectly acquired 24.14% of total shares issued by Sociedad General de Aguas de Barcelona, S.A., leading it to hold 99.49% of the shares of Sociedad General de Aguas de Barcelona, S.A. in order to later acquire the remaining minority shares, reaching to control 100% of the shares. Thus, Suez is the controller of Aguas Andinas.

## **2.2 Description of the industrial sector<sup>1</sup>**

### **2.2.1 Historical background**

Until the modernization of the sanitation sector between 1988 and 1999, which gave rise to the current legal framework, potable water and sewage treatment services were provided primarily by the State of Chile, through the National Service of Sanitary Works (SENDOS). In 1990, as a result of the restructuring of the sanitation industry, that entity was dissolved, and the system of sanitation concession and the current regulatory framework for the sector were created. With this restructuring the State separated its roles of administrator and regulator, creating the SISS as the regulating and controlling entity, and transformed SENDOS into 13 state- and independently-owned companies, one for each region of the country.

In February 1998, the legal framework was established which allowed for the participation and delivery to the private sector of the state-owned sanitation companies. In this manner the Chilean government began the process of selling the country's primary sanitation companies, with Esval, the sanitation company operating in Region V, being the first to incorporate private capital under this scheme in December, 1998. Subsequently, private equity would be incorporated into the Emos, Essal, Essel and Essbio.

During 2000, it was announced that the process of incorporating private capital for the rest of the state-owned sanitation companies would be done in the form of concessions. This method grants to private investors a concession to operate sanitation services for a fixed period of time, during which it must comply with the investment plan presented by the Company, without transfer of ownership. Under this scheme, between 2000 and 2004 bids from other health under state control were performed, with bids having been awarded for the companies: Essam, Emssa, Essco, Essan, Emssat, Essar, Esmag and Essat.

In 2007, the Ontario Teachers' Pension Plan (OTPP), the largest private pension fund for professionals in Canada, entered into the ownership of the Esval, Essel, Essbio and Essco Companies, becoming the second controlling member in the sanitation sector.

On January 5, 2009, Santander Infrastructure Fund II formally entered into the ownership of Aguas Nuevas, parent company of the sanitation companies Aguas del Altiplano, Aguas Araucanía and Aguas Magallanes, after achieving the transfer of all the company's shares by the Solari Group. Thus, Santander Infrastructure Fund II became the owner and controller of Aguas Nuevas, which concentrated more than 9% of the Chilean sanitation sector and was the third player in this market in terms of number of customers.

During 2009 the process of setting tariffs for the next five-year period began, with Aguas Andinas, Esval and Aguas Chañar being the first sanitation companies to reach an agreement with the SISS in setting rates for public water services and water treatment for the 2010-2015 five-year period.

At the end of 2010 the sale of Aguas Nuevas was achieved, making the joint venture between Marubeni Corporation and Innovation Network Corporation of Japan the new holding controller.

In 2011, CORFO sold its minority stakes in Aguas Andinas (29.98% of the shares, with a total revenue of US\$ 984 million), Esval (24.43%, raising US\$ 230 million) and Essbio (38.44%, for a total of US\$ 334 million).

The shareholdings of the latter two companies were purchased by OTPP.

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<sup>1</sup>The information used for the preparation of this chapter is based on the last management report prepared by the SISS for the year 2014. At the date of this prospectus, the regulator has not issued yet the report covering the year 2015, and the latest report available is the reference.



During 2012, CORFO sold 387,676,815 shares of Essal, corresponding to 40.46% of the property, keeping 5% in the sanitation company.

In November 2014, Aguas Andinas and the SISS reached an agreement on the rate-setting process for public potable water and wastewater for 2015-2020. This agreement defines the tariff scenario for the next five years, at the same time contemplating rates for the start-up of new security works to increase the continuity and quality of its services in event of extreme turbidity or power outages, and the start-up of works designed to improve the quality of treated wastewater. In turn, Aguas Manquehue and Aguas Cordillera also concluded their rate-setting processes and reached an agreement with the SISS in November 2014.

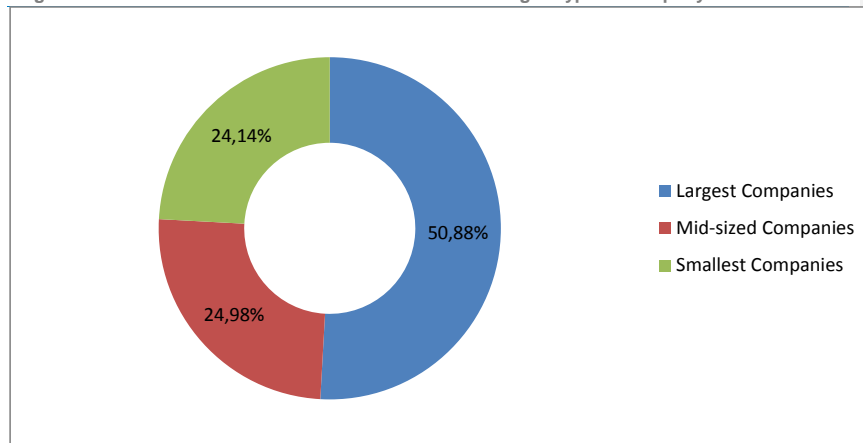
According to information provided by the SISS, in December 2014, 43% of served customers were attended to by four water utilities: Grupo Aguas (Aguas Andinas, Aguas Cordillera, Aguas Manquehue and Essal), controlled by the Agbar-Suez Group; 31% were customers of the three companies controlled by OTPP; 9% by the Marubeni Group and INCJ through the three companies of Aguas Nuevas (Aguas Araucanía, Aguas Altiplano and Aguas Magallanes) and Aguas Décima of the Region de los Ríos; 5% by Inversiones Aguas Rio Claro S.A., controller of Nuevosur; 4% by the municipality service SMAPA in the commune of Maipú in the Metropolitan Region; 3% serviced by the Luksic Group, controller of Aguas Antofagasta (acquired in 2015 by Medellín Public Enterprises) and the rest by other owners. Due to the sale of the shares the State had owned in the country's three largest companies, OTPP became the largest owner in the sector in terms of assets, with 34.1%. Agbar-Suez followed with 21.8% and Marubeni with 11.5%.

#### **2.2.2 The Chilean sanitation sector**

Depending on the size of the companies, in terms of customers served, companies in the Chilean sanitation sector can be classified into: Largest, Midsized and Smallest Companies according to the percentage of participation of its regulated customers in the entire country.

- Largest Companies: Those with more than 15% of customers in the country. They currently serve 50.88% of the population, belonging to this category the companies Aguas Andinas and Essbio.
- Mid-sized Companies: This group includes companies with between 15% and 4% of customers in the country. Currently, it comprises four companies that combined serve 24.98% of all clients in the country.
- Smallest Companies: This group includes companies with less than 4% of all customers in the country. Currently, it comprises 52 companies that together provide sanitation services to the remaining 24.14% of clients in the country.

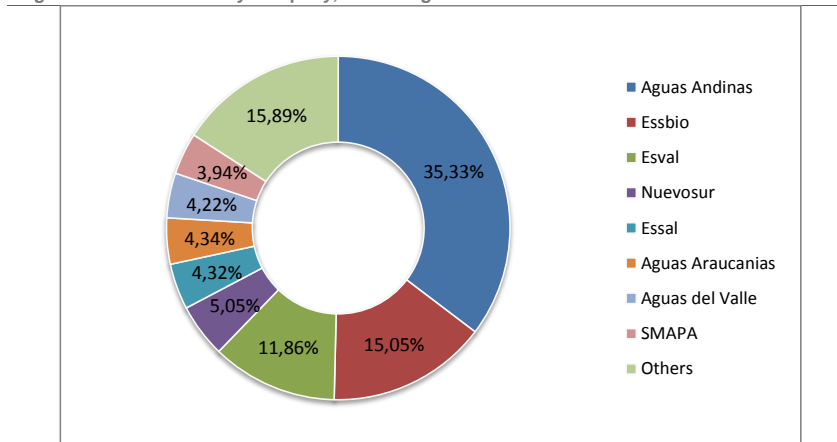
Graph N°1:  
Regulated client distribution at the national level according to type of company



Source: Superintendence of Sanitation Services 2014 Management Report

As of December 2014, 61 sanitation companies existed in Chile registered in the SISS, of which 53 were actually in operation and 27 cover 99,57% of the demand (as a percent of total regulated customers in the country). The following graph presents the regulated market participation of companies in the Chilean sanitation sector.

Graph N°2:  
Regulated market share by company, according to number of clients

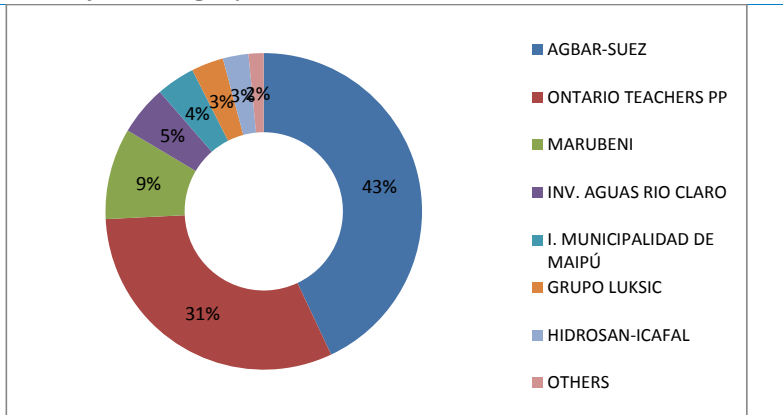


Source: Superintendence of Sanitation Services 2014 Management Report

Investors have shown a high interest in the Chilean sanitation sector, due to the stability of the business and its regulatory framework. This fact is reflected in the presence of important business groups in sanitation companies.

Graph N°3:

Market share by economic group based on number of clients



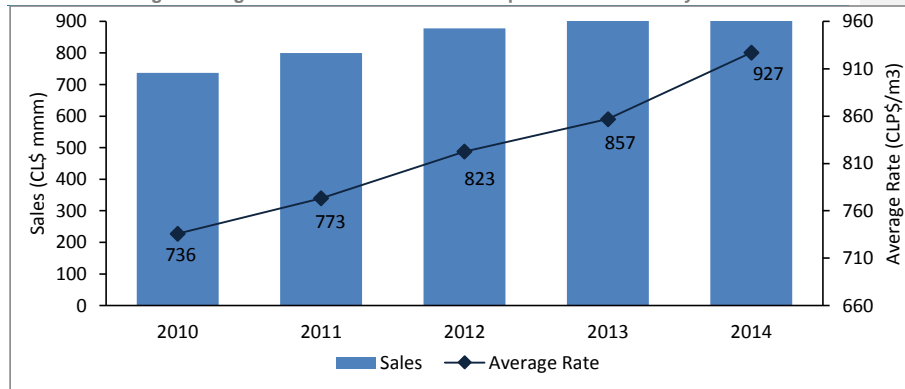
Source: Superintendence of Sanitation Services 2014 Management Report

#### a. Demand

Revenues for the sanitation sector in Chile have shown steady growth, with a compound annual growth rate of 6.90% during the 2010-2014 period.

Graph N°4:

Growth of average earnings and rates for sanitation companies in the country



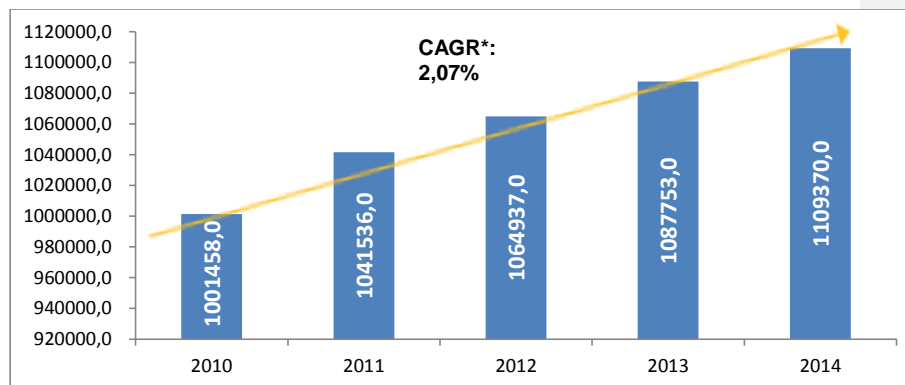
Source: Superintendence of Sanitation Services 2014 Management Report

Nota: Average rates are calculated as the sum of revenues per the total cubic meters billed by sanitation companies

This growth has been based on: (i) stability of demand for sanitation services, (ii) regulatory stability, which has created a favorable environment for investments and (iii) rate-setting which, by raising rates, has managed to accurately reflect business costs and encourage investment.

Graph N°5:

Growth in physical sales of potable water at the national level (per thousands of cubic meters)



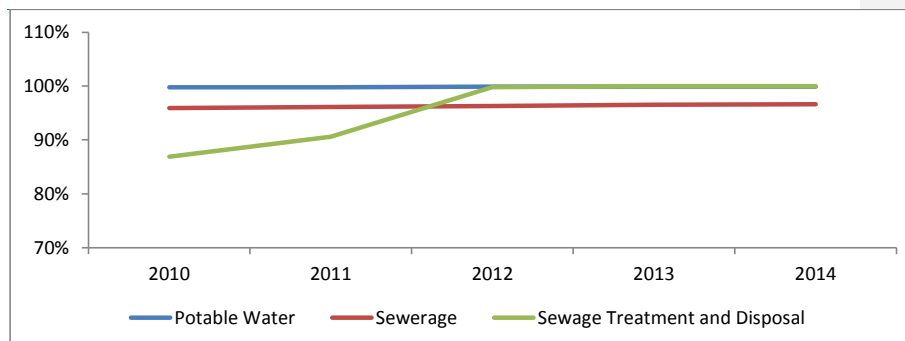
Source: Superintendence of Sanitation Services 2014 Management Report

\*TACC: Compound Annual Growth Rate (Tasa Anual de Crecimiento Compuesto)

Additionally, the Chilean sanitation sector has experienced a steady increase in the number of clients served and the coverage of potable water and sewage treatment, demonstrating the excellent performance achieved by water companies following the privatization process started in 1998. According to what is noted in the SISS 2014 Management Report, through December of that year the potable water coverage reached 100% of the population.

Graph N°6:

Evolution of urban coverage for potable water, sewerage and sewage treatment and disposal at the national level



Source: Superintendence of Sanitation Services 2014 Management Report

Note: Until 2010 coverage for water treatment was calculated per the total estimated urban population for each region; since 2011 coverage is calculated per the population connected to the sewage disposal system.

Additionally, during recent years it has been possible to observe important growth in wastewater treatment coverage, demonstrating the commitment achieved between sanitation companies, regulators and the public, with the goal of substantially improving the quality of life of the population and decontamination of the environment.

Demand for sanitation services is characterized by moderate seasonal change, more pronounced in regions where there are swimming areas. In these localities the difference in consumption during peak season is higher by 50% or more from the low period. In the other regions differences between 10% and 30% are observed.

#### **b. Regulatory Aspects**

The current model of regulation of the Chilean sanitation industry emphasizes two aspects: the *Concessions Regime* and *Rates*. Both are contained in the legal framework through which the operation of the sector is regulated, being a function of the SISS to implement and enforce the provisions of Decree Law N° 382 of 1988, General Law of Sanitation Services, and in the Decree Law N° 70, Rates Act, and their respective regulations.

##### Concessions Regime

The Chilean legal framework establishes a form of management by granting concessions for resources and services to corporations. These concessions may be granted to exploit individual stages or integrated services.

Concessions are granted for an indefinite period of time, by decree of the Ministry of Public Works, at no cost to the company that requests it. Each decree contains the rules and clauses relating to the investment program that the concessionaire must develop and the regime for rate-setting and guarantees, whose objective is to ensure compliance with the investment program.

There are four types of concessions, according to the type of activity that they exploit:

- Production of potable water.
- Distribution of potable water.
- Collection of wastewater.
- Treatment and disposal of wastewater.

Concessions for water distribution and wastewater collection are requested and granted jointly to the same concessionaire.

To request a concession in a certain area, the applicant company must submit a rate-setting proposal to the SISS, plus a guarantee and a development plan for the area. The development plan must include a detailed program of planned investment in the concession area for the next fifteen years and add a level of service for each sector within the concession area.

The concessionaires for public sanitation services are responsible for maintaining the level of quality of care and customer service for users, as well as maintenance of the potable water and wastewater systems up to the point of connection with the client. The concessionaire is required to provide service to anyone who requires it within the concession area.

Concessions may expire under the terms established in Decree Law N° 382 of 1988, General Sanitary Act; by Supreme Decree of the President of the Republic, with a prior technical report by the SISS. If the expiration of a concession is declared, the law requires the appointment of a temporary administrator of the service, who shall have all the powers of the company's whose concession has been expired, which the law or its provisions indicate to the board and its managers, who shall exercise their duties until a new concessionaire is appointed, pursuant to the public tender which the SISS calls for such purpose.

## **Tariffs**

The tariffs governing the Chilean sanitation sector are fixed by law every five years and are governed by a specific legal framework which is based on the following principles:

- **Dynamic Efficiency:** This principle is reflected in the concept of the Model Company, which aims to separate out the baseline costs on which tariffs are calculated from the actual costs of the company. The Model Company is designed with the goal of efficiently providing the services required by the population, considering the current regulations and the geographic, demographic and technological constraints within which its operation is part. The concept of dynamic efficiency also means that each time tariffs are set, the improvements to productivity experienced in the delivery of service are incorporated into the tariffs.
- **Intelligibility:** The application of this principle is reflected in the formulation of a tariff-setting structure that aims to deliver appropriate signals to guide decisions on consumption and production to economic entities.
- **Equity:** Refers to non-discrimination between users except for reasons of costs, and aims at establishing tariffs based on the costs of the systems and stages of the service, eliminating cross-subsidies for users of the same system.
- **Economic Efficiency:** Aims to set tariffs based on the concept of marginal cost, since in a perfect market the price reflects the opportunity cost of producing each additional unit of the good (marginal cost), or efficient tariff.
- **Self-financing:** This principle arises from the funding problem that affects natural monopolies when tariffs are priced at marginal cost, given that efficient prices do not allow for self-financing of the company. The legal framework recognizes this under the concept of Total Long-Term Cost, which represents the cost of replacing a Model Company that begins operations, sized to meet the annual demand corresponding to a period of five years, considering a capital cost tariff equivalent to the average yield on long-term instruments indexed to the Central Bank of Chile (Banco Central), of a period equal to or greater than eight years, plus a risk premium of between 3% and 3.5%. In any case, the tariff of capital cost cannot be less than 7%.

The type of readjustable instrument of the Central Bank, its duration, and the period considered for setting the average are determined by the regulatory agency considering the liquidity and stability characteristics of each instrument, in the manner specified by the regulations. In any case, the period to be considered for calculating this average may not be less than six months nor exceed 36 months.

Once the operating and investment costs of the Model Company have been determined, a long-term annual cost is calculated using the costs of the Model Company for the next 35 years. Next, the SISS establishes a fee structure that allows for both covering its long-term costs and obtaining a fair return on investment. Finally, the annual income of the Company Model is calculated using these tariffs of efficiency and average demand for the next five years. These tariffs are adjusted until the annual income of the Model Company is equal to the annual long-term cost.

Tariffs are calculated every five years, unless the company and the SISS agree to a new calculation due to a significant change in the assumptions on which the latest tariff structure was determined. In any case, the new tariffs remain in effect for five years or until both parties agree to recalculation.

Before the start of each new period (at least one year before the tariffs expire), the company can request to maintain the tariff formulas for the following period. If the SISS agrees with this application, these formulas are maintained for a further period of five years or until both parties agree to recalculate.

The SISS and the company make their own calculations on the exact bases established for the negotiation process, making the new fee structure the result of negotiation between both parties. An expert committee of three members resolves any discrepancies between the two parties. The SISS and the company each appoint one arbitrator and the third is appointed from a list of previously agreed candidates. The committee must meet within 30 days, and its verdict is final without appeal.

#### **Timetable for Tariff Setting**

What follows is a calendar for the tariff-setting process, in accordance with the provisions of the General Law of Sanitation Services, where  $t_0$  equals the time of entry into force of the new tariff structure.

	Time	Activity
i.	At least 12 months before $t_0$	The SISS must inform the companies about the basis of the studies.
ii.	60 days after i.	The companies can object to the basis.
iii.	45 days after ii.	The SISS must answer the objections, its verdict is definitive.
iv.	30 days after i. or iii.	The companies have to give the SISS the necessary data for the tariffs calculation.
v.	5 months before $t_0$	The SISS and the companies exchange results of their respective studies.
vi.	30 days after v.	The companies can object to the tariffs structure given by the SISS, providing relevant informations to support it. Discrepancies can be solved by mutual agreement between the SISS and the companies. If the companies agree, tariffs are considered.
vii.	15 days after vi.	If the SISS and the companies can not come to an agreement, the Committee of Experts is convened.
viii.	6 days after vii.	The SISS and the companies have to appoint the people that will be part of the Experts Committee.
ix.	7 days after viii.	The Experts Committee must meet.
x.	30 days after ix.	The Experts Committee must solve discrepancies between the SISS and the companies, opting for one of the offer.
xi.	3 days after x.	The Experts Committee must inform the SISS and the companies of its verdict.
xii.	30 days before $t_0$	The SISS must set the new tariffs, applying for the next 5 years.

## 2.1 Description of activities and businesses

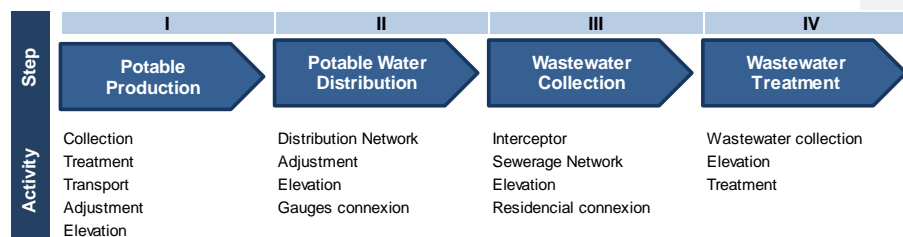
Aguas Andinas is the leading sanitation company operating in Chile, serving approximately over 6.7 million inhabitants in the Metropolitan Region, with a concession area of about 70,000 hectares. Together, it serves over 740,000 inhabitants in regions X and XIV, in a concession area that covers the 67,000 hectares.

The table below summarizes the companies and urban populations served by the Aguas Andinas Group.

Region	Company	Estimated Urban Population	Potable Water		Sewage Treatment	
			Pop. Served	Coverage	Pop Treated	Coverage
RM	Aguas Andinas	6,232,122	6,232,107	100.00%	6,152,010	98.71%
RM	Aguas Cordillera	426,345	426,339	100.00%	421,147	98.78%
RM	Aguas Manquehue	50,984	50,984	100.00%	50,657	99.36%
X	Essal	620,114	620,082	99.99%	592,630	95.57%
XIV	Essal	120,025	120,013	100.00%	110,379	91.96%

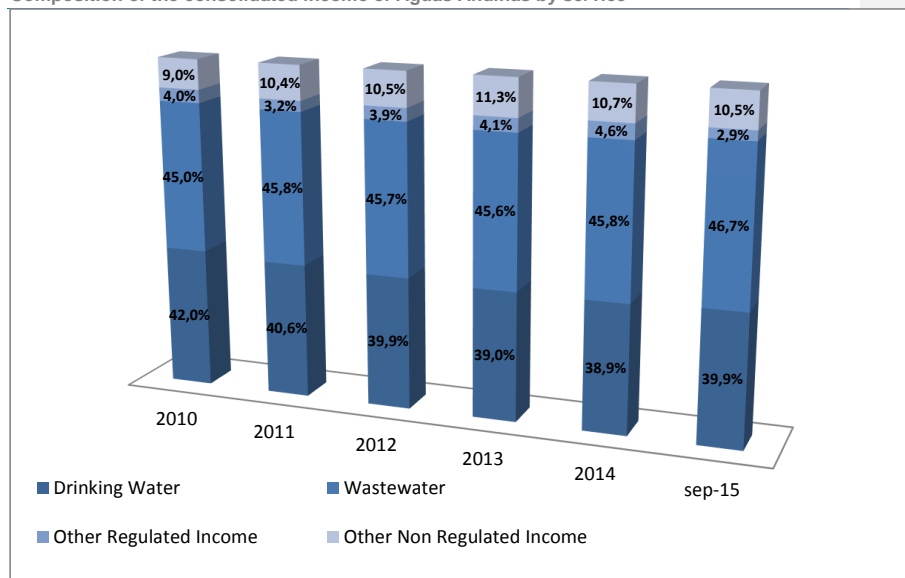
Source: Superintendence of Sanitation Services 2014 Management Report

Aguas Andinas participates in all stages of the water cycle: production and distribution of potable water, collection, treatment and disposal of sewage. The activities developed in each of these stages are listed below:





Graph N°7:  
Composition of the consolidated income of Aguas Andinas by service



Source: Aguas Andinas September 2015

#### a. Potable water production and distribution

This service includes the processes required to convert the raw water collected into potable water, delivering it to the distribution points that regulate the supply to end customers who demand it.

As of September 30, 2015, this activity represented 39.9% of consolidated operating income of Aguas Andinas, reaching CLP\$138,501 million.

#### Production of potable water

##### Main Assets

The main assets held by Aguas Andinas to provide the service of producing potable water are composed, primarily, of water use rights, catchment facilities, and facilities for potable water production.

The water use rights are essential for obtaining raw water from various sources, whether these are surface water or groundwater sources. For this reason, the Aguas Group currently holds water rights that ensure availability of raw water to supply its customers.

The potable water production process includes raw water intake from different surface or underground sources, through a network of outlets, canals, pipelines and drilling of the Company, which extract raw water directly from the source and transfer it to production facilities to produce potable water.

Finally, in the production facilities raw water is received and the necessary procedures are done to turn it into potable water, delivering water to the distribution network that is ready for consumption. The following table shows the main production installations for potable water and their characteristics.

Major Production Facilities Water Potable water Group

	Canel Vizcach Vizcachit Ing. A.	Quebrada de Quebrada de La	<b>Approx. total capacity</b> <b>20,65 m<sup>3</sup>/s</b>
	Arrayá La Padre San	Lo Gallo Vitacura El Sendero Montecasino	<b>Approx. total capacity</b> <b>2,65 m<sup>3</sup>/s</b>
	Punta de		<b>Approx. total capacity</b> <b>0,30 m<sup>3</sup>/s</b>
			<b>Approx. total capacity</b> <b>1,64 m<sup>3</sup>/s</b>

Source: Aguas Andinas. Does not include underground catchments

Resource Sources

The Maipo River is the primary source of water resources for Aguas Andinas. This source is characterized by high seasonal variations in flow levels, for which the Company utilizes the "El Yeso" reservoir, in order to regularize the hydrological regime in the Metropolitan Region and be able to regularly meet the demand for potable water and optimize its utilization.

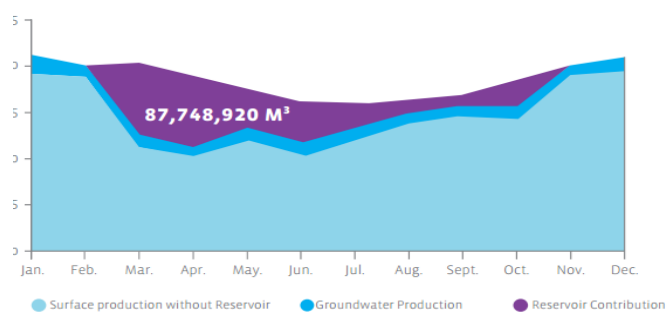
With an operating reserve capacity 220 million cubic meters, the reservoir allows for adjusting the contribution from surface sources, both in times of drought and high turbidity events, ensuring the production of potable water for our customers.

In the following chart can be seen the respective inputs from different sources, which demonstrates the stabilizing effect of the El Yeso reservoir.

Graph N°8:

Input of the El Yeso reservoir to the production of potable water in Greater Santiago for the year 2014

**EL YESO RESERVOIR'S CONTRIBUTION TO GRAN SANTIAGO'S PRODUCTION**



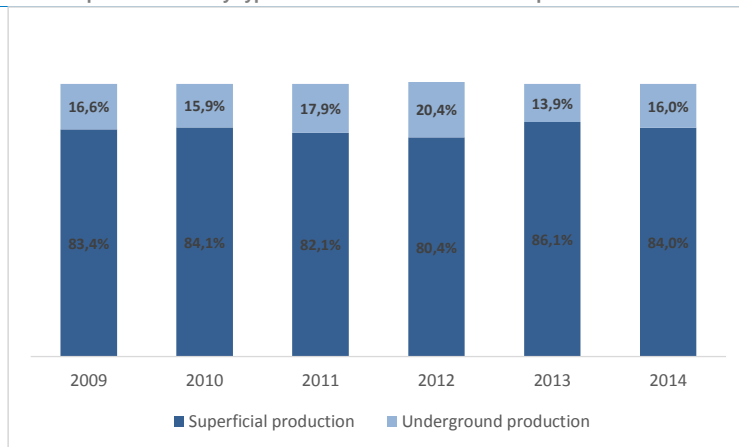
Source: Aguas Andinas December 2014

During 2014, total production of potable water was 801.9 million m<sup>3</sup>, of which 645 million m<sup>3</sup> correspond to surface water and 156.9 million m<sup>3</sup> to groundwater.

The Grupo Aguas currently has a total production capacity of 37.7 m<sup>3</sup> per second, 33.4 m<sup>3</sup> per second in Greater Santiago and 4.3 m<sup>3</sup> per second in the regions X and XIV.

The evolution of the production of surface and groundwater sources over the last five years can be seen in the following graph:

Graph N°9:  
Production of potable water by type of source for the 2009 - 2014 period



Source: Aguas Andinas December 2015

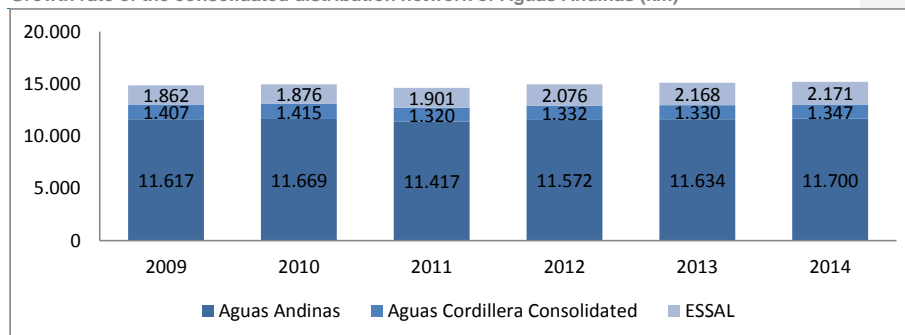
#### b. Distribution of potable water

This section includes the process of storage, regulation and distribution of potable water produced from potable water facilities, through the potable water systems, to the consumption points.

##### Main Assets

The main asset owned by the Grupo Aguas to provide distribution services of its potable water is its network of pipelines. The Aguas Andinas consolidated network totaled 15,218 km. through December 2014.

Graph N°10:  
Growth rate of the consolidated distribution network of Aguas Andinas (km)

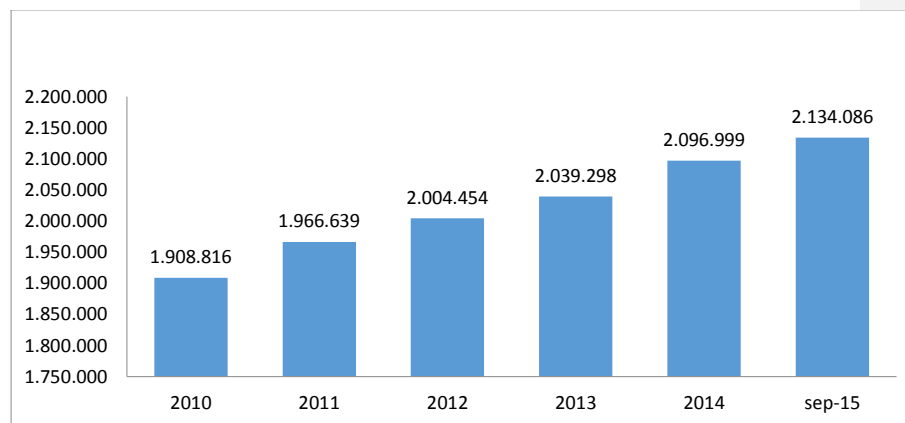


Source: Superintendence of Sanitation Services 2014 Management Report  
Nota: Aguas Cordillera Consolidated includes Aguas Manquehue

Moreover, the customer base for potable water has shown growth between September 2014 and September 2015 of 2.5%, mainly due to the natural growth of the population.

Through September 2015, the potable water customers of Grupo Aguas amounted to 2,134,086, including ESSAL customers.

Graph N°11:  
Growth in number of potable water clients of Aguas Andinas at consolidated level through September 2015



Source: Aguas Andinas September 2015

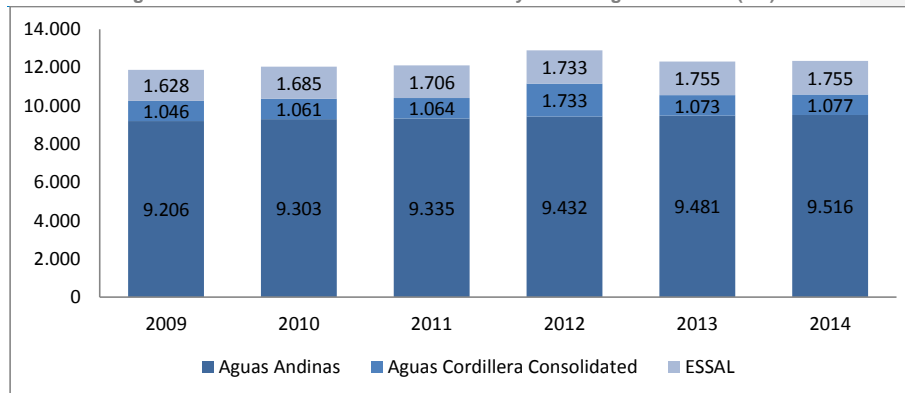
### c. Wastewater collection

This section relates to the processes of collecting already-used water, with domestic and industrial characteristics, from the properties of each customer and to deliver them gravitationally and/or by discharge to treatment plants or to the final disposal point.

#### Main Assets

The main asset of the Grupo Aguas to carry out the collection of wastewater is its sewer system. This system reached an approximate length of 12,348 km through December 2014.

Graph N°12:  
Consolidated growth rate of the consolidated collection system of Aguas Andinas (km)

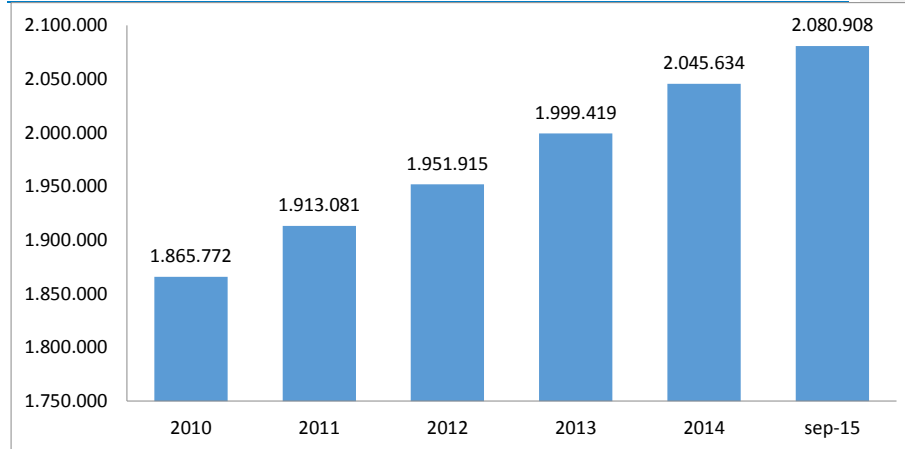


Source: Superintendence of Sanitation Services 2014 Management Report  
Note: Aguas Cordillera Consolidated includes Aguas Manquehue

Moreover, the customer base for sewage collection has shown growth over the period September 2014 to September 2015 of 2.5%, due primarily to the natural growth of the population.

Through September 2015, collection services totaled 2,080,908 customers of Grupo Aguas, including ESSAL customers.

Graph N°13:  
Growth in number of clients for sewage collection at the consolidated level (thousands)



Source: Aguas Andinas September 2015

#### d. Treatment and disposal of sewage

The collected waters, via the sewage system, are treated in sewage treatment plants, so as to eliminate excess pollution according to the respective legislation by different processes. Subsequently, the treated water is returned to the natural channels.

In early 2000, as a result of the definition of the development plan established jointly with the SISS, Aguas Andinas began a wastewater treatment plan, an initiative that involves one of the largest environmental investments in the country and has greatly improved the quality of life of the inhabitants of the Santiago watershed.

The El Trebal wastewater treatment plant and the Maipú and Maipo - San Bernardo interceptors provide the Company with a treatment capacity of 4.4 m<sup>3</sup>/s, with a peak up to 7.5 m<sup>3</sup>/ sec.

The La Farfana wastewater treatment plant, in operation since September 2003, is designed to treat an average flow of 8.8 m<sup>3</sup>/s, with peak of 15.0 m<sup>3</sup>/s.

The last major step in consolidation came at the end of 2012 to successfully complete construction of the Mapocho wastewater treatment plant. This installation, which constitutes the most modern treatment plant in the country, involved a total investment of US\$ 230 million, and permitted the completion of the Water Sanitation Plan for the Santiago Watershed, achieving 100% sanitation of wastewater in the Metropolitan Region, which ranks Santiago among the cities with the highest levels of decontamination of collected sewage collected. The plant added a capacity of 2.2 m<sup>3</sup>/s, with a peak of 3.75 m<sup>3</sup>/s, expandable in the second phase to 4.4m<sup>3</sup>/s, and in the third phase to 6.6 m<sup>3</sup>/sec.

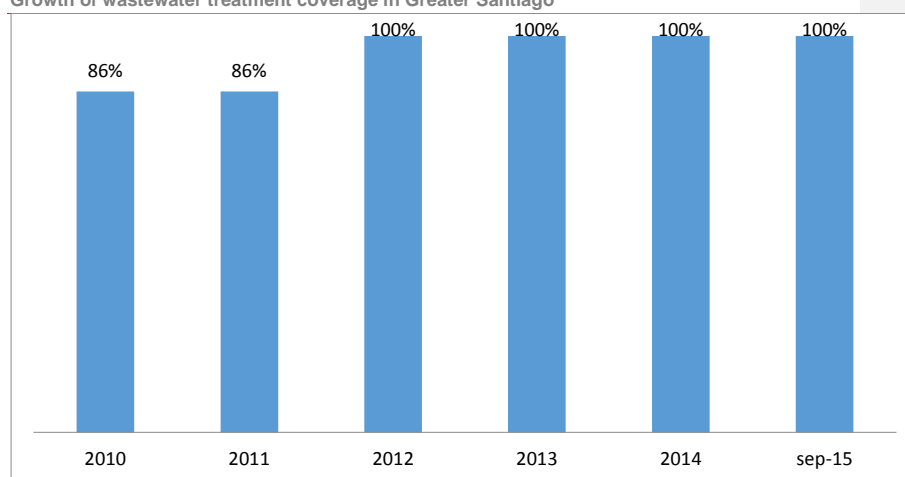
In 2015 the fourth phase of the Mapocho wastewater treatment plant began, which added capacity that will add an additional capacity of 2.2 m<sup>3</sup>/sec to reach 8.8 m<sup>3</sup>/sec. The fourth phase is expected to be completed in 2017.

Meanwhile, Essal has 29 wastewater treatment systems that contribute to sanitation for the X and XIV regions.

As of September 2015, this activity, which also includes wastewater collection, represented 46.7% of consolidated revenues for Aguas Andinas, reaching CLP\$162,029 million.

The growth of wastewater treatment coverage obtained through implementation of the Sanitation Plan up through the current date is shown below.

Graph N°14:  
Growth of wastewater treatment coverage in Greater Santiago



Source: Superintendence of Sanitation Services 2014 Management Report and Aguas Andinas September 2015

The Mapocho Wastewater Treatment Plant achieved 100% sanitation for sewage in the Metropolitan Region.

#### **d. Wastewater Interconnection**

This service includes delivering wastewater through collectors and interceptors to the El Trebal and La Farfana treatment plants and their final disposal, once treated, into surface channels. The service is provided by Aguas Andinas to licensees in Greater Santiago that do not have a concession for wastewater disposal: Aguas Cordillera, Aguas Manquehue, SMAPA and Aguas Santiago.

#### **e. Business Segments**

Grupo Aguas, composed for this purpose of the Company and each of its subsidiaries, reveals information by segment in accordance with NIIF N°8, Operating Segments that sets the standards for reporting operation segments and related disclosures for products and services.

Operating segments are defined as components of an entity for which separate financial information exists that are regularly used by Management for decision making, such as allocating resources and assessing performance.



Grupo Aguas manages and measures performance of its operations by business segment. The operation segments reported internally are:

- Operations related to the sanitation business (**Water Segment**).
- Operations unrelated to the sanitation business (**Non-Water Segment**).

**Description of types of products and services that provide normal revenues for each segment**

The Water Segment only includes sanitation services that enable the delivery of products and services of production, distribution of potable water with the collection and treatment of wastewater are involved. In this segment they are classified Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Empresa de Servicios Sanitarios de Los Lagos S.A.

The Non-Water Segment includes services relating to environmental analysis, treatment of industrial waste (Riles) and integrated engineering services, such as sales of products related to sanitation services and energy projects. The subsidiaries included are Ecoriles S.A., Análisis Ambientales S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A.

**Overview of results, assets and liabilities (sept 2014 – sept 2015)**

Totals for general information on results	09-30-2015		09-30-2014	
	Water M\$	Non-Water M\$	Water M\$	Non-Water M\$
Income from ordinary activities from external customers	327,871,161	18,813,511	300,573,742	17,693,830
Income from ordinary activities within segments	919,075	2,806,412	823,223	2,479,439
Operation expenses	-127,948,448	-17,744,707	-110,779,076	-17,168,416
Depreciation and amortization	-50,802,727	-414,423	-48,790,089	-386,541
Other income and expenses	155,573	466	158,114	1,455
Financial income	3,817,842	556,342	3,623,728	507,269
Financial costs	-21,164,388	-12,341	-23,581,225	-13,579
Results for indexed units and exchange differences	-18,218,436	8,417	-22,849,019	8,211
Income tax expenditures	-22,765,648	-756,545	-17,757,545	-471,584
<b>Segment profits</b>	<b>91,864,004</b>	<b>3,257,132</b>	<b>81,421,853</b>	<b>2,650,084</b>
<b>Segment of profits attributable to owners of the parent</b>	<b>89,557,504</b>	<b>3,257,132</b>	<b>78,750,685</b>	<b>2,650,084</b>
Profit (loss) of the segment attributable to non-controlling interests	2,306,500	0	2,671,168	0

Totals for general information about assets, liabilities and equity	30-09-2015		31-12-2014	
	Water M\$	Non-Water M\$	Water M\$	Non-Water M\$
Current Assets	124,557,309	15,112,287	113,014,717	16,881,894
Non-Current Assets	1,481,906,899	10,897,197	1,468,639,445	10,804,367
<b>Total Assets</b>	<b>1,606,464,208</b>	<b>26,009,484</b>	<b>1,581,654,162</b>	<b>27,686,261</b>
Current liabilities	162,764,655	5,368,903	173,601,032	5,773,341
Non-Current liabilities	786,493,760	83,215	763,457,626	110,653
Equity attributable to owners of the parent	602,454,310	20,557,366	588,961,352	21,802,267
Non-controlling interest	54,751,483	0	55,634,152	0
<b>Total Equity and Liabilities</b>	<b>1,606,464,208</b>	<b>26,009,484</b>	<b>1,581,654,162</b>	<b>27,686,261</b>

Total about general information on results	09-30-2015		09-30-2014	
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Income from ordinary activities within segments	919,075	2,806,412	823,223	2,479,439
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Depreciation and amortization	-50,802,727	-414,423	-48,790,089	-386,541
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<b>Segment profits attributable to owners of the parent</b>	<b>89,557,504</b>	<b>3,257,132</b>	<b>78,750,685</b>	<b>2,650,084</b>
Profit (loss) of the segment attributable to non-controlling interests	2,306,500	0	2,671,168	0

Total about general information on assets, liabilities and equity	30-09-2015		31-12-2014	
	Agua M\$	No Agua M\$	Agua M\$	No Agua M\$
Current assets	124,557,309	15,112,287	113,014,717	16,881,894
Non-Current Assets	1,481,906,899	10,897,197	1,468,639,445	10,804,367
<b>Total Assets</b>	<b>1,606,464,208</b>	<b>26,009,484</b>	<b>1,581,654,162</b>	<b>27,686,261</b>
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The Non-Water Segment includes services relating to environmental analysis, treatment of industrial waste (Riles) and integrated engineering services, such as sales of products related to sanitation services and energy projects. The subsidiaries included in this segment are Ecoriles S.A., Análisis Ambientales S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A.

#### **Reasons for variations produced between periods (12-31-2014/09-30-2015)**

##### **Assets**

Total consolidated assets of Aguas Andinas as of September 30, 2015 showed an increase of 1.3% compared to December 31, 2014, growing from MM\$1,606,472 to MM\$1,626,632.

Current assets increased by MM\$7,051, mainly due to an increase in accounts receivable from related companies of MM\$5,442, which was mainly due to payments for advance works for the extension of the fourth phase of the El Trebal-Mapocho Treatment Plant Sewage Trebal-Mapocho to Degrémont S.A.

Non-current assets increased by MM\$13,109 mainly due to new investments in this period.

##### **Liabilities and Equity**

Liabilities through September 2015 increased by MM\$8,795 compared to December 2014.

Current liabilities decreased by MM\$14,214 (8.1%). This variation was mainly due to the distribution of interim dividends held in January 2015.

Non-current liabilities showed an increase of MM\$23,009 (3.0%). The main variations corresponded to a debt increase of reimbursable financial contributions of MM\$15,779, along with a larger obligation for long-term bonds of MM\$12,995 due to the revaluation of debt in UFs and the issuance of Series X bonds in April 2015.

Total assets increased by MM\$11,365 and net assets attributable to assets owned by the controlling equity increased by MM\$12,248, mainly due to profits generated in the third quarter of 2015, offset by the distribution of dividends corresponding to fiscal year 2014.

##### **Significant Items of Income and Expenses by segment**

Significant items of standard income and expenses are mainly those related to the activity of the segment. Moreover, there are significant expense amounts related to depreciation, personnel and other expenses, including relevant outsourced services.

Revenues of the Company are principally derived from regulated services related to the production and distribution of potable water, collection, treatment and disposal of sewage and other regulated services (including charges related to disconnection and reconnection of supply, monitoring of liquid industrial waste discharges, and fixed costs).

##### **Details of significant revenue items**

##### **Water Segment**

Significant items of ordinary revenues are mainly those related to the business activity of drinking and wastewater, i.e., income from sale of water, consumption, variable charges, fixed charges, sewage services, use of collector and wastewater treatment. It is also possible to identify revenues from sales of fixed assets.

The most important factor in determining the results of operations of the Company and its financial position corresponds to the rates set for regulated sales and services. As regulated businesses, Aguas Andinas and its sanitation services subsidiaries are regulated by the SISS and their rates are set in accordance with Sanitary Services Tariffs Law N°70 of 1988.

The rate levels are reviewed every five years and, during that period, are subject to additional adjustments linked to a polynomial index, which is applied when the accumulated variation since the previous adjustment is 3.0% or higher, according to calculations made according to various inflation indices.

Specifically, the adjustments are applied based on a formula that includes the Consumer Price Index, the Wholesale Price Index for Imported Industrial Goods, and the Wholesale Price Index for National Industrial Goods, all measured by Chile's National Statistics Institute. In addition, rates are subject to adjustment to reflect additional services previously authorized by the SISS.

#### **Non-Water Segment**

The significant items of ordinary revenues are mainly those related to the activity of the segment and are closely related to the core business of each subsidiary, involving the sale of materials to third parties, revenues for operation of liquid industrial waste treatment plants; and income from services and analysis of drinking and wastewater.

#### **Details of significant expense items**

##### **Water Segment**

The significant expense items are mainly those related to salaries, Electric Power, Operation of Wastewater Treatment Plant, depreciation of real estate and property, financial interest expenses, and income tax on profits.

##### **Non-Water Segment**

The significant items of expenses are mainly those related to salaries, cost of materials for sale, and income tax on profits.

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

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

The accounting criteria relates to the accounting of economic events in which rights and obligations arise, and in the same sense that arise out of economic relations with third parties. What is unique is that these records will generate committed balances in an account of assets and liabilities according to the spirit of the transaction in each company involved, according to the segment in which it participates. These accounts, called Accounts Receivable or Payable to Related companies, should be netted when consolidating financial statements according to the rules of consolidation explained in NIC 27.

There are no differences in the nature of measuring the results, since according to the standard there are no accounting policies that show different criteria for assigning costs or similar items.

Reconciliation of income from ordinary activities	09-30-2015	09-30-2014
	M\$	M\$
Income from ordinary activities of the segments	350,410,159	321,570,234
Elimination from ordinary activities between segments	-3,725,487	-3,302,662
<b>Revenue from ordinary activities</b>	<b>346,684,672</b>	<b>318,267,572</b>
Reconciliation of profit	09-30-2015	09-30-2014
	M\$	M\$
Consolidation of profit (loss) totals for all segments	95,121,136	84,071,939
Consolidation of elimination of profit (loss) between segments	-2,306,500	-2,671,168
<b>Consolidation of profit (loss)</b>	<b>92,814,636</b>	<b>81,400,771</b>

Reconciliation of assets, liabilities and equity of segments	09-30-2015	12-31-2014
	M\$	M\$
<b>Reconciliation of assets</b>		
Consolidation of total assets of segments	1,632,473,692	1,609,340,423
Elimination of accounts between segments	-5,841,677	-2,868,797
<b>Total Assets</b>	<b>1,626,632,015</b>	<b>1,606,471,626</b>
<b>Reconciliation of liabilities</b>		
Consolidation of total liabilities of segments	954,710,534	942,942,652
Elimination of accounts between segments	-5,841,680	-2,868,797
<b>Total Liabilities</b>	<b>948,868,854</b>	<b>940,073,855</b>
<b>Reconciliation of equity</b>		
Consolidation of total equity of segments	623,011,678	610,763,619
Equity attributable to owners of the parent company	623,011,678	610,763,619

## **Main Clients**

### **Water Division**

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

### **Non-Water Division**

- Papeles Cordillera S.A
- Soprole S.A
- Cobra Chile Servicios S.A
- Cervecera CCU Chile Ltda.
- Inmob. Nueva Pacífico
- Constructora Perez y Gomez
- Cartulinas CMPC.
- Nestle Chile S.A
- Watts
- Coop. Agrícola y Lechera

## Product types in Water and Non-Water Segments:

### Water Segment

The types of products and services for the Water Segment are:

- Production and distribution of potable water.
- Sewage collection and treatment.

### Non-Water Segment

The types of products and services for the Non-Water Segment are:

- Service of *outsourcing* for industrial waste treatment plant operations and treatment of excess organic load (Ecoriles S.A.).
- Physical, chemical and biological analysis of water, air and solids (Anam S.A.).
- Integral engineering services and sale of products such as pipes, valves, taps and other related products (Gestión y Servicios S.A.).
- Energy projects (Aguas del Maipo S.A.).

### Current Tariffs

The most important factor in determining the results of operations of Aguas Andinas and its financial position are the tariffs set for our regulated sales and services. As a sanitation company we are regulated by the SISS and our tariffs are set in accordance with Sanitation Services Tariffs Law D.F.L. N°70 of 1988.

The tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to a polynomial index, which is applied when the accumulated variation since the previous adjustment is 3.0% or higher, according to calculations made according to various inflation indices. Specifically, the adjustments are applied based on a formula that includes the Consumer Price Index, the Index of Prices of Imported Goods in the Manufacturing Sector, and the Manufacturing Producer Price Index, all measured by Chile's National Institute of Statistics.

In November 2014, Aguas Andinas and the Superintendence of Sanitary Services (SISS) reached an agreement on the tariff-setting process for public potable water and wastewater for 2015-2020. This agreement defines the tariff scenario for the next five years, at the same time contemplating tariffs for the start-up of new security works to increase the continuity and quality of its services in event of extreme turbidity or power outages, and the start-up of works designed to improve the quality of treated wastewater. In turn, Aguas Manquehue and Aguas Cordillera also concluded their tariff-setting processes and reached an agreement with the SISS in November 2014.

Current tariffs for Aguas Andinas for the 2015-2020 were approved by Decree N° 83 dated June 05, 2015, Ministry of Economy, Fomento and Reconstruction, and went into effect on March 1, 2015 (published in the Official Gazette on September 3, 2015). Meanwhile the current tariffs of Aguas Cordillera S.A. and Aguas Manquehue S.A. for the 2015-2020 period were approved by Decree N°152 and N°139, respectively, and published in the Official Gazette on November 25, 2015.

Meanwhile, the Empresa de Servicios Sanitarios de Los Lagos S.A. (Essal S.A.) completed its tariff negotiation in 2011, for the 2011-2016 five-year period. The tariffs for Essal S.A. were approved by Decree N°116 dated August 31, 2011.



For Essal SA, the relevant dates of the tariff-setting process have been published. Base observations were made in August 2015, historical data tables were submitted on October 28, 2015, and the exchange of studies will be take place March 8, 2016, leading up to the new decree on September 12, 2016.

The following tables present the value of the bills for the provision of sanitation services, which the sanitation companies of Grupo Aguas issue to their customers (Peak Period, \$, including VAT):

Aguas Andinas			
	20 m <sup>3</sup>	40 m <sup>3</sup>	60 m <sup>3</sup>
Potable water	7,283	13,954	33,513
Sewage Collection	5,603	11,205	16,808
Wastewater Treatment	3,561	7,123	10,684
<b>Totals</b>	<b>16,447</b>	<b>32,282</b>	<b>61,005</b>

Aguas Cordillera			
	20 m <sup>3</sup>	40 m <sup>3</sup>	60 m <sup>3</sup>
Potable water	10,183	19,391	28,598
Sewage Collection	3,658	7,316	10,973
Wastewater Treatment	3,674	7,348	11,022
<b>Totals</b>	<b>17,515</b>	<b>34,055</b>	<b>50,593</b>

Aguas Manquehue			
	20 m <sup>3</sup>	40 m <sup>3</sup>	60 m <sup>3</sup>
Potable water	15,408	29,076	42,745
Sewage Collection	2,343	4,687	7,030
Wastewater Treatment	3,674	7,348	11,022
<b>Totals</b>	<b>21,425</b>	<b>41,111</b>	<b>60,797</b>

Essal			
	20 m <sup>3</sup>	40 m <sup>3</sup>	60 m <sup>3</sup>
Potable water	12,173	23,638	35,103
Sewage Collection	11,403	22,807	34,210
Wastewater Treatment	7,061	14,122	21,183
<b>Totals</b>	<b>30,638</b>	<b>60,567</b>	<b>90,497</b>

Source: Aguas Andinas September 2015

Note 1: The Potable water item considers fixed charges to customers

Note 2: The Sewage Collection item is considered part of the interconnection service with Aguas Andinas for the cases of Aguas Cordillera and Aguas Manquehue

Note 3: Essal rates correspond to the flat rate for rate group 2, localities of Puerto Montt, Puerto Varas, Llanquihue, Frutillar, Ancud, La Unión and Futaleufú

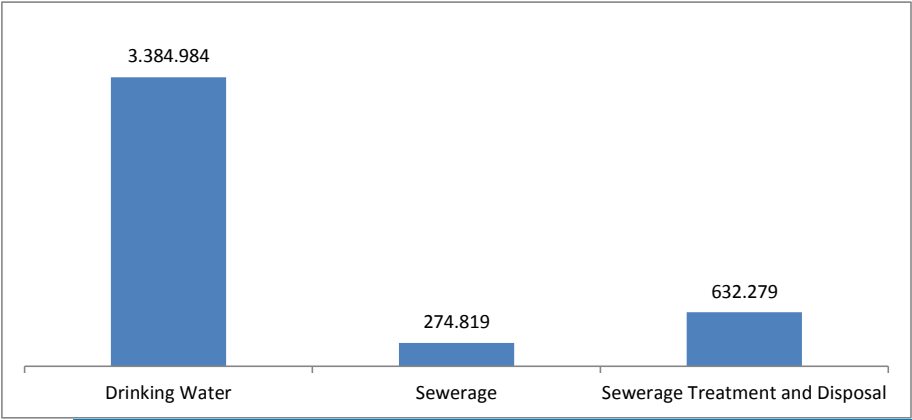
**Investment Plan**

As a result of the Development Plan approved by the SISS, Aguas Andinas has committed significant financial resources in its Investment Plan to develop during the 2015-2025 period.

In total, the amount currently committed to the Development Plan for investments in that period is UF 4.3 million and, as seen in the chart below, an important part of these resources will be allocated to the Potable water item.

Following supply disruptions, resulting from force majeure events that occurred in the months of January and February 2013, a new infrastructure investment plan was presented to the SISS in April 2013 to assess whether it is necessary to make additional investments. Based on the study submitted by the Company, on October 15, 2013 the SISS recommended the construction of a raw water tank of 1,500,000 m3. With this work, plus security works that already exist and are underway, Greater Santiago would gain about 32 hours of autonomy.

Graph N°15:  
Aguas Andinas Consolidated Development Plan committed before the SISS for the 2015-2025 period (UF)

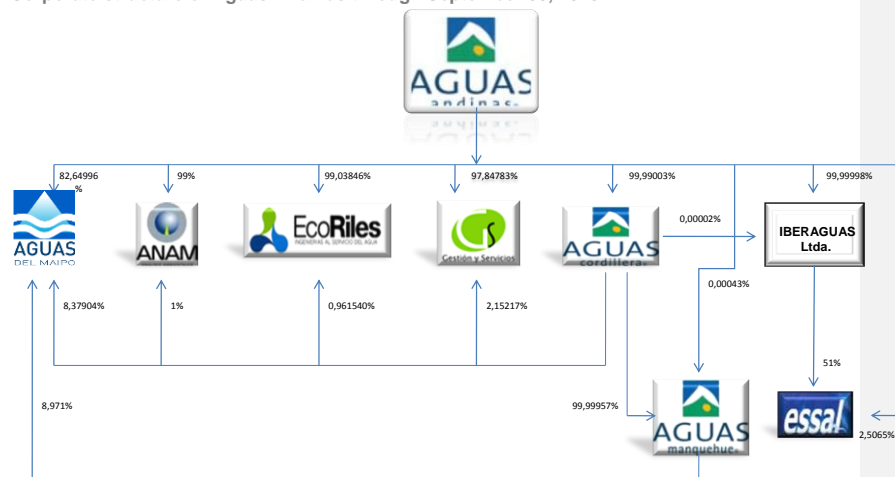


Source: Superintendence of Sanitation Services 2014 Management Report  
Notes: Excludes un-committed investments that are necessary to ensure the quality of services, nor investments for renewal of assets such as: network infrastructure and other investments, information systems, remote controle systems and purchase of water rights.

## Corporate Structure

Figure N°2

Corporate structure of Aguas Andinas through September 30, 2015



Source: Aguas Andinas September 2015

In 2000, Aguas Andinas acquired 100% of Aguas Cordillera and 50% of Aguas Manquehue. Between 2000 and 2001, the companies Gestión y Servicios, Ecoriles and Análisis Ambientales were formed. Gestión y Servicios currently operates in the market for sale of materials and equipment for maintenance, renovation and construction works for drinking and sewage water. Análisis Ambientales provides analytical services for water, liquid waste, soil and sludge. Ecoriles participates in the market of services for the management of industrial wastewater (Riles).

In January 2002, Aguas Andinas acquired the remaining 50% ownership of Aguas Manquehue. Thus Aguas Andinas consolidated itself as the leading sanitation services provider for the Metropolitan Region, leading the group of companies that form Grupo Aguas.

During the first quarter of 2008, Aguas Andinas announced an agreement to acquire Inversiones Iberaguas Limitada, which controls 51% of Essal, a company which operates in the X Los Lagos and XIV Los Rios Regions, the acquisition of which was finalized on July 10, 2008. In addition, on June 17, 2008, the Company made a Tender Offer of shares for 100% of the shares of Essal, declaring it successful on July 10, 2008 and which result was the acquisition of an additional 2.5% ownership of Essal.

## Controlling Group

On June 7, 2010, Suez Environnement Company S.A. (Suez) indirectly acquired 75.35% of total shares issued by Sociedad General de Aguas de Barcelona, S.A (Agbar), through which through various subsidiaries controls 56.5% of Inversiones Aguas Metropolitanas S.A., which, in turn, is owner of 50.1% of Aguas Andinas. On September 17, 2014, Suez indirectly acquired 24.14% of total shares issued by Agbar, leading it to hold 99.49% of the shares. Later, in 2015, Suez acquired the remaining percentage of the shares of Agbar. Thus, Suez is the controller of Aguas Andinas.

#### Suez S.A

Suez is a group of Franco-Belgian origin with over 120 years experience in the development of continuous advancements to improve the quality of life of people. With more than 80,000 employees and a worldwide presence, it is a world leader dedicated exclusively to water and waste management services.

Suez has been distinguished for promoting numerous initiatives for the more efficient management of natural resources, emphasizing the development of specialized technology for waste recycling and reuse of wastewater.

#### Sociedad General de Aguas de Barcelona, SA

Agbar, in business for more than 145 years, is the head of a group of over 150 companies with over 16,000 employees. Agbar is one of the major world experts in processes related to water management.

In Spain, Agbar serves 14 million people in over a thousand municipalities and in the world, more than 26 million users in several countries, including Chile, United Kingdom, Mexico, Cuba, Colombia, Algeria, Peru, Brazil, Turkey and the U.S.

The Agbar Group is a world leader in the integrated management of the water cycle. Its ongoing investment in research and the extensive experience of its partners in the management of operations in Spain and internationally, has enabled it to become one of the leading suppliers worldwide of know-how and new technologies associated with managing the complete water cycle.

The Agbar Group supports a business philosophy of a firm commitment to the continuous improvement of its processes, excellent quality, technological innovation, adaptability to new demands from society, and sound and efficient financial management, generating value for its customers and shareholders.

#### **Expected Trend**

The Company's bylaws state that it shall exclusively aim to produce and distribute potable water; collect, treat and dispose of wastewater and perform other services related to such activities, in the form and conditions established by Decree Law N°382 of 1988, General Sanitation Services Act, and other regulations that apply.

In accordance with the foregoing, the Company will continue to operate in the Chilean sanitation sector, whose characteristic stability has allowed it to successfully meet market cycles. It is expected that these activities will continue to be the main source of income of the Company.

## **2.2 Risk factors**

### **New investments**

Aguas Andinas should face a major investment plan in order to comply with the development plans committed to with the SISS. This implies a major effort of economic, administrative and technical resources for the implementation and control of investments.

This risk is mitigated by the fact that the rates incorporate new investments, ensuring them a minimum return. Additionally, the experience of the controlling group ensures the know-how necessary to carry out required investment plans.

### **Regulated Market**

The sanitation services industry is highly regulated due to its monopoly status, and as a result is exposed to changes in established regulations. The current legal framework regulates both the exploitation of concessions and the rates charged to customers, which are determined every five years. While the mechanism is based on technical criteria, there can be differences between the studies presented by the Company and the SISS, which when not in agreement must be resolved by a commission of experts composed of representatives of each of the parties.

Throughout 2014 the sixth rate-setting process of Aguas Andinas was developed, which ended in November 2014 with an agreement reached between Aguas Andinas and the SISS that establishes a clear rate-setting scenario for the period from March 2015 to February 2020. In addition, fees for the aforementioned five-year period were fixed for Aguas Manquehue for the period between May 2015 and April 2020, and for Aguas Cordillera for the period between June 2015 and May 2020. For Essal, current tariffs are for the period from September 2011 to August 2016.

### **Weather conditions**

Adverse weather conditions can possibly affect the optimum delivery of sanitation services because the processes of capturing and producing potable water depend greatly on weather conditions that develop in the watersheds. Factors such as weather precipitation (snow, hail, rain, fog), temperature, humidity, sediment, flow and turbidity levels of the rivers, all determine the quantity, quality and continuity of raw water available at each possible intake to treat in a potable water treatment plant.

Currently, Aguas Andinas has a production capacity and water rights that exceed the system demand. In addition, the Company has the human and technical capabilities and mitigation plans to cope with critical situations. After the turbidity episodes in the summer of 2013, Aguas Andinas reached an agreement with the SISS in which Aguas Andinas has incorporated security works in two phases. The first phase, which was completed in the first quarter of 2014, involved the construction of seven new wells of 500 liters per second, six storage tanks of potable water with a volume of 225,000 m<sup>3</sup> and a pipeline of 4 m<sup>3</sup>/s to connect the El Yeso reservoir with the Las Vizcachas Plant. The second stage of these security works, which will take place between 2015 and 2018, includes the construction of a raw water pond of 1,500,000 m<sup>3</sup> which will increase the autonomy of the system to 32 hours.

## 2.3 Corporate Governance

Aguas Andinas has several bodies and policies regarding corporate governance.

### Board of Directors

The highest body of governance of Aguas Andinas is the Board of Directors. Its composition, powers and functioning are determined by the bylaws of the Company.

The Board consists of seven members, each of whom has their respective alternate. The current Board was elected for a statutory period of three years, at the 18th Special Shareholders' Meeting held on August 29, 2013, in which their duties were established at the Extraordinary Shareholders' Meeting N° 4/2013 held on that same date, and is composed of the following people:

Name	Position	ID Number
Felipe Larrain Aspillaga	President	6.922.002-9
Josep Bagué Prats		14.709.334-9
Ricardo Escobar Calderón	Vice President	8.483.513-7
Herman Chadwick Piñera	Primary Director	4.975.992-4
Bruno Philippi Irrarrázabal	Primary Director	4.818.243-7
Rodrigo Manubens Moltedo	Primary Director	6.575.050-3
Gonzalo Rojas Vildósola	Primary Director	6.179.689-4
Olivier Jacquier	Alternate Director	Foreign Citizen
Fernando Samaniego Sangroniz	Alternate Director	6.374.438-7
Xavier Amorós Corbella	Alternate Director	23.530.463-5
Lorenzo Bernaldo de Quirós	Alternate Director	Foreign Citizen
Jorge Cosme Sagnier Guimón	Alternate Director	24.394.856-8
Rodrigo Terré Fontbona	Alternate Director	9.011.344-5
Jaime Cuevas Rodríguez	Alternate Director	10.290.120-7

The directors of the Company do not exercise executive positions in the Corporation, and hold office for a period of three years after which the board must be completely renewed. Notwithstanding the foregoing, the Board may be revoked in full before the expiration of its mandate by agreement of the Ordinary and Extraordinary Shareholders' Meeting, in which case it must elect a new Board of Directors. Consequently, there is no individual or collective revocation of one or more directors. In addition, directors may be reelected indefinitely.

### **Committee of Directors**

Under the provisions of Article 50(a) of Law 18,046 on Corporations ("Sociedad Anónimas"), the Company has a Committee of Directors. This committee is currently composed of the following Directors: Mr. Rodrigo Manubens Molledo and Mr. Gonzalo Rojas Vildósola, both in their capacity as independent directors, and by Josep Bagué Prats, in accordance with agreements reached at the Special Board of Directors Meeting N° 4/2013, dated August 29, 2013, held following the 18th Special Shareholders' Meeting held on the same date.

The Committee was established with its new integration in the meeting of September 24, 2013, electing as Chairman of the Committee of Directors the independent director Rodrigo Manubens Molledo. In compliance with Law 18,046 on Corporations and the internal procedures of the Committee, the Committee holds regular meetings once a month and extraordinary meetings whenever required, in order to deal with matters entrusted to it under Article 50(a) of Law 18,046 on Corporations.

### **Management Committee**

The Management Committee is an advisory council of the General Manager, comprised of himself and the eight Corporate Managers of the Company, which meets regularly in order to understand, analyze and discuss the implementation and commissioning of the main activities and operations that form part of the daily management of the Company.

### **Deputy Manager of Internal Auditing and Control**

The Company has a Deputy Manager of Internal Auditing and Control, supervised by the General Manager of the Company, whose mission is to support the administration in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal control and corporate governance processes. The function of the internal auditor is an independent and objective activity, in order to make monitoring and evaluation of the implementation and effectiveness of the administrative, financial, operational and information systems and controls. The system of internal control and risk management provides for this Deputy Manager to conduct scheduled audits, self-assessment procedures, risk testing of approved business procedures, and compliance monitoring of auditing action plans and the internal control letter issued by external auditors.

### **Head of Ethics and the Ethics Committee**

Aguas Andinas has a Code of Ethics, which was approved by the Board of Directors of the Company in December 2012, the main principles of which are: to comply with laws and regulations; to entrench a culture of integrity; to show loyalty and honesty; and to respect all people. Likewise, the Code provides that those principles should apply to shareholders of the Company, to its customers and its competitors, to the local community and to the environment.

The code creates an ethics officer, a position that reports to the Corporate Manager of Communications and Organizational Development, whose role is to implement the Code of Ethics; facilitate, encourage and contribute to the prevention of ethical risk, and should promote professional practices in accordance with the commitments of the Company. In addition, the Company Management Committee is charged with overseeing the rules, procedures and professional bodies for ethical management practices.

## Code of Conduct

As part of the implementation of good corporate governance standards, Aguas Andinas S.A. has a Code of Conduct applicable to the directors of the Company, in connection with the conflicts of interest they may face.

This code contains, among others:

- i) Identification of the main situations that constitute a conflict of interest;
- ii) Mechanisms to prevent conflicts of interest;
- iii) Procedure for declaring conflicts of interest; and
- iv) Method of resolving conflicts of interest.

## Crime Prevention Model

Grupo Andinas has a Crime Prevention Model, certified since 2014, which describes the set of organizational, administrative and monitoring measures through which Grupo Andinas complies with management and supervisory duties conducive to prevent the commission of offenses established under Law N° 20,393.

This model establishes rules, protocols and procedures, as preventive measures of committing crimes, which employees, collaborators and suppliers of Grupo Andinas must all respect. For greater control in applying the model, an officer called the Crime Prevention Officer was appointed to be in charge of ensuring compliance. This approach also provides a channel for external complaints, which began operations in the fourth quarter of 2015.

## Professional Profile of Directors and Senior Executives

### Felipe Larrain Aspillaga President

- Joined Aguas Andinas in November 2000. Between 2004 and 2011 was General Manager of the Company, and became President on July 26, 2011.
- President of the subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A., Aguas del Maipo S.A., Análisis Ambientales S.A., Ecoriles S.A., Empresa de Servicios Sanitarios de Los Lagos S.A., and Gestión y Servicios S.A.
- Also a Director of Inversiones Aguas Metropolitana S.A., Sociedad del Canal de Maipo, Junta de Vigilancia del Río Maipo and Asociación Nacional de Empresas de Servicios Sanitarios A.G. (ANDESS).
- Civil Engineer from Pontificia Universidad Católica de Chile.

### Josep Bagué Prats Vice President

- General Director and Secretary General of AGBAR.
- Director of Aguas Andinas since August 29, 2013.
- President of Inversiones Aguas Metropolitanas S.A. (IAM), parent company of Aguas Andinas.
- Has served as General Manager of Aguas Andinas from 2002 to 2004.
- Economist from Universidad Autónoma de Barcelona, Spain, and studied at IE Business School, Madrid, Spain.



**Bruno Philippi Irrázaval**  
**Director (Regular)**

- Engineer, academic, entrepreneur, researcher, consultant and Chilean business leader.
- Director of Aguas Andinas since April 21, 2010.
- Director of Transelec S.A., Grupo Security S.A. In addition, is member Honorary Council of Center for Public Studies (CEP).
- Has been President of Compañía de Telecomunicaciones de Chile (CTC) and Sociedad de Fomento Fabril (SOFOFA).
- Civil Engineer from Pontificia Universidad Católica, with a Master's in Operations Research and a PhD in economic engineering systems from Stanford University, United States.

**Herman Chadwick Piñera**  
**Director (Regular)**

- Exercises profession freely in the practice of law as a Partner at the law firm Chadwick y Cía., Abogados.
- Director of Aguas Andinas since July 26, 2011.
- Director of Inversiones Aguas Metropolitanas S.A. (IAM), parent company of Aguas Andinas.
- Presidente of the Chile - Spain Business Committee (SOFOFA), Vice President of Intervial Chile S.A., Vice President of Ruta del Maipo Soc. Concesionaria SA, Vice President of Ruta del Maule Soc. Concesionaria SA, Vice President of Bosque Soc. Concesionaria SA, Vice President of Ruta de la Araucanía Soc. Concesionaria SA, Vice President of Ruta de los Ríos Soc. Concesionaria SA, Director of Abengoa Chile S.A..
- Is Effective Councilmember of Sociedad de Fomento Fabril (SOFOFA), Director of Viña Santa Carolina S.A., Councilmember of the Center for Arbitration and Mediation of the Santiago Chamber of Commerce (CAM), and Director of Enersis S.A.
- Member of the Academic Council of Military Research and Investigations (CACEIM), President of Club El Golf 50, and President of Corporación para el Desarrollo de Zapallar
- Attorney from Pontificia Universidad Católica de Chile.

**Ricardo Escobar Calderón**  
**Director (Regular)**

- Lawyer and academic, former Director of Chile's Internal Revenue Service, from 2006 to 2010.
- Director of Aguas Andinas since August 29, 2013.
- Worked at the Foreign Investment Committee and later at Langton Clarke. Afterwards joining the law firm Carey y Cía. as a partner.
- Attorney from Universidad de Chile, with a Master's in Law from the University of California at Berkeley, California, United States.

**Rodrigo Manubens Moltedo**  
**Director (Regular)**

- Director of the Santiago Stock Exchange and Banco de Chile. President of Banchile Seguros de Vida.
- Director of Aguas Andinas since July 26, 2011.
- Has been a member of the Board of Banco de A. Edwards and of Banco O'Higgins. Was also a Director and President of the Board of Endesa Chile S.A.
- Commercial Engineer from Universidad Federico Santa María and Adolfo Ibáñez, with a Master of Science from London School of Economics and Political Science, London, United Kingdom.

**Gonzalo Rojas Vildósola**  
**Director (Regular)**

- Director of Bethia S.A.
- Director of Aguas Andinas since July 26, 2011.
- Commercial Engineer with an MBA from Universidad Adolfo Ibáñez.

**Fernando Samaniego Sangoniz**  
**Director (Alternate)**

- Partner at the law firm Prieto y Cía., directing the litigation and arbitration sections. Additionally, is a member of the Panel of Arbitrators of the Centro de Mediación y Arbitraje of la Cámara de Comercio de Santiago and of the National Arbitration Center.
- Director of Aguas Andinas since August 29, 2013.
- Attorney from Pontificia Universidad Católica de Chile.

**Olivier Jacquier**  
**Director (Alternate)**

- General Manager of Engie Italia and Grecia since October 2015
- Director of Aguas Andinas since August 29, 2013.
- Has been part of the Suez Group (now Engie) since 1999 occupying different roles within the Finance section. Was Sub-Director of Finance and member of the Executive Committee Suez Environment (now Suez) from 2012 to 2014 when named Executive Vice-President and Corporate Finance Manager (CFO) of the global gas and GNL division of GDF Suez (now Engie).
- Studied at the ESCP Europe business school, Paris, France.

**Lorenzo Bernaldo de Quiroz**  
**Director (Alternate)**

- President and partner of Freemarket International Consulting, a Spanish consultancy. Has more than 20 years experience in corporate and institutional consulting for clients in the public, private, national and international sectors in the areas of economic, financial and regulatory policy, foreign affairs, media relations and institutional relations.
- Director of Aguas Andinas since July 26, 2011.
- Has been Director of Economic Research for the Cámara de Comercio e Industria de Madrid, Spain, and Director of Institutional Relations at Confederación Española de Empresas del Metal.

**Xavier Amorós Corbella**  
**Director (Alternate)**

- Risk Director of AGBAR, since June 2013.
- Director of Aguas Andinas since July 26, 2011.
- Director of Inversiones Aguas Metropolitanas S.A. (IAM), parent company of Aguas Andinas.
- Attorney with a law degree from University of Barcelona, Spain, and a Master's degree in Construction and Real Estate Management from Universidad Politécnica of Madrid, Spain.

**Jorge Cosme Sagnier Guimón**  
**Director (Alternate)**

- General Manager of Inversiones Aguas Metropolitanas S.A. (IAM), parent company of Aguas Andinas.
- Director of Aguas Andinas since August 29, 2013.
- Extensive experience within the Agbar Group, including positions as Director of Administration and Management Control, Director of Taxes, Consolidation and Administration, as Director of Treasury and Finance.
- Director of Empresa de Servicios Sanitarios de Los Lagos S.A.
- Holds a degree in Business Administration and an MBA from ESADE Business School, Barcelona, Spain.

**Rodrigo Terré Fontbona**  
**Director (Alternate)**

- Is an engineer, entrepreneur and consultant.
- Director of Aguas Andinas since July 26, 2011.
- Professional career includes business management positions at Luchetti, Inversiones Consolidadas Ltda., Canal 13 S.A., among others.
- Holds a degree in industrial engineering from Universidad de Chile.

- Has been a consultant for FMI and the World Bank for Latin America and Southeast Asia, external advisor to the Ministry of Economy and Finance (2004-2010), economic advisor to the Círculo de Empresarios (2000-1995), director of economic studies at the Cámara de Comercio de Madrid (1994-1989) and economic advisor to the Confederación Española de Empresas del Metal (1988-1982).
- Holds a law degree from Universidad Complutense de Madrid, Spain, and a Ph.D. in economics from the University of St. Andrews, Scotland.

**Jordi Valls Riera**

**General Manager**

- Joined the Company in 2013.
- Has held senior executive positions within AGBAR, including participation as Country Manager for Agbar, UK, and board member of Bristol Water, a sanitation company with over 160 years in the UK.
- Lawyer with a certificate in Senior Business Management from the prestigious business schools IESE and ESADE, Spain.

**Sandra Andreu**

**Corporate Manager for Organization and Human Resources**

- Joined Aguas Andinas in 2015.
- Degree in Civil Engineering from the School of Hydraulics and Mechanics of Grenoble, France, with an MBA in Formation EXPLORER (strategy, project management, marketing, finance, leadership) of GDF Suez University with additional training in Management, Legal, and Personnel Control, among others. Career includes serving in various positions related to water, sanitation and hydraulics with SAFEGE and during 2013 joined Suez Environment as Director of the Office of Water Europe.

**Jaime Cuevas Rodríguez**  
**Director (Alternate)**

- Corporate Administration and Finance Manager at Bethia S.A.
- Director of Aguas Andinas since July 26, 2011.
- Commercial engineer from Universidad de Concepción, with an MBA with mention in Finance from Universidad de Chile and a Master's in Tax Management from Universidad Adolfo Ibáñez.

**Anita Olate Soto**

**Corporate Manager of Communications and Public Affairs**

- Joined the Company in 2013.
- Has worked in various forms of communication and companies, such as Metro S.A. and VTR, where hold the role of Communications Manager.
- Journalist from Universidad Austral.

**Camilo Larraín Sánchez**

**Corporate Legal Affairs Manager**

- Joined the Company in 2000.
- Served as Prosecutor for Aguas Cordillera and attorney for the Enersis Group.
- Is 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.
- Attorney from Universidad Diego Portales with a Master en Law degree from Universidad de Los Andes.

**Jorge Cabot Ple**  
**Corporate Planning, Engineering and**  
**Systems Manager**

- Joined Aguas Andinas in 2015.
- Has 30 years of experience in the sanitation and water engineering sector, including Director of Planning at the Catalan Water Agency, Director of Operations in CLABSA (sewer system of Barcelona), and Director of Sanitation for the Barcelona Metropolitan Area at Aguas Barcelona.
- Civil Engineering degree from Universidad Politécnica de Catalonia, Spain; has also served as associate professor in the University's Department of Hydraulic Engineering and Environment.
- Member of the Urban Drainage Expert Group of UNHABITAT.

**Manuel Baurier Trias**  
**Corporate Operations Manager**

- Joined Aguas Andinas in 2015.
- Industrial Engineer with a degree from Universidad Politécnica de Cataluña, Spain, with an MBA in Company Management (Accounting, Finance, H.R., etc) issues by EAE, an affiliated center of Universidad Politécnica de Cataluña.
- Also completed the Corporate Executive Development Program taught by ESADE.
- Joined the Agbar Group in December 1997 in a professional trajectory that included begin in charge of the Technical Office, Regional Operation Manager, Regional Director and held the role of Territorial Director for Central Cataluña (Sorea-Agbar).

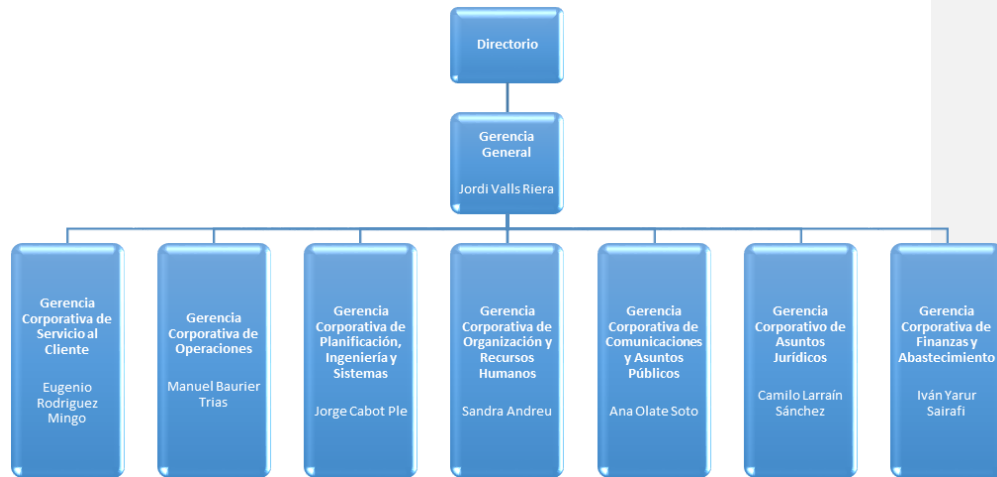
**Eugenio Rodríguez Mingo**  
**Corporate Manager of Customer Services**

- Joined Aguas Andinas in 2005. Has served as Business Development Manager and Antilco Zone Manager, assuming the role of Corporate Manager of Customer Services in March, 2012.
- Before joining Aguas Andinas, was Commercial Manager at Inmobiliaria Piedra Roja and Commercial Manager at Proyecto ENEA, linked to the Enersis Group.
- Holds a degree in commercial engineering from Universidad de Chile.

**Iván Yarur Sairafi**  
**Corporate Manager of Finances and Supply**

- Joined the Company in 2000.
- Between 2011 and 2013, served as General Manager of Inversiones Aguas Metropolitanas S.A. (IAM), parent of Aguas Andinas.
- Is Director of the Sanitation Services Company of Los Lagos S.A.
- Before joining the Company, held various positions at Empresas IANSA.
- Holds a degree in civil industrial engineering from Universidad de Chile and a Master of Science in Accounting and Finance from the London School of Economics and Political Science, London, United Kingdom.

## 2.6 Company Organization Chart



### 3.0 FINANCIAL BACKGROUND

#### 3.1 Consolidated Financial Statements ("IFRS")

What follows is the financial background under the IFRS standard for Aguas Andinas.<sup>2</sup> Figures are expressed in thousands of Chilean pesos. The financial background of the Issuer is available on the website of the Superintendence of Securities and Insurance, [www.svs.cl](http://www.svs.cl).

Comentado [P1]: The Footnote is missing here.

#### 3.2 Consolidated Status of Financial Situation (Thousands of Pesos)

	sep-15	dec-14	dec-13
Total current assets	134,161,833	127,110,555	132,971,507
Total non-current assets	1,492,470,182	1,479,361,071	1,444,739,257
<b>Total Assets</b>	<b>1,626,632,015</b>	<b>1,606,471,626</b>	<b>1,577,710,764</b>
Total current liabilities	162,291,880	176,505,576	220,195,354
Total non-current liabilities	786,576,974	763,568,279	679,846,760
Total equity	677,763,161	666,397,771	677,668,650
<b>Total Equity and Liabilities</b>	<b>1,626,632,015</b>	<b>1,606,471,626</b>	<b>1,577,710,764</b>

#### 3.3 Statement of Comprehensive Income by Consolidated Nature (Thousands of Pesos)

	sep-15	dec-14	dec-13
Revenue from normal activities	346,684,672	440,734,172	403,879,483
Raw and consumable materials utilized	-28,316,666	-30,182,683	-27,416,534
Expenses for employee benefits	-37,283,629	-45,331,445	-40,455,749
Other expenses, by nature	-76,367,374	-91,583,058	-87,474,313
<b>EBITDA</b>	<b>204,717,003</b>	<b>273,636,986</b>	<b>248,532,887</b>

Other gains	156,039	414,486	70,786
Depreciation and amortization	-51,217,150	-66,225,212	-64,704,889
Net Financial costs	-16,802,545	-25,434,921	-21,919,988
Exchange differences	-14,867	-33,929	-2,130
Results by readjustment units	-18,195,152	-34,251,728	-12,955,938
<b>Profit before tax</b>	<b>118,643,328</b>	<b>148,105,682</b>	<b>149,020,727</b>
Expenses for income tax	-23,522,192	-25,045,174	-29,311,608
<b>Profit, attributable to owners of controlling entity</b>	<b>92,814,636</b>	<b>119,422,474</b>	<b>116,675,534</b>
Profit (loss), attributable to non-controlling interests	2,306,500	3,638,034	3,033,585
<b>Profits</b>	<b>95,121,136</b>	<b>123,060,508</b>	<b>119,709,119</b>

#### 3.4 Consolidated Cash Flow Statements (Thousands of Pesos)

	sep-15	dec-14	dec-13
<b>Cash and cash equivalents at beginning of period</b>	<b>26,202,154</b>	<b>38,658,981</b>	<b>35,644,437</b>
Net cash flows from operating activities	168,893,047	204,599,475	204,344,918
Net cash flows utilized in investment activities	-65,038,216	-83,618,734	-
Net cash flows utilized in financing activities	105,941,757	-133,437,568	-82,301,117
<b>Net increase in cash and cash equivalents</b>	<b>-2,086,926</b>	<b>-12,456,827</b>	<b>3,014,544</b>
<b>Cash and cash equivalents at end of period</b>	<b>24,115,228</b>	<b>26,202,154</b>	<b>38,658,981</b>

#### 3.5 Financial Ratios

	sep-15	dec-14	dec-13
Leverage <sup>1</sup>	1.40x	1.41x	1.33x
Financial Leverage <sup>2</sup>	1.19x	1.13x	1.06x
Total Current Liabilities / Total Liabilities <sup>3</sup>	17.10%	18.78%	24.47%
Short-Term Financial Debt / Total Financial Debt <sup>4</sup>	10.27%	7.51%	13.00%

(1) (Total Current Liabilities + Total Liabilities) / Total Equity

(2) (Other Current Financial Liabilities + Other Non-Current Financial Liabilities) / Total Equity

(3) Total Current Liabilities / (Total Current Liabilities + Total Non-Current Liabilities)

(4) Other Current Financial Liabilities / (Other Current Financial Liabilities + Other Non-Current Financial Liabilities)

### 3.6 Preferred Credits

At the date of signing of the Subscription Agreement, the Issuer has no other preferential loans to the Bonds beyond those resulting from the application of the rules contained in Title XLI of Book IV of the Civil Code or special laws.

### 3.7 Restrictions to the Issuer in relation to other creditors

#### Bond Line N° 580 –Series I and J Bonds

Indebtedness Level measured according to the Classified Statement of Financial Situation defined as the ratio of liabilities ("Liabilities, Current, Total" plus "Liabilities, Non-Current Total") and "Net Equity, Total," no more than 1.5 times. Beginning in 2010, the previous limit will be adjusted according to inflation in existence, up to a maximum of 2 times.

To determine the Indebtedness Level in the Classified Financial Information Statements, liabilities of the Issuer will be considered as the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer, and (ii) those issued by subsidiaries of the obligations of the Issuer.

Leverage as of September 30, 2015: 1.40 times.

#### Bond Line N° 629 –Series K Bonds

Leverage measured according to the Classified Statements of Financial Situations defined as the ratio of liabilities ("Liabilities, Current, Total" plus "Liabilities, Non-Current Total") and "Net Equity, Total," no more than 1.5 times. Beginning in 2010, the previous limit will be adjusted according to inflation in existence, up to a maximum of 2 times.

To determine the Leverage in the Classified Financial Information Statements, liabilities of the Issuer will be considered as the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

#### Bond Line N° 630 –Series M Bonds

Leverage measured according to the Classified Statements of Financial Situations defined as the ratio of liabilities ("Liabilities, Current, Total" plus "Liabilities, Non-Current Total") and "Net Equity, Total," no more than 1.5 times. Beginning in 2010, the previous limit will be adjusted according to inflation in existence, up to a maximum of 2 times.

To determine the Leverage in the Classified Financial Information Statements, liabilities of the Issuer will be considered as the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public



institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

Bond Line N° 654 –Series N Bonds

Leverage: As of March 31, 2011, maintain at the close of each quarter of the Financial Statements of the Issuer a debt level no greater than 1.5 times. Beginning in 2010, the previous limit is adjusted according to the ratio between the Consumer Price Index for the month in which the level of debt is calculated and the Consumer Price Index for December 2009. In all cases, the above limit shall be adjusted up to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Current Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

Bond Line N° 655 –Series P and Q Bonds

Leverage: As of March 31, 2011, maintain at the close of each quarter of the Financial Statements of the Issuer a debt level no greater than 1.5 times. Beginning in 2010, the previous limit is adjusted according to the ratio between the Consumer Price Index for the month in which the level of debt is calculated and the Consumer Price Index for December 2009. In all cases, the above limit shall be adjusted up to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

Bond Line N° 712 –Series R Bonds

Leverage: As of March 31, 2011, maintain at the close of each quarter of the Financial Statements of the Issuer a debt level no greater than 1.5 times. Beginning in 2010, the previous limit is adjusted according to the ratio between the Consumer Price Index for the month in which the level of debt is calculated and the Consumer Price Index for December 2009. In all cases, the above limit shall be adjusted up to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

Bond Line N° 713 - Series S Bonds

Leverage: As of March 31, 2011, maintain at the close of each quarter of the Financial Statements of the Issuer a debt level no greater than 1.5 times. Beginning in 2010, the previous limit is adjusted according to the ratio between the Consumer Price Index for the month in which the level of debt is calculated and the Consumer Price Index for December 2009. In all cases, the above limit shall be adjusted up to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

Bond Line N° 713 –Series U Bonds

Leverage: As of March 31, 2011, maintain at the close of each quarter of the Financial Statements of the Issuer a debt level no greater than 1.5 times. Beginning in 2010, the previous limit is adjusted according to the ratio between the Consumer Price Index for the month in which the level of debt is calculated and the Consumer Price Index for December 2009. In all cases, the above limit shall be adjusted up to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

Bond Line N° 778 –Series V and W Bonds

Leverage: As of March 31, 2014, maintain at the close of each quarter of the Financial Statements of the Issuer a debt level no greater than 1.5 times. Beginning in 2010, the previous limit is adjusted according to the ratio between the Consumer Price Index for the month in which the level of debt is calculated and the Consumer Price Index for December 2009. In all cases, the above limit shall be adjusted up to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

Bond Line N° 806 – Series X Bonds

Leverage: As of March 31, 2015, maintain at the close of each quarter of the Financial Statements of the Issuer a debt level no greater than 1.5 times. Beginning in 2010, the previous limit is adjusted according to the ratio between the Consumer Price Index for the month in which the level of debt is calculated and the Consumer Price Index for December 2009. In all cases, the above limit shall be adjusted up to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer, (ii) those issued by subsidiaries of the obligations of the Issuer and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

Leverage as of September 30, 2015: 1.40 times.

### 3.8 Risk Management

#### 3.8.1 Credit risk

Credit risk is the potential for financial loss arising from breach by our counterparties (customers) of their obligations.

Aguas Andinas and its sanitation subsidiaries have a fragmented market, which means that the credit risk of a particular customer is not significant.

The objective of the Company is to maintain minimum levels of bad debts. There is a credit policy, which sets the conditions and rates of pay as well as conditions for reaching agreements with delinquent customers. Management procedures are: control, estimate and evaluate bad debts in order to take corrective actions to achieve the proposed compliance. One of the main actions and measures for maintaining low levels of bad debts is disconnection of service. The method of analysis is based on historical data of accounts receivable from customers and other debtors.

Credit Risk	09-30-2015 M\$	12-31-2014 M\$
Gross exposure according to Balance for Accounts Receivable Risks	137,177,837	133,672,049
Gross exposure according to Estimates for Accounts Receivable Risks	-39,178,992	-36,915,040
<b>Net exposure, risk concentrations</b>	<b>97,998,845</b>	<b>96,757,009</b>

Change in accounts receivable risk	09-30-2015 M\$	12-31-2014 M\$
<b>Opening balance supply</b>	<b>36,915,040</b>	<b>31,975,327</b>
Increases in existing provisions	2,713,171	5,189,375
Decreases	449,219	249,662
Changes, total	2,263,952	4,939,713
<b>Ending balance</b>	<b>39,178,992</b>	<b>36,915,040</b>

Commercial debtors and other gross debts due:

Age of Gross Debt	09-30-2015 M\$	12-31-2014 M\$
less than three months	94,662,755	93,967,289
between three and six months	1,391,472	1,267,420
between six and eight months	663,486	654,829
more than eight months	40,460,124	37,782,511
<b>Total</b>	<b>137,177,837</b>	<b>133,672,049</b>

Commercial debtors and other gross debts due:

Gross Debt Due	09-30-2015 M\$	12-31-2014 M\$
less than three months	7,112,668	9,035,546
between three and six months	1,098,079	993,925
between six and eight months	588,599	570,545
more than eight months	37,805,972	35,100,759
<b>Total</b>	<b>46,605,318</b>	<b>45,700,775</b>

### 3.8.2 Liquidity Risk

Liquidity risk is the possibility that the Group has difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial assets and can not finance the acquired commitments, such as long-term investments and working capital needs, at reasonable market prices.

The administration keeps track of the provisions of the Group's liquidity reserves based on expected cash flows.

To manage liquidity risk different preventive measures are used, such as:

- Diversify funding sources and instruments.
- Agree with creditors on maturity profiles that do not concentrate high depreciation over a period.

#### Maturity profile (undiscounted cash flows)

Balance at 09-30- 2015	Up to 90 days		From 91 days to 1 yr		From 13 months to 3 yrs		More than 3 yrs to 5 yrs		More than 5 yrs	
	M\$	Contract Interest Rate	M\$	Contract Interest Rate	M\$	Contract Interest Rate	M\$	Contract Interest Rate	M\$	Contract Interest Rate
Bank Loans	64,194	4.28%	14,571,784	4.20%	17,283,001	4.19%	64,926,697	4.19 %	16,512,991	4.23%
Bonds	23,010,661	3.50%	52,756,030	3.15%	62,033,054	3.18%	68,577,560	3.87 %	661,523,086	3.37%
AFR	1,521,958	2.89%	6,122,086	4.49%	42,393,367	4.24%	22,133,126	3.77 %	144,913,120	3.49%
<b>TOTALS</b>	<b>24,596,813</b>		<b>73,449,900</b>		<b>121,709,422</b>		<b>155,637,383</b>		<b>822,949,197</b>	

### 3.8.3 Interest rate risk

Aguas Andinas has a fee structure that combines fixed and variable rates as detailed below:

Instruments	Rate	%
Bank Loans	Variable	12.25%
Bonds	UF	66.02%
AFR	UF	21.73%
<b>Total</b>		<b>100.00%</b>

#### Sensitivity Analysis of interest rate

An analysis is done of the rates with respect to the TAB (Active Bank Rate), assuming all other variables remain constant. The method consists of measuring the positive or negative variation of the nominal TAB on the date the report is presented, with respect to the average TAB of the latest setting of the loans.

The analysis is based on historical data regarding the average daily market price of the TAB for 180 days of the last 3 years before the submission of the report with a confidence level of 95%.

Company	Nominal amount of debt	Floating Rate	Pts (+/-)	Impact Result
Aguas Andinas Consolidated	98,788,054	TAB 180 days	89	880,424

### 3.9 Definitions of Interest

**Core Assets:** shall be defined as core assets of the Issuer of the concessions for public production and distribution services of potable water and retrieval and disposal of wastewater for the system of Greater Santiago. If the Issuer disposes of or loses the ownership of one or more Core Assets, it must include a note in its Financial Statements informing of the situation.

**Placement Agent:** shall be defined in each Supplementary Article.

**Banks of Reference:** shall mean the following banks or their legal successors: (i) Bank of Chile; (ii) Banco Bilbao Vizcaya Argentaria, (Chile); (iii) Banco Santander-Chile; (iv) Banco del Estado de Chile; (v) Banco de Crédito y Inversiones; (vi) Scotiabank Chile; (vii) Corpbanca and (viii) Banco Security. However, they shall not be considered Banks of Reference those which in the future may become associated with the Issuer.

**Bond or Bonds:** shall mean the long-term dematerialized debt titles issued in conformance with the Issuer Contract and Supplementary Articles.

**Subscription Agreement or "Contract":** shall mean the subscription contract with its annexes, any subsequent and/or complementary written amendments thereof and the development tables and other instruments that accompany them.

**DCV:** shall mean the Central Securities Depository S.A., Securities Depository; a corporation incorporated under the Law of the DCV and Regulation of the DCV.

**Banking Day:** shall mean any day of the year that is not a Saturday, Sunday, Holiday, December 31st or other day in which the commercial banks are obligated or authorized by law or by the Superintendence of Banks and Financial Institutions to remain closed in the city of Santiago.

**Journal:** shall mean the “El Mercurio” newspaper, and if it ceases to exist, the Official Gazette (“Diario Oficial”).

**Issuance Documents:** shall mean the Subscription Agreement, the Prospectus and any additional background which has been presented along with them to the SVS at the moment of inscription of the Bonds.

**Duration:** shall mean the weighted average term envisioned for the cash flows of a particular instrument.

**Supplementary Articles:** shall mean the respective supplementary bylaws of the Subscription Agreement, which must be authorized on the occasion of each issue under the Line and which shall include the specifications of the Bonds issued under the Line, their amount, characteristics and other special conditions.

**Financial Statements:** corresponds to the financial information that the entities inscribed in the Registry of Securities should periodically present to the Superintendence in conformity with applicable law. It is noted that the references made in this Prospectus to the accounts or items of current financial statements made in accordance with IFRS, correspond to those prevailing at the date of this Prospectus. In the event the Superintendence of Securities and Insurance modifies such accounts or items in the future, the references in this Prospectus to specific accounts or items of the actual Financial Statements shall be understood as those new accounts or items that replace them, whether in the event the FRS regulations continue in effect or are replaced by others along with different accounting practices.

**Consumer Price Index:** corresponds to the Consumer Price Index published by the National Statistics Institute or the body that succeeds or replaces it.

**Law on Securities Market:** shall mean Law N° 18,045, on the Securities Market.

**Law on Corporations:** shall mean Law N° 18,046, on Corporations.

**Law of DCV:** shall mean Law N° 18,876, on Securities Deposit and Custody entities.

**Line:** shall mean the Bond issuance line referred to in the Subscription Agreement.

**Margin:** shall correspond to that defined in the respective Supplemental Articles, if the option of early redemption is considered.

**International Norms and Financial Information “IFRS” or “IFRS”:** shall mean the international financial rules adopted in Chile and which require the Issuer to elaborate and present its Financial Statements, as of January 1st, 2010.

**Peso:** shall mean the legal currency in circulation of the Republic of Chile.

**Prospectus:** shall mean the prospectus or informative file of the Line that shall be sent to the SVS in accordance with the provisions of General Regulation N°30 of the SVS.

**Securities Registry:** shall mean the Securities Registry maintained by the SVS pursuant to the Securities Market Act and its organic law.

**Regulation of the Securities Market (DCV)**: shall mean the Finance Supreme Decree N° 734, 1991.

**Representative of the Bondholders or Representative**: shall mean the Bank of Chile, in its capacity as representative of the Bondholders.

**SVS or Superintendence**: shall mean the Superintendence of Securities and Insurance.

**Amortization Table**: shall mean that table that sets the value of the coupons of the Bonds.

**Coupon Rate**: shall mean the interest rate that is established in the respective Supplemental Articles according to the provisions of the Sixth Clause, number six of the Subscription Agreement.

**Prepayment Rate**: shall mean the equivalent to the sum of the Reference Rate on the date of prepayment plus a margin, if it involves the option of early redemption. The Prepayment Rate shall be determined on the eighth day before the Banking Day on which the early redemption is to be performed. For these purposes, the Issuer will make the corresponding calculation and inform the representative of the Bondholders and the DCV Prepayment Rate to be applied no later than 5:00pm on the eighth Banking Day prior to the day when the early redemption will take place by mail, fax or other electronic means.

**Reference Rate**: The Reference Rate for a certain date shall be determined in the following manner: instruments shall be sorted from low to high duration that make up the Benchmark Categories of instruments issued by the Central Bank of Chile and the General Treasury of the Republic of Chile for operations in UFs or in pesos, and informed by the "Benchmark Rate 1:20 PM" of the valuation system for fixed income instruments of the computing system of the Stock Exchange /"SEBRA"/, or its successor or replacement system. In the case of Bonds that were issued in UFs, for the purposes of determining the Reference Rate, the Fixed Income Benchmark Rates called "UF-02," "UF-05," "UF-07" "UF-10" and "UF-20" shall be used, according to the criteria established by the Stock Exchange, obtaining a range of durations for each of the aforementioned categories. In the case of Bonds issued in nominal pesos, for the purposes of determining the Reference Rate, the Fixed Income Benchmark Categories called "Pesos-02", "Pesos-05", "Pesos-07" and "Pesos-10" shall be used according to the criteria established by the Stock Exchange. If the Bond Duration valued at the Nominal Rate is contained within one of the ranges of Fixed Income Benchmark Category Durations, the Reference Rate used shall be the rate of the *"ontherun"* instrument of the corresponding category. Otherwise, a linear interpolation shall be carried out based on the Durations and Benchmark Rates of the tip instruments of each of the above categories, considering the instruments whose Duration is similar to that of the bond placed. For these purposes, the duration shall be deemed to be similar to the bond placed for /x/ the first instrument with a duration as close as possible but less than the duration of the bond to be redeemed, and /y/ the second instruments with a duration as close as possible but greater than the duration of the bond to be rescued. If the Fixed Income Benchmark Categories issued by the Central Bank of Chile and the General Treasury of the Republic for operations in UFs or nominal pesos are added, replaced or eliminated by the Stock Exchange, the instruments to be used will be the instruments of those Fixed Income Benchmark Categories in force on the tenth Banking Day prior to the day on which the early redemption is made. To calculate the price and Duration of the instruments, the value determined by the "Benchmark Rate: 1:20 PM" will be used from the fixed price valuation system of the computer system of the Commercial Stock Exchange /"SEBRA"/, or the system that succeeds or replaces it. If the Reference Rate is unable to be determined in the manner indicated above, the Issuer will request the Representative of the Bondholders no later than 10 Bank Business Days before day in which the early redemption would have taken place, which will request of at least three Reference Banks an interest rate quote of the bonds considered equivalent to those in the Fixed Income Benchmark Rate of the Stock Exchange of the securities issued by the Central



Bank of Chile and the General Treasury of the Republic, whose Duration matches that of the Bond valued +ference Banks, and the result of that will be the arithmetic average prime rate. The rate so determined shall be final for the parties, except for obvious error. The Issuer shall give written notice of the Prepayment Rate to be applied to the Representative of the Bondholders and the DCV no later than 5:00pm on the eighth Business Day preceding the day on which the early redemption is to take place.

**Bondholders or Holders:** shall signify any investor who has acquired and maintains an investment in Bonds issued according to the Subscription Agreement.

**Total Assets:** corresponds to the Total Assets account or registry of the Financial Statements of the Issuer.

**Unidad de Fomento or UF:** UF will mean the adjustable unit set by the Central Bank of Chile under article 35 N° 9 of Law N° 18,840 or the unit which officially is its successor or replacement. In the event the UF ceases to exist or the method for calculating it is altered, the value of the UF shall be considered to be the value the UF held on the date ceases to exist, duly adjusted according to variations in the Consumer Price Index calculated by the National Institute of Statistics or index or body which replaces it, beginning the first day of the calendar month in which the UF ceases to exist and the last day of the calendar month immediately preceding the date of calculation.

## 4.0 DESCRIPTION OF THE ISSUE

### 4.1 Subscription Indenture

The subscription indenture for line N°777 was granted in the Notary of Santiago of Mr. Iván Torrealba Acevedo on December 18 2013, Repertory N° 19,909-2013 and modified by indenture February 6, 2014, Repertory N° 2,035-14, of the same Notary. The subscription indenture for line N°806 was granted in the Notary of Santiago of Mr. Iván Torrealba Acevedo on February 4, 2015, Repertory N° 1,864-2015 and modified by indenture March 6, 2015, Repertory N° 3,286-2015, of the same Notary.

The supplementary articles of Series Y and Series Z was granted in the Notary of Santiago of Mr. Iván Torrealba Acevedo on December 3, 2015, Repertory N° 20180-2015 (hereinafter "**Supplementary Article**"). The supplementary articles of Series AA was granted in the Notary of Santiago of Mr. Iván Torrealba Acevedo on December 3, 2015, Repertory N° 20178-2015.

### 4.2 Registration in the Securities Registry

Serie Y and Serie Z: N° 777 on March 3, 2014.  
Series AA: N° 806 on April 6, 2015.

### 4.3 Mnemonic code

BAGUA-Y  
BAGUA-Z  
BAGUA-AA

### 4.4 Characteristics of the Issue

#### 4.4.1 Issuance of fixed amount or for debt line of titles

Bond Line.

#### 4.4.2 Maximum Amount issued

The maximum amount of this issuances for Line N°777 shall be the equivalent in Pesos of **6,000,000 Unidades de Fomento**, is that each placement made under the Line should either be in Unidades de Fomento or nominal Pesos.

Notwithstanding the foregoing, in no time shall the nominal value of the Bonds issued under this Line and that are in force exceed the maximum amount of **6,000,000 Unidades de Fomento** considering both existing and issued Bonds against this Line, as well as those in force and issued by the Bonds Issue Contract Dematerialized for Title Lines for 30 years consisting of a public deed dated December 18, 2013, repertory number 19,910 -2013, signed before the Notary of Santiago of Mr. Iván Torrealba Acevedo, amended by indenture dated February 6, 2014, Repertory N° 2,035-14, of the same notary.

The maximum amount of this issuances for Line N°806 shall be the equivalent in Pesos of **4,000,000 Unidades de Fomento**, is that each placement made under the Line should either be in Unidades de Fomento or nominal Pesos.

Notwithstanding the foregoing, in no time shall the nominal value of the Bonds issued under this Line and that are in force exceed the maximum amount of **4,000,000 Unidades de**

**Fomento** considering both existing and issued Bonds against this Line, as well as those in force and issued by the Bonds Issue Contract Dematerialized for Title Lines for 10 years consisting of a public deed dated February 4, 2015, repertory number 1,865-2015, signed before the Notary of Santiago of Mr. Iván Torrealba Acevedo, amended by indenture dated March 6, 2015, Repertory No. 3285-2015, of the same notary.

To this effect, if bonds are issued in nominal pesos charged to the Line, the equivalent in UF shall be determined according to the value of the Unidad de Fomento on the date of the respective Supplementary Articles. In any case, the amount placed in UF may not exceed the authorized Line to the start date of the placement of each Issue. The above is subject to an agreement of the Board of Directors, and within 10 working days prior to maturity of the Bonds, of which the Issuer may make a new placement within the Line, for an amount up to 100% of the maximum allowed for that line, to finance exclusively the payment instruments that are due.

**Reduction of the amount of the Line and/or one of the issues made under it.**

The Issuer may waive issuance and place the total of Line and, additionally, reduce the amount equivalent to the nominal value of the Bonds issued against the Line and placed the date of the resignation, with the express permission of the Representative of the Bondholders. This waiver and the consequent reduction of the nominal value of the Line shall be in writing and communicated to the DCV and SVS. From the date on which such statement is recorded in the Superintendence, the amount of the Line will be reduced to the amount actually placed. From there the Representative of the Bondholders are entitled to attend, in conjunction with the Issuer, the granting of the public indenture stating the reduction in the nominal value of the line, coming into agreement with the Issuer as to the terms of the indenture without needing prior authorization by the Board of Bondholders.

**4.4.3 Term of Expiration for Maturity Line**

The Bond Line N°777 has a maximum term of 10 years from the date on which it is registered in the Securities Registry of the Superintendence, within which all of the payment obligations of the different issues with charge to this line must expire. However, the last issue with charge to this line can have payment obligations which come to maturity past the 10 year period, for which the Issuer makes note of this in the Supplementary Article.

The Bond Line N°806 has a maximum term of 30 years from the date on which it is registered in the Securities Registry of the Superintendence, within which they must comply with all payment obligations of the various Bond issues that are carried out by this Line.

**4.4.4 Bonds to the bearer, per request or nominative**

The Bonds that are issued under the Line shall be to the Bearer.

**4.4.5 Materialized or rendered Bonds**

The titles shall be rendered.

#### **4.4.6 Procedure in the event of extraordinary amortization**

##### **A.- General**

Unless otherwise indicated for one or more series in the respective Supplementary Articles, the Issuer may redeem in advance, in whole or in part, the Bonds issued from the line at any time /whether or not on a payment date of the interests or amortizations of capital/ as of the date specified in each Supplementary Article for the respective series. In this case, such early redemption shall be governed by the provisions listed below.

In the corresponding Supplementary Articles it will specify whether the Bonds of the respective series shall have the option of extraordinary amortization. In the event they do, the Bonds will be redeemed at a value equal to:

a) the unpaid balance of the capital or,

b) the higher of / i / the unpaid balance of the capital and / ii / the sum of the present values of the remaining interest payments and amortization established in the respective Amortization Table, excluding interest accrued and unpaid to prepayment date, discounted at the Prepayment Rate.

In all cases the accrued and unpaid interests shall be added on the date of early redemption. Interest and adjustments of the Bonds that are redeemed early shall cease and become payable from the date of such redemption.

##### **B.- Redemption Procedure**

(i) In the event early redemption is sought for a portion of the Bonds, the Issuer shall draw lots before a Notary to determine which of the Bonds will be redeemed. For these purposes, the Issuer shall publish a notice in the Gazette and shall notify the Representative of the Bondholders and the DCV by letter delivered to their homes by Notary, all at least 15 Banking Days prior to the date it will carry out the drawing. This notice shall indicate the total amount to be redeemed in advance, the Notary before which the drawing will take place, the date, time and place at which it will take effect, and if applicable the mechanism for calculating the Prepayment

#### **4.4.7 Guarantees**

Bonds issued against the Line will not have any guarantees.

#### **4.4.8 Use of Funds**

##### **a) General use of funds**

The proceeds from the placement of Bonds issued under this Line will be used for: (i) payment and/or prepayment of short or long-term liabilities of the Issuer and/or its subsidiaries, whether they are denominated in local or foreign currency and/or (ii) to finance investments of the Issuer and/or its subsidiaries. The funds may only be destined to one of the

aforementioned objectives, or both simultaneously, and in the proportions indicated in the respective Supplementary Articles.

**b) Specific use of funds**

The proceeds of the placement of the Series AA Bonds will be used for 70% payment and/or prepayment of short or long-term liabilities of the Issuer and/or its subsidiaries; and 30% to finance investments of the Issuer and/or its subsidiaries.

**4.4.9 Risk classifications**

Risk classifications for the Bond Line are as follows:

Fitch Chile Limited Risk Rating: AA +  
International Credit Rating Company Limited Risk Classification: AA +

The Financial Statements used by both rating agencies to perform their respective classifications correspond to September 2015.

During the last 12 months, neither the Issuer nor the Bond Line whose registration is sought through this prospectus, has been the subject of solvency or similar ratings by risk classification agencies other than those mentioned in section 4.4.9.

**4.4.10 Tax Regime**

The Series AA Bonds shall be subject to the tax regime established in Article 104 of the Law on Income Tax contained in Decree Law N° 824 of 1974 and its amendments.

For these purposes, the Issuer shall determine, after placement, a tax interest rate for purposes of calculating accrued interest, under the terms established in paragraph 1) of said Article 104. The tax interest rate shall be informed by the Issuer to the SVS and to the Stock Exchanges that would have codified the issue on the day of completion of the placement.

Taxpayers not domiciled or with residency in Chile shall contract or appoint an agent, custodian, broker, securities depositor or other person with residency or established in the country, which is responsible for compliance with the tax obligations that affect them.

**4.4.11 Specific features of issuance**

**Subscription Amount to be Placed:**

Series Y: The Series Y Bonds are those with a face value of up to 42,500,000,000 pesos

Series Z: The Series Z Bonds are those with a face value of up to 1,700,000 Unidades de fomento

By public indenture dated March 26, 2014 signed before the Notary of Santiago of Mr. Iván Torrealba Acevedo, under the code number 4,536-2014, modified by indenture April 8, 2014, Repertory N° 2,035-14, under the code number 5,400-2014, of the same Notary, it was agreed to issue under the Subscription Agreement, a series of bonds denominated Series V, under the Line for 30 years for a total amount of up to 2,000,000 UF divided in 4,000 Bonds having each a face value of 500 Unidades de Fomento. In Series V's Supplementary Articles it was established that the Issuer could only place a total nominal value of up to 2,000,000

Unidades de Fomento. As indicated in the public indenture of placement for the Series V bonds, issued May 12, 2014, under the code number 7,230-2014 in that Notary, dated May 7, 2014, 4,000 Series V bonds were placed, for a nominal value of 2,000,000 UF. Meanwhile, by public indenture dated July 4 2014 signed before the Notary of Santiago of Mr. Iván Torrealba Acevedo, under the code number 10,750-2014, it was agreed to issue under the Subscription Agreement, a series of bonds denominated Series W, under the Line for 30 years for a total amount of up to 3,300,000 UF. As indicated in the public indenture of placement for the Series W bonds, issued August 12, 2014, under the code number 12,967-2014 in that Notary, dated August 6, 2014, 4,600 Series W bonds were placed, for a nominal value of 2,300,000 UF. Consequently, as of the date of this writing there are outstanding bonds issued under the Line to 30 years, for a total of 4,300,000 UF, leaving therefore a remainder to place up to 1,700,000 UF, jointly considering the 10-years Line and the 30-years Line.

The Series AA Bonds are those with a face value of up to 2,400,000 UF

By public indenture dated April 10, 2015 signed before the Notary of Santiago of Mr. Iván Torrealba Acevedo, under the code number 5,183-2015, it was agreed to issue under the Subscription Agreement, a series of bonds denominated Series X, under the Line for 30 years for a total amount of up to 2,000,000 UF. As indicated in the public indenture of placement for the Series X bonds, issued May 8, 2015, under the code number 6,910-2015 in that Notary, dated April 29, 2015, 3,200 Series X bonds were placed, for a nominal value of 1,600,000 UF. Consequently, as of the date of this writing there are outstanding bonds issued under the Line to 30 years, for a total of 1,600,000 UF, leaving therefore a remainder to place up to 2,400,000 UF, jointly considering the 10-years Line and the 30-years Line. The Issuer hereby waives as of this date the placement of the unplaced balance of the Series X Bonds, up to the sum of 400,000 UF.

It is expressly stated that the Issuer may only issue Bonds in an aggregate nominal value of up to 3,500,000 UF, jointly considering the AA Series Bonds, as well as the Y Series Bonds and Z Series Bonds issued by Complementary Deed executed on December 3, 2015 at the Notary of Santiago of Mr. Iván Torrealba Acevedo under the repertoire number 20178-2015 under the 10-year line granted by public indenture dated December 18, 2013, in the same Notary under the repertoire number 19,909-13, modified by public indenture issued by the same Notary dated February 6, 2014, under the code number 2,035-14, registered in the Securities Registry of the Superintendence of Securities and Insurance under number 777 dated March 3, 2014.

**Series:**

Series Y

Series Z

Series AA

**Quantity of Bonds:**

Series Y: 4,250 Bonds

Series Z: 3,400 Bonds

Series AA: 4,800 Bonds.

**Pieces:**

Series Y: CLP\$10,000,000.

Series Z: 500 UF.

Series AA: 500 UF.

**Nominal Value of the Series:**

Series Y: CLP\$42,500,000,000-

Series Z: 1,700,000 UF-

Series AA: 2,400,000 UF.-.

**Readjustable / Non-Readjustable:**

Series Y: Not readjustable

Series Z: The Series Z Bonds are denominated in UF and thus, the amount of which will be readjusted according to the variation in the value of the UF, being paid in its equivalent in Pesos as of the maturity date of the respective coupon. To this end, the publications of the value of the Unidad de Fomento made by the Central Bank of Chile, or the body that replaces or succeeds it for these purposes, in the Official Gazette, pursuant to number 9 of article 35 of Law No. 18,840 shall be binding.

Series AA: The Series AA Bonds are denominated in UF and thus, the amount of which will be readjusted according to the variation in the value of the UF, being paid in its equivalent in Pesos as of the maturity date of the respective coupon. To this end, the publications of the value of the Unidad de Fomento made by the Central Bank of Chile, or the body that replaces or succeeds it for these purposes, in the Official Gazette, pursuant to number 9 of article 35 of Law No. 18,840 shall be binding.

**Interest Rate:**

Series Y: The Series AA Bonds will accrue on the outstanding capital expressed in pesos, an annual interest rate of 5.4%, compounded, issued, calculated on the basis of equal semesters of 180 days equivalent to 2.6645% semiannually

Series Z: The Series Z Bonds will accrue on the outstanding capital expressed in UF, an annual interest rate of 2.4%, compounded, issued, calculated on the basis of equal semesters of 180 days equivalent to 1.1929% semiannually.

Series AA: The Series AA Bonds will accrue on the outstanding capital expressed in UF, an annual interest rate of 3.2%, compounded, issued, calculated on the basis of equal semesters of 180 days equivalent to 1.5874% semiannually.

**Start Date of Interest Accrual and Adjustments:**

Interest on the Series Y, Z, and AA Bonds will accrue from January 15, 2016.

**Expiration Date:**

Series Y: March 16, 2023

Series Z: March 16, 2023

Series AA: January 15, 2040.

**Early Redemption Date:**

The Issuer may redeem in advance in whole or in part the Series Y and Z Bonds beginning on January 15, 2019, in accordance with the procedure described in number 4.4.6 of this Prospectus.

The Issuer may redeem in advance in whole or in part the Series AA Bonds beginning on January 15, 2021, in accordance with the procedure described in number 4.4.6 of this Prospectus.

The Series Y, Z, and AA Bonds will be redeemed at the higher value between (i) the outstanding balance of its capital and (ii) the sum of the present values of the remaining interest payments and amortizations established in the Development Table, excluding accrued interest paid until the date of prepayment, discounted at the Prepayment Rate, as stated in subparagraph b/ of letter A number 4.4.6 of this Prospectus. For purposes of calculating the Prepayment Rate, the Margin shall be deemed to be 0.85%.

**Placement Period:** The period of placement of the Series Y, Z, and AA Bonds shall be 12 months, as of the date of issue on which the SVS authorized the placement of the Series AA Bonds. The Bonds that are not placed within that period shall have no effect, meaning thereby the series of the bonds actually placed at that time shall be automatically reduced.



**Amortization Tables:** The Amortization Table for the Series Y Bonds is presented below.

**AMORTIZATION TABLE  
AGUAS ANDINAS BOND  
SERIES Y**

	\$
Nominal Value	10,000,000
Quantity of bonds	4,250
Interests	Semiannually
Start date accrual of interest	01/15/2016
Maturity	01/15/2023
Annual interest rate	5.4000%
Semiannual interest rate	2.6645%

Coupon	Interest Fees	Amortization Fee	Maturity Date	Interest	Amortization	Cash Payment	Outstanding value
							10,000,000
1	1		7-15-2016	266,450	0	266,450	10,000,000
2	2		1-15-2017	266,450	0	266,450	10,000,000
3	3		7-15-2017	266,450	0	266,450	10,000,000
4	4		1-15-2018	266,450	0	266,450	10,000,000
5	5		7-15-2018	266,450	0	266,450	10,000,000
6	6		1-15-2019	266,450	0	266,450	10,000,000
7	7	1	7-15-2019	266,450	1,250,000	1,516,450	8,750,000
8	8	2	1-15-2020	233,144	1,250,000	1,483,144	7,500,000
9	9	3	7-15-2020	199,838	1,250,000	1,449,838	6,250,000
10	10	4	1-15-2021	166,531	1,250,000	1,416,531	5,000,000
11	11	5	7-15-2021	133,225	1,250,000	1,383,225	3,750,000
12	12	6	1-15-2022	99,919	1,250,000	1,349,919	2,500,000
13	13	7	7-15-2022	66,613	1,250,000	1,316,613	1,250,000
14	14	8	1-15-2023	33,306	1,250,000	1,283,306	0

**Amortization Tables:** The Amortization Table for the Series Z Bonds is presented below.

**SERIE Z**

<b>AMORTIZATION</b>	
<b>TABLE</b>	UF 500
<b>AGUAS</b>	
<b>ANDINAS</b>	
<b>BOND</b>	3.400
<b>SERIES Z</b>	Semiannually
Start date accrual of interest	01/15/2016
Maturity	01/15/2023
Annual interest rate	2.4000%
Semiannual interest rate	1.1929%

Coupon	Interest Fees	Amortization Fee	Maturity Date	Interest	Amortization	Cash Payment	Outstanding value
							500,0000
1	1		7-15-2016	5,9645	0,0000	5,9645	500,0000
2	2		1-15-2017	5,9645	0,0000	5,9645	500,0000
3	3		7-15-2017	5,9645	0,0000	5,9645	500,0000
4	4		1-15-2018	5,9645	0,0000	5,9645	500,0000
5	5		7-15-2018	5,9645	0,0000	5,9645	500,0000
6	6		1-15-2019	5,9645	0,0000	5,9645	500,0000
7	7	1	7-15-2019	5,9645	62,5000	68,4645	437,5000
8	8	2	1-15-2020	5,2189	62,5000	67,7189	375,0000
9	9	3	7-15-2020	4,4734	62,5000	66,9734	312,5000
10	10	4	1-15-2021	3,7278	62,5000	66,2278	250,0000
11	11	5	7-15-2021	2,9823	62,5000	65,4823	187,5000
12	12	6	1-15-2022	2,2367	62,5000	64,7367	125,0000
13	13	7	7-15-2022	1,4911	62,5000	63,9911	62,5000
14	14	8	1-15-2023	0,7456	62,5000	63,2456	0,0000

**Amortization Tables:** The Amortization Table for the Series AA Bonds is presented below.

**AMORTIZATION TABLE**

**AGUAS ANDINAS BOND  
SERIES AA**

Nominal Value	500 UF
Quantity of bonds	4,800
Interests	Semiannually
Start date accrual of interest	01/15/2016
Maturity	01/15/2040
Annual interest rate	3.2000%
Semiannual interest rate	1.5874%

Coupon	Interest Fees	Amortization Fee	Maturity Date	Interest	Amortization	Cash Payment	Outstanding value
1	1		07/15/2016	7,9370	0,0000	7,9370	500,0000
2	2		01/15/2017	7,9370	0,0000	7,9370	500,0000
3	3		07/15/2017	7,9370	0,0000	7,9370	500,0000
4	4		01/15/2018	7,9370	0,0000	7,9370	500,0000
5	5		07/15/2018	7,9370	0,0000	7,9370	500,0000
6	6		01/15/2019	7,9370	0,0000	7,9370	500,0000
7	7		07/15/2019	7,9370	0,0000	7,9370	500,0000
8	8		01/15/2020	7,9370	0,0000	7,9370	500,0000
9	9		07/15/2020	7,9370	0,0000	7,9370	500,0000
10	10		01/15/2021	7,9370	0,0000	7,9370	500,0000
11	11		07/15/2021	7,9370	0,0000	7,9370	500,0000
12	12		01/15/2022	7,9370	0,0000	7,9370	500,0000

13	13	07/15/2022	7,9370	0,0000	7,9370	500,0000
14	14	01/15/2023	7,9370	0,0000	7,9370	500,0000
15	15	07/15/2023	7,9370	0,0000	7,9370	500,0000
16	16	01/15/2024	7,9370	0,0000	7,9370	500,0000
17	17	07/15/2024	7,9370	0,0000	7,9370	500,0000
18	18	01/15/2025	7,9370	0,0000	7,9370	500,0000
19	19	07/15/2025	7,9370	0,0000	7,9370	500,0000
20	20	01/15/2026	7,9370	0,0000	7,9370	500,0000
21	21	07/15/2026	7,9370	0,0000	7,9370	500,0000
22	22	01/15/2027	7,9370	0,0000	7,9370	500,0000
23	23	07/15/2027	7,9370	0,0000	7,9370	500,0000
24	24	01/15/2028	7,9370	0,0000	7,9370	500,0000
25	25	07/15/2028	7,9370	0,0000	7,9370	500,0000
26	26	01/15/2029	7,9370	0,0000	7,9370	500,0000
27	27	07/15/2029	7,9370	0,0000	7,9370	500,0000
28	28	01/15/2030	7,9370	0,0000	7,9370	500,0000
29	29	07/15/2030	7,9370	0,0000	7,9370	500,0000
30	30	01/15/2031	7,9370	0,0000	7,9370	500,0000
31	31	07/15/2031	7,9370	0,0000	7,9370	500,0000
32	32	01/15/2032	7,9370	0,0000	7,9370	500,0000
33	33	07/15/2032	7,9370	0,0000	7,9370	500,0000
34	34	01/15/2033	7,9370	0,0000	7,9370	500,0000
35	35	07/15/2033	7,9370	0,0000	7,9370	500,0000
36	36	01/15/2034	7,9370	0,0000	7,9370	500,0000
37	37	07/15/2034	7,9370	0,0000	7,9370	500,0000
38	38	01/15/2035	7,9370	0,0000	7,9370	500,0000
39	39	07/15/2035	7,9370	0,0000	7,9370	500,0000
40	40	01/15/2036	7,9370	0,0000	7,9370	500,0000
41	41	07/15/2036	7,9370	0,0000	7,9370	500,0000
42	42	01/15/2037	7,9370	0,0000	7,9370	500,0000

43	43		07/15/2037	7,9370	0,0000	7,9370	500,0000
44	44		01/15/2038	7,9370	0,0000	7,9370	500,0000
45	45	1	07/15/2038	7,9370	125,0000	132,9370	375,0000
46	46	2	01/15/2039	5,9528	125,0000	130,9528	250,0000
47	47	3	07/15/2039	3,9685	125,0000	128,9685	125,0000
48	48	4	01/15/2040	1,9843	125,0000	126,9843	0,0000

#### 4.4.12 Procedure for convertible Bonds

These bonds shall not be convertible into shares of the Issuer.

#### 4.5 Reservations and Covenants for the Bondholders

##### 4.5.1 Obligations, limitations and prohibitions of the Issuer

While the Issuer fails to pay to Holders the total of principal and interest on the Bonds issued and placed under this Line, the Issuer shall be subject to the following obligations, limitations and prohibitions, without prejudice to those which may be applicable under the general rules of the relevant legislation:

**A.-** As of March 31 ,2014 for Line N°777 and as of March 31, 2015 for Line N°806, maintaining at the close of each quarter of the Financial Statements of the Issuer, a debt level no greater than 1.5 times. Notwithstanding the above, the previous limit will be adjusted according to the ratio between the Consumer Price Index for the month in which the Leverage is calculated and the Consumer Price Index of December 2009. For all, the previous limit will be adjusted to a maximum level of 2 times.

For these purposes, the Leverage shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. The Current Liabilities of the Issuer shall be defined as the sum of the accounts of the Total Outstanding Liabilities and Total Non-Current Liabilities of their Financial Statements. For these purposes the determination of the aforementioned index, Outstanding Liabilities shall be considered the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

In the Financial Statements of the Issuer, a Note number 16 shall be included titled "Guarantees and Restrictions," letter b) "Restrictions for issuance of bonds," letter i) "Aguas Andinas S.A.", a table containing all the records that will be used to calculate the Leverage, including the additions of guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, including exceptions (i) (ii) and (iii) listed above. Additionally in the note on the Financial Statements information shall be included regarding the variation in the limit of the Leverage.

**B.-** Send to the Representative of the Bondholders, in the same term in which it should be delivered to the Superintendence of Securities and Insurance, a copy of its quarterly and annual financial statements; and all other public information that the Issuer sends to the Superintendence. In addition, it must send copies of the reports of risk classification at the latest within 5 working days after receipt of its private classifiers.

**C.-** Inform the Representative of the Bondholders, within the same period in which the financial statements should be delivered to the Superintendence of Securities and Insurance, compliance with obligations under the Subscription Agreement. Notwithstanding the foregoing, the Issuer is obliged to give notice to the Representative of the Bondholders, in all circumstances involving the violation or breach of conditions or obligations which it adheres to under the Subscription Agreement, as soon as the event or infringement occurs or is known to have occurred. It is understood that the Bondholders are duly informed of the background of the Issuer, through reports that it supplies to the Representative.

**D.-** Establish and maintain adequate accounting systems based on the IFRS standards or those which the competent authority determines; and carry out the provisions arising from adverse contingencies that, in the opinion of management and the external auditors of the Issuer, should be reflected in the Financial Statements of this and/or those of its subsidiaries. The Issuer shall ensure that its subsidiaries comply with the provisions of this letter.

Additionally, it must contract and retain any external auditing firm of renowned prestige, of those registered in the relevant Registry of the Superintendence for the review and analysis of Financial Statements of the issuer and its subsidiaries, for which the company must issue an opinion on the Financial Statements as of December 31 of each year.

Notwithstanding the foregoing, it is expressly agreed that: /i/ if on behalf of the Superintendence of Securities and Insurance the currently valid accounting standards are modified, replacing or modifying the IFRS standards or criteria for valuation of assets or liabilities recorded in such accountings, and doing so would affect one or more obligations, restrictions or prohibitions referred to in the Subscription Agreement, hereinafter the "Reservations" and/or /ii/ if it would modify for the entity for setting IFRS accounting standards the criteria for established values for accounting items of the current Financial Statements, and doing so would affect one or more of the Reservations, the Issuer shall as soon as the new provisions have been reflected for the first time in its Financial Statements, show these changes to the Representative of the Bondholders and solicit their external auditors to proceed to adapt the respective Guarantees under the new accounting situation. The Issuer and the Representative shall modify the Contract to adjust it to what the said auditors determine in their report, requiring the Issuer to submit to the Superintendence of Securities and Insurance the application for modification to this Contract, together with the respective documentation, within the same term to be presented to the Superintendence the Financial Statements according to those who first reflected the new accounting standards. For the above, the prior consent of the Board of Bondholders shall not be required, without prejudice to which, the Representative shall inform the Bondholders concerning the modifications to the Contract by publication in the Journal within 20 days starting from the approval of the Superintendence of Securities and Insurance of the modification of the Contract.

In the cases mentioned above, and while the Contract is not modified according to the above process, it shall not be considered that the Issuer has breached the Contract when the sole consequence of these circumstances the Issuer fails to comply with one or more Reservations. It is noted that the procedure indicated in this provision is intended to modify the Contract exclusively to adjust it to changes to applicable accounting rules and, in no case, as a result of changes in market conditions affecting the Issuer.

Moreover, it is not necessary to modify the Contract if the only changes are the names of the accounts or items of the Financial Statements currently in force and/or new groups of such accounts or items, affecting the definition of the accounts and items referred to in the Subscription Agreement and this would affect not one or more of the Reservations of the Issuer. In this case, the Issuer shall inform the Representative of the Bondholders within 30 days since the new provisions have been reflected for the first time in its Financial Statements, and must accompany its presentation with a report from its external auditors that explains how the definitions of the accounts and items described in the Subscription Agreement have been affected.

**E.-** Maintain insurance that reasonably protects its operational assets, including its main offices, buildings, plants, inventories, office furniture and equipment and vehicles, in accordance with normal practices for industries in the industry of the Issuer. The Issuer shall ensure that its subsidiaries also comply with the provisions of this letter.

**F.-** The Issuer is obliged to ensure that its transactions with its subsidiaries and other related natural or legal persons, as this term is defined in article one hundred of the Securities Exchange Act are made on terms similar to those normally prevailing in the market. No additional oversight powers to the Bondholders or the Representative of the Bondholders are contemplated.

#### **4.5.2 Maintenance, Replacement or Renewal of Assets**

The Issuer may not alienate or lose the ownership of one or more of the Essential Assets, except for contributions or transfers of Essential Assets to subsidiary companies.

#### **4.5.3 Greater Protection Measures**

The Bondholders, through the Representative of the Bondholders and prior approval by the Board of the Bondholders, adopted with the quorum set forth in Article 124 of the Securities Market Law, that is, an absolute majority of the votes of the Bonds present at a Board Meeting constituted by the attendance of the absolute majority of the votes of the outstanding Bonds issued under this Line, in first call, or to attend, in second call, may make fully due and in advance the outstanding principal, adjustments and interests accrued on all of the Bonds issued against this Line, accepting therefore all obligations to the Bondholders under this Subscription Agreement considered as due and payable, on the same date in which the Board of the Bondholders adopts the respective agreement, which may occur if one or more of the following events and while the bonds remain in force:

**A.-** If the Issuer through default or simple delay does not make payment of any of the interest fees or principal repayments of the Bonds.

**B.-** If the Issuer does not carry out any of the obligations to provide information to the Representative of the Bondholders, referred to in points B and C of paragraph 4.5.1 above and said situation could not be remedied within 30 days working days from the date on which it was required to do so by the Representative.

**C.-** Persistent breach or violation of any other commitment or obligation assumed by the Issuer under the Subscription Agreement or in its Supplementary Articles, for a period equal to or more than 60 days, except in the case of the Leverages defined in Paragraph A of Section 4.5.1 above, after the Representative of the Bondholders has sent to the Issuer, by certified mail, a written notice that describes the default or breach which requires remedy. In

the event of default or breach of debt levels defined in subparagraph A of paragraph 4.5.1 above, this period will be 120 days after the Representative of the Bondholders has sent the Issuer by registered letter the aforementioned notice. The representative will dispatch the Issuer the aforementioned notice, as well as the requirement referred to in point B above, within the working day following the date on which the respective breach of violation of the Issuer was verified and, in any case, within the term established by the Superintendence by general rule issued in accordance with Article 109, letter b/ of the Securities Market Act, if the latter term is less.

**D.-** If the Issuer fails to remedy within 45 business days a situation of past due or simple delay in the payment of obligations of money for a cumulative total exceeding the equivalent of 6% of Total Assets as recorded in its latest quarterly Financial Statements, and the date of payment of the obligations included in this amount had not been expressly extended. In this amount the obligations which will not be considered are those which (i) are subject to lawsuits or pending litigation liabilities for obligations not recognized by the Issuer in its accounts; or (ii) apply to the price of construction or acquisition of assets whose payment the Issuer has contested via any means which the law or the relevant contract entitles them, because of defects in them or the failure of the respective manufacturer or seller of its contractual obligations, and which is in writing. For purposes of this letter D, the basis of conversion used shall be the exchange or parity rate used in the preparation of the respective quarterly Financial Statements.

**E.-** If any other creditor of the Issuer legitimately charges to this the entirety of a credit by lending money subject to term, by virtue of having exercised the right to anticipate the maturity of the respective credit for an event of default by the Issuer contained in the contract evidencing the same. It is excepted, however, cases where the entire claim recovered in advance, in accordance with the provisions of this letter, do not exceed the equivalent of 3% of Total Assets of the Issuer, as recorded in its latest quarterly Financial Statements quarterly.

**F.-** If the Issuer, or any of its subsidiaries in which the Issuer holds an investment that represents more than twenty percent of Total Assets of the Issuer, is subject to a Liquidation Order under a bankruptcy liquidation proceedings, or if the invalidity or breach of compliance of a reorganization agreement is declared, the aforementioned as stated in Law No. 20,720, Law of Reorganization and Liquidation of Assets of Companies and Individuals, or if it falls into notorious insolvency or issues any declaration which recognizes its inability to pay its obligations in the respective maturities, regardless of whether any such facts are corrected within sixty days from the respective resolution, declaration or insolvency situation. For purposes of calculating the percentage represented by the Issuer's investment in its subsidiaries, it will be the information contained in note "Consolidated and Individual Financial Statements" or those replacing it, of the Issuer's Financial Statements. The aforementioned percentage shall be the ratio obtained by dividing: (a) the total assets of the respective subsidiary, which is the sum of the "Current assets" accounts and "Non-current assets" of the respective subsidiary, or the accounts that replace them, over (b) the "Total Assets" account of the Issuer's Financial Statements.

**G.-** If any statements made by the Issuer in the instruments that are granted or subscribed with the purpose of fulfilling the reporting requirements contained in the Subscription Agreement or in its Supplementary Articles, or those which proportion to the issuer or registrar of the Bonds to be issued under this Line, or whatever proves to be manifestly false or intentionally incomplete.

**H.-** If the term of the Issuer is modified before the term of the Bonds issued under this Line; or if the Issuer dissolves in advance; or if for any reason the capital effectively subscribed and paid diminishes in terms that do not meet the index referred to in paragraph A of section 4.5.1.



I.- If the Issuer alienates or loses the ownership of one or more of the Essential Assets, other than when it concerns contributions or transfers of Essential Assets to subsidiary companies.

J.- If in the future the Issuer or any of its subsidiaries guarantee real or new bond issuances, or any other form of monetary credit or to other credit obligations or that it contracts to in the future, except for the following cases:

*One.* Guarantees created to finance, refinance or repay the purchase price or costs, including construction guarantees, of assets acquired after the Subscription Agreement, provided that the respective guarantee falls on expressed assets;

*Two.* Guarantees to be granted to by the Issuer in favor of its subsidiaries or vice versa intended to secure obligations between them.

*Three.* Guarantees provided by a company which subsequently merges with the Issuer;

*Four.* Guarantees on assets acquired by the Issuer after the Subscription Agreement, which are established before their purchase;

*Five.* Guarantees granted by the Issuer or its subsidiaries for liabilities to public bodies; and

*Six.* The extension or renewal of any of the securities referred to in paragraphs One to Five, including this letter. However, the Issuer or its affiliates may always authorize real or new issuances of guarantees or any other form of credit money loans or others if, after and simultaneously, they provide guarantees at least equivalent proportionally equal in favor of the Bondholders to whom they may have issued under this Line. In this case, the proportionality of the securities will be rated at every opportunity by the Representative of the Bondholders, who upon determining it is sufficient, will concur to the granting of the constituent instruments of security in favor of the Bondholders. To this end, the Representative of the Bondholders should seek an opinion on the qualification of the guarantees to an external auditing firm registered in the relevant Registry of the Superintendence of Securities and Insurance, with the expenses of this work paid by the Issuer. With only the merit of a favorable opinion issued by the external auditing firm consulted, and without need for the Representative to revise or validate its opinion, such opinion will provide for the granting of the constituent instruments of guarantees in favor of the Holders. In the absence of agreement between the Representative of the Bondholders, based on an unfavorable view of that external auditing firm, and the Issuer, in respect to the proportionality of the real guarantees, the matter shall be referred to the review and decisions of the arbitrator designated in accordance with Clause Fifteen of the Subscription Agreement, who shall resolve the matter with the aforementioned powers, and the guarantees may not be established until the referred referee has issued its ruling on the matter.

#### **4.5.4 Possible Merger, Division or Transformation, of the Issuer and Creation of Subsidiaries**

**A.- Merger:** In the event of a merger of the Issuer with another company or companies, either by creation or by incorporation, the new company which is created or absorbed shall, if necessary, assume any and all obligations which the Subscription Agreement imposes on the Issuer.

**B.- Division:** If the Issuer divides, all of the companies arising from the division shall be jointly responsible for the obligations stipulated in the Issuer Contract, without prejudice to the right of each to stipulate that the payment obligations of the Bonds shall be proportionate to the amount of the Issuer's Total Assets that each assigns or any other amount as may be agreed to.

**C.- Transformation:** If the Issuer alters its legal structure, all obligations emanating from the Subscription Agreement shall apply to the transformed company, without exception.

**D.- Establishment of Subsidiaries:** When creating a direct subsidiary, this shall not affect the rights of the Bondholders nor the Issuer's obligations under the Subscription Agreement.

**E.- Absorption of Subsidiaries:** In the case of absorption of a direct subsidiary, this shall not affect the rights of the Bondholders nor the Issuer's obligations under the Subscription Agreement.

#### **4.5.5 Amounts of restrictions that are required by the Issuer**

As of March 31, 2014 for Line N°777 and as of March 31, 2015 for Line N°806,, the Issuer shall maintain at the close of each quarter of the Financial Statements an Leverage no greater than 1.5 times. Notwithstanding the above, the limit will be adjusted according to the ratio between the Consumer Price Index for the month in which the Leverage is calculated and the Consumer Price Index for December 2009. For all, the previous limit shall be adjusted up to a maximum level of 2 times.

To this end, the Leverage of the Issuer shall be defined as the ratio of Outstanding Liabilities and Total Net Equity. For the purposes of determining the aforementioned index, Outstanding Liabilities shall be defined as the amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces. In the Financial Statements of the Issuer, a Note number 16 shall be included titled "Guarantees and Restrictions," letter b) "Restrictions for issuance of bonds," letter i) "Aguas Andinas S.A.", a table containing all the records that will be used to calculate the Leverage, including the additions of guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, including exceptions (i) (ii) and (iii) listed above. Additionally in the note on the Financial Statements information shall be included regarding the variation in the limit of the Leverage.

To this effect, Total Net Assets shall correspond to the amount resulting from the difference between the Total Assets accounts and the sum of Total Current Liabilities accounts and Total Non-Current Liabilities of the Issuer's Financial Statements.

As of September 30, 2015 the aforementioned accounts are the following (\$M):

Total current liabilities	162,291,880
Total non-current liabilities	786,576,976
Total IFRS Liabilities	948,868,856
Third Party Guarantees*	129,616
<b>Total current liabilities</b>	<b>948,998,472</b>
Total Assets	1,626,632,015
Total current liabilities	-162,291,880
Total non-current liabilities	-786,576,976
<b>Total Net Assets</b>	<b>677,763,159</b>

**Leverage as of September 30, 2015: 1.40 times.**

\* The amount of all guarantees, simple or joint sureties, joint assumptions of debt, or other guarantees, personal or real, which the Issuer or its subsidiaries have been granted to secure the obligations of third parties, with the exception of: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer; (ii) those issued by subsidiaries of the obligations of the Issuer; and (iii) those granted to public institutions to ensure compliance with sanitation legislation and the execution of works in public spaces.

As of September 30, 2015 the change in the Leverage is the following.

IPC Base 2009*			Covenant	
12-31-2009	09-30-2015	Accumulated inflation	Base	Limit
90.28	110.44	20.38%	1.5	1.81

\* Source: National Institute of Statistics (INE)

## **5.0 DESCRIPTION OF THE PLACEMENT**

### **5.1 Mechanism of placement**

The placement of the Bonds will take place through intermediaries in the form that is ultimately agreed to by the parties, and may be unconditional ("*a firme*"), best efforts or another. This can be done by one or all of the mechanisms allowed by law, such as top traded, private placement, etc. For the dematerialized nature of the issue, this is the title exists in the form of an electronic record and not as physical sheet, designate a manager of custody in this case is the Central Securities Depository SA, which through a electronic book-entry system, will receive the titles on deposit, then record the placement performing the corresponding electronic transfer.

The assignment or transfer of bonds, given their rendered character, and being deposited in the Central Securities Depository, Securities Depository, will be done by charging the account of the transferor and crediting that of the acquiring party, based on a written communication by electronic means which the parties deliver to the custodian. This communication to the DCV shall be sufficient title to conduct such transfer.

### **5.2 Brokers**

BBVA Corredores de Bolsa Limitada.

### **5.3 Relationship with Brokers**

None.

## **6.0 INFORMATION FOR BONDHOLDERS**

### **6.1 Place of payment**

Payments will be made in the office of Banco de Chile, in its capacity as Paying Bank, located in Ahumada 251, commune and city of Santiago, in the normal bank hours to attend to the public.

### **6.2 Form in which Bondholders will be notified regarding payments**

Shall be informed by the website of the Issuer, [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl).

### **6.3 Financial reports and other information that the Issuer will provide to Bondholders**

The Issuer shall send to the Representative of the Bondholders, in the same term to be delivered to the Superintendence a copy of its quarterly and annual Financial Statements and all other public information that the Issuer provides to the Superintendence. Additionally, it shall send copies of the reports of risk classification, at the latest within five business days following the receipt of its private classifiers.

The Issuer shall send to the Representative of the Bondholders, together with copies of its consolidated quarterly and annual Financial Statements, a letter signed by its legal representative, in which a record is made of compliance with the obligations agreed to under the Subscription Agreement.

## **7.0 OTHER INFORMATION**

### **7.1 Representative of the Bondholders**

Banco de Chile, with address on Ahumada 251, commune and city of Santiago.

Contact: Cristóbal Larrain Santander  
Email: clarrain@bancochile.cl  
Phone: (56 2) 2653 4604

### **7.2 Person in charge of custody**

Not applicable.

### **7.3 Qualified Expert(s)**

Not applicable.

### **7.4 Extraordinary Administrator**

Not applicable.

### **7.5 Relationship with Representative of Bondholders, person in charge of custody, qualified expert(s) and extraordinary administrator.**

No relationship exists.

### **7.6 External legal counsel**

Prieto and Company.

### **7.7 External auditors**

Ernst & Young Professional Auditing and Advisory Services Limited.