



EARNINGS RELEASE

**For the period ending
September 30 2016**

1. Highlights for 2016

- As of the third quarter of 2016, the Company's revenue reached CLP\$360,447,410 thousand, an increase of CLP\$13,762,738 million (4.0%) in comparison to the same quarter of 2015. This increase was mainly due to indexations of tariffs which occurred during 2015 and 2016, partially compensated by the decrease in supplied volumes. This decrease in supplied volumes is due to an increase in rainfall during 2016, which has increased more than 21% in comparison to the rainfall in the first three quarters of 2015.
- The non-regulated subsidiaries decreased their sales in CLP\$1,683,656 thousand due to a delay in the beginning of operations of the Methanization Plant which is being built in the La Farfana Plant. This plant will enable the Company to sell biogas with a higher caloric potential. During this period, Gestión y Servicios also generated lower sales (mainly due to lower activity in collector cleaning and engineering projects), which were partially compensated by higher sales in EcoRiles and Análisis Ambientales.
- Costs increased by 3.8% mainly due to an increase in network maintenance for CLP\$1,781,090 thousand, higher chemical inputs costs for CLP\$729,128 thousand, higher costs for works requested by clients for CLP\$1,665,847 thousand and higher costs for payment collection, call centers, billing and service cuts for CLP\$884.941 thousand. In addition to this, there were also higher costs in plant operations for CLP\$704,360 thousand associated with UF (Indexation Units) readjustments and higher security service costs for CLP\$322,922 thousand mainly associated to security reinforcements after the chlorine cylinder theft episodes. It is important to note that during the first semester of 2015, there was extraordinary spending due to the retroactive charge of electricity tariffs and an early retirement program.
- The EBITDA for the period reached CLP\$213,151,710 thousand, showing an increase of 4.1% in comparison to the same quarter of 2015.
- The financial result generated a loss for CLP\$32,399,703 thousand, CLP\$2,612.861 thousand less in comparison to that obtained in the same quarter of the previous year. This was mainly due to a lower revaluation of the Company's re-adjustable debt in Unidades de Fomento (Indexation Units).
- In order to finance the Company's investment plan and refinance liabilities, in January 2016 the Company issued two bonds with the following characteristics:
 - Series Z: for 1.0 million Unidades de Fomento, structured to 7 years, at a 2.15% rate.
 - Serie AA: for 2.0 million Unidades de Fomento, structured to 24 years, at a 3.29% rate.
- Tax expenses at the end of September 2016 amounted to CLP\$28,184,279 thousand, CLP\$4,662,087 thousand higher in comparison to the same period of the previous year. This variation was mainly justified by higher earnings before taxes of CLP\$12,020,192 thousand and by the change in the tax rate increasing from 22.5% to 24% due to the Tax Reform which has been in place since September 2014.
- Net income as of September 30 2016 amounted to CLP\$99,556,469 thousand, CLP\$6,741,833 thousand higher (7.3% increase) in comparison to the third quarter of the previous year.

2. Operating Results

2.1 Accumulated Results

Income Statement (CLP\$ thousands)	Sept. 16	Sept. 15	% Var.	2016 / 2015
Revenues	360,447,410	346,684,672	4.0%	13,762,738
Operating Costs & Expenses	(147,295,700)	(141,966,257)	3.8%	(5,329,443)
EBITDA	213,151,710	204,718,415	4.1%	8,433,295
D&A	(50,075,480)	(51,217,150)	(2.2%)	1,141,670
Operating Income (EBIT)	163,076,230	153,501,265	6.2%	9,574,965
Financial Result*	(32,399,703)	(35,012,564)	(7.5%)	2,612,861
Tax Expenses	(28,184,279)	(23,522,192)	19.8%	(4,662,087)
Net Income	99,556,469	92,814,636	7.3%	6,741,833

*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units.

2.2 Revenue Analysis

	Sales Sept-16		Sales Sept-15		Variation	
	CLP Th\$	Participation	CLP Th\$	Participation	CLP Th\$	%
Potable Water	142,469,506	39.5%	138,501,212	40.0%	3,968,294	2.9%
Sewage	174,221,225	48.3%	162,028,904	46.7%	12,192,321	7.5%
Other Regulated Revenue	7,741,342	2.2%	9,909,187	2.9%	(2,167,845)	(21.9%)
Non-Regulated Revenue	36,015,337	10.0%	36,245,369	10.4%	(230,032)	(0.6%)
Total	360,447,410	100.0%	346,684,672	100.0%	13,762,738	4.0%

Sales Volume (Th. m³)	Sept. 16	Sept. 15	% Var.	Difference
Potable Water	419,457	425,818	(1.5%)	(6,361)
Sewage Collection	405,688	410,062	(1.1%)	(4,374)
Sewage Treatment & Disposal	355,306	356,261	(0.3%)	(955)
Interconnections *	90,240	94,398	(4.4%)	(4,158)
Customers	Sep. 16	Sep. 15	% Var.	Difference
Potable Water	2,200,290	2,134,086	3.1%	66,204
Sewage Collection	2,147,150	2,080,908	3.2%	66,242

* Interconnections include the Treatment and Disposal of Sewage from other Sanitation Companies

a. Regulated Businesses

1. Potable Water

Potable water revenues as of the third quarter of 2016 totaled CLP\$142,469,506 thousand. This is an increase of CLP\$3,968,294 thousand in comparison to the same period of the previous year. The higher level of revenue was due to the variations in tariffs registered during 2015 and 2016, partially compensated by the decrease in supplied volumes. This decrease in supplied volumes is due to an increase in rainfall during 2016, which has increased more than 21% in comparison to the rainfall in the first three quarters of 2015.

2. Sewage

Revenues from sewage during three quarters of 2016 reached CLP\$174,221,225 thousand, exhibiting an increase of 7.5% in comparison to the CLP\$162,028,904 thousand registered the same period of the previous year. The CLP\$12,192,321 thousand increase was due to the variations in tariffs registered during 2015 and 2016, partially compensated by the decrease in supplied volumes.

3. Other Regulated Revenue

This segment had a decrease of CLP\$2,167,845 thousand which is mainly explained by the variation in the non-billed consumption provision.

b. **Non-Regulated Revenues**

Non-regulated revenues decreased by CLP\$230,032 thousand as of the third quarter of 2016 in comparison to the same period of the previous year. This was mainly due to:

1. Sanitation Services

An increase of CLP\$1,453,624 thousand mainly due to a higher amount of work requirements from clients partially compensated by lower revenues associated to rural potable water (mainly ESSAL).

2. Non-Sanitation Services

A decrease of CLP\$ \$1,683,656 thousand that is mainly explained by a decrease in Aguas del Maipo. This company did not register sales during the period due to the delay in the beginning of operations of the Methanization Plant which is being built in the La Farfana Plant. In addition to this, there is lower activity in Gestión y Servicios S.A (mainly due to lower activity in collector cleaning and engineering projects) which is partially compensated by higher sales in EcoRiles and Análisis Ambientales.

(CLP Th\$)	Sept. 16	Sept. 15	Var. %
Anam S.A.	2,466,450	2,373,951	3.9%
EcoRiles S.A.	9,212,075	9,169,849	0.5%
Gestión y Servicios S.A.	5,643,250	6,574,967	(14.2%)
Aguas del Maipo S.A.	(246,664)	640,000	(138.5%)
Non-regulated, non-sanitation products	17,075,111	18,758,767	(9.0%)

2.3. Cost Analysis

a) **Raw Materials and Consumables Used**

As of September 30 2016, the cost of raw materials and consumables used reached CLP\$24,794,056 thousand, a decrease of CLP\$3,522,610 thousand in comparison to the first three quarters of 2015. The decrease in these costs is due by a decrease in electricity expenses for CLP\$2,274,224 thousand due the recognition of retroactive charges for CLP\$2,827,551 thousand in 2015 which has been partially compensated by an increase in tariffs for CLP\$305,712 thousand and higher consumption for CLP\$247,615 thousand. In addition to this, there was a decrease in spending in various materials for CLP\$1,977,513 thousand mainly due to purchasing less raw water for CLP\$948,343 thousand and a decrease in Gestión y Servicios' cost of sales due to a decrease in activity for CLP\$712,558 thousand. This decrease in costs has been partially compensated by an increase of chemical inputs for CLP\$729,128 thousand. These chemicals are used for turbidity abatement due to a higher use of superficial water from the Maipo River.

b) Personnel Expenses

At the end of the third quarter of 2016, personnel expenses amounted to CLP\$38,648,447 thousand, CLP\$1,364,818 thousand higher than the same semester of the previous year, partially explained by higher salaries associated to inflation adjustments for CLP\$1,181,169 thousand, more average personnel for CLP\$1,621,150 thousand of which CLP\$504,217 thousand are explained by the internalization of Rural Potable Water personnel. In addition to this, there have also been higher settlements paid for CLP\$241,098 thousand, higher actuarial calculation costs for CLP\$306,146 thousand, higher variable bonuses paid for CLP\$198,442 thousand and less vacations enjoyed for CLP\$37,329 thousand. This increase in personnel expenses is partially compensated by a provision which was constituted in 2015 associated to an early retirement program for CLP\$2,284,786 thousand.

c) Depreciation and Amortization Expenses

As of September 30 2016, depreciation and amortization totaled to CLP\$50,075,480 thousand, CLP\$1,141,670 thousand lower than that obtained in the same period in 2015. This increase was mainly due to the end of the useful lives of certain assets, partially compensated by the depreciation of new investments that were incorporated during the period.

d) Other Expenses

At the end of the third quarter of 2016, these expenses increased to CLP\$83,853,197 thousand, CLP\$7,487,235 thousand higher than that obtained during the same quarter in 2015. This is essentially explained due to higher costs in network maintenance for CLP\$1,781,090 thousand associated with an increase in activity due to an increase in ruptures, an increase in services requested by clients for CLP\$1,665,847 thousand, higher client service costs for CLP\$884,941 thousand associated to an increase in activities such as billing and collection, cuts and replacements, and call center services. In addition to this, there was also an increase in plant operation costs for CLP\$704,360 thousand mainly associated with the variation of the UF (indexation units), higher surveillance costs for CLP\$322,922 thousand mainly associated to reinforcements after the chlorine cylinder theft episodes, in addition to higher expenses due to fines from the Superintendence of Sanitation Services (SISS) for CLP\$842,333 thousand.

2.4. Analysis of Financial Results and Other Results

a) Financial Income

At the end of the third quarter of 2016, financial income amounted to CLP\$5,139,344 thousand, a CLP\$821,568 thousand increase to that obtained at the end of the same quarter in 2015. This was explained mainly due to higher financial interests due to higher temporary cash surpluses and the repurchasing of promissory notes.

b) Financial Costs

As of September 30 2016, financial costs totaled CLP\$20,531,650 thousand, a CLP\$588,671 thousand decrease in costs to those obtained at the end of the same quarter in 2015. The latter was explained by higher interest activation partially compensated by an increase in interests in bond payments and higher interests in promissory notes associated with an increase in this type of debt.

c) Results from Indexation

At the end of the third quarter of 2016, there were losses for CLP\$16,996,468 thousand, determined by a lower expense of CLP\$1,198,684 thousand in comparison to the same period of 2015. This was mainly due to lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to the same quarter in 2015.

d) Expense (Income) due to Income Tax

Income tax expense totaled CLP\$28,184,279 thousand for the first three quarters of 2016. This was CLP\$4,662,087 thousand higher in comparison to the same quarter of the previous year. This variation was justified mainly by higher revenues before taxes for CLP\$12,020,192 thousand, in addition to the change in tax rate from 22.5% to 24% due to the Tax Reform which has been in place since September 2014. This has been partially compensated by an increase in the permanent differences that affect the results which are associated to taxes.

e) Net Income

Net income as of September 30 2016 amounted to CLP\$99,556,469 thousand, CLP\$6,741,833 thousand higher (7.3%) than that obtained as of the third semester of 2015.

3. Quarterly Results

Income Statement (CLP\$ thousands)	3Q16	3Q15	% Var.	3Q16 - 3TQ5
Revenues	110,177,749	103,394,242	6.6%	6,783,507
Operating Costs & Expenses	(48,548,051)	(46,728,499)	3.9%	(1,819,552)
EBITDA	61,629,698	56,665,743	8.8%	4,963,955
D&A	(16,856,293)	(17,310,356)	(2.6%)	454,063
Operating Income (EBIT)	44,773,405	39,355,387	13.8%	5,418,018
Financial Result*	(10,352,908)	(15,044,676)	(31.2%)	4,691,768
Tax Expenses	(7,367,851)	(4,103,584)	79.5%	(3,264,267)
Net Income	26,086,773	19,594,673	33.1%	6,492,100

*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units.

3.1. Revenue Analysis

a. Operating Revenues

Ordinary revenues for the third quarter of 2016 amounted to CLP\$110,177,749 thousand, CLP\$6,783,507 thousand (6.6%) higher than that obtained in the same quarter of the previous year. This variation was mainly due to higher supplied volumes in addition to an increase in the provision for non-billed consumption and tariff variations registered during 2015 and 2016 which generated a higher average tariff.

3.2. Cost Analysis

a. Raw Materials and Consumables Used

In the third quarter of 2016, the cost of raw materials and consumables used reached CLP\$7,470,156 thousand, CLP\$2,280,859 lower than that obtained during the same quarter in 2015. This decrease was mainly explained by lower purchases of raw water for CLP\$1,114,349 thousand, the higher costs of electricity registered in 2015 due to retroactive charges, in addition to a decrease in Gestión y Servicios' cost of sales due to a decrease in its level of activity.

b. Personnel Expenses

During the third quarter of 2016, personnel expenses reached CLP\$12,831,809 thousand, CLP\$1,157,392 thousand higher than that of the same quarter in the previous year due to higher remunerations and compensations associated to inflation readjustments for CLP\$408,729 thousand, higher average number of staff for CLP\$403,091 thousand of which CLP\$130,619 thousand correspond to the internalization of Rural Potable Water personnel, higher settlement payments for CLP\$241,098 thousand and higher costs in actuarial calculations for CLP\$179,316 thousand.

c. Depreciation and Amortization Expenses

Depreciation and amortization expenses during the third quarter of 2016 amounted to CLP\$16,856,293 thousand, CLP\$454,063 thousand lower than that obtained in the same quarter of 2015. This increase was mainly due to the end of the useful lives of certain assets, partially compensated by the depreciation of new investments that were incorporated during the period.

d. Other Expenses

During the third quarter of 2016, other expenses amounted to CLP\$28,246,086 thousand, CLP\$2,943,019 thousand higher than that obtained in the same quarter of 2015. This was mainly explained by higher activity associated to works requested by clients for CLP\$1,164,102 thousand, network maintenance and repair for CLP\$867,070 thousand, higher costs associated with the operation of waste water treatment plants due to the readjustment of the UF (indexation units) for CLP\$260,324 thousand, and higher expenses due to fines from the Superintendence of Sanitation Services (SISS) for CLP\$278,009 thousand.

3.3. Analysis of Financial Results and Other Results

a. Financial Income

Financial income for the third quarter of 2016 reached CLP\$1,362,741 thousand, CLP\$36,808 thousand higher than that obtained in the same quarter of 2015. This was mainly explained by higher repurchasing of promissory notes which was compensated with lower short-term cash surpluses.

b. Financial Costs

The financial costs for the third quarter of 2016 totaled CLP\$6,898,820 thousand, a CLP\$228,433 thousand decrease in costs to those obtained in the same quarter in 2015. The latter was explained by higher activation of financial interests which was partially compensated by higher bond interests.

c. Results from Indexation

In the third quarter of 2016, there were losses for CLP\$4,799,081 thousand, amount which decreased by CLP\$4,417,700 thousand in comparison to the same quarter in 2015, mainly explained by a lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to the same quarter in 2015.

d. Expense (Income) due to Income Tax

The provision for income taxes totaled CLP\$7,367,851 thousand for the third quarter of 2016. This was CLP\$3,264,267 thousand higher in comparison to the same quarter of the previous year. This variation was justified mainly by an increase in earnings before taxes for CLP\$9,990,807 thousand, in addition to the change in tax rate from 22.5% to 24% due to the Tax Reform.

e. Net Income

Net income for the third quarter of 2016 amounted to CLP\$26,086,773 thousand, CLP\$6,492,100 thousand higher (33.1%) than that obtained in the same quarter of 2015

4. Balance Sheet

	Sept. 16	Dec. 15	
	CLP Th\$	CLP Th\$	% Var.
Assets			
Current Assets	126,399,819	148,629,745	(15.0%)
Long-Term Assets	1,559,830,259	1,542,568,103	1.1%
Total Assets	1,686,230,078	1,691,197,848	(0.3%)
Liabilities & Shareholder's Equity			
Current Liabilities	126,017,891	232,407,312	(45.8%)
Long-Term Liabilities	878,444,478	787,200,069	11.6%
Total Liabilities	1,004,462,369	1,019,607,381	(1.5%)
Shareholder's Equity	628,309,536	617,195,977	1.8%
Minority Interest	53,458,173	54,394,490	(1.7%)
Total Shareholder's Equity	681,767,709	671,590,467	1.5%
Total Liabilities & Shareholder's Equity	1,686,230,078	1,691,197,848	(0.3%)

4.1 Asset Analysis

Aguas Andinas' consolidated total assets as of September 30 2016 had a decrease of 0.3% in comparison with December 31 2015, going from CLP\$1,691,197,848 thousand to CLP\$1,686,230,078 thousand.

Current assets decreased by CLP\$22,229,926 thousand, mainly due to a decrease in Cash and Cash Equivalents of CLP\$19,498,986 thousand and trade debtors and other accounts receivables of CLP\$13,105,897 thousand, mainly due to the seasonality of the purchasing cycle. The latter was partially compensated by other current financial assets for CLP\$12,756,139 thousand due to the registration of the advance of the payment of principal and interest of bonds to be paid on October 1 of this year.

Long-term assets increased by CLP\$17,262,156 thousand mainly due to an increase in construction works. The main investment works of the period are reflected in the following table:

<u>Investments (Th\$)</u>	<u>Sept-16</u>
Expansion of the Mapocho-Trebal WWTP	20,596,887
Preventing renovation of sewage networks	4,261,777
Renewal of assets at La Farfana WWTP	2,573,522

4.2 Liabilities and Shareholder's Equity Analysis

Total liabilities as of September 30 2016 decreased by 1.5% (CLP\$15,145,012 thousand) in comparison to December 2015.

Current liabilities decreased by CLP\$106,389,421 thousand. This variation was mainly due to the distribution of interim dividends which occurred in the first quarter of 2016 and the payment of the final instalment of Bond Series N.

Long-term liabilities increased by CLP \$91,244,409 thousand (11.6%). This is mainly due to an increase in bond debt of CLP\$84,719,222 thousand associated to the following issuances:

Series Z: for 1.0 million Unidades de Fomento, structured to 7 years, at a 2.15% rate.

Series AA: for 2.0 million Unidades de Fomento, structured to 24 years, at a 3.29% rate.

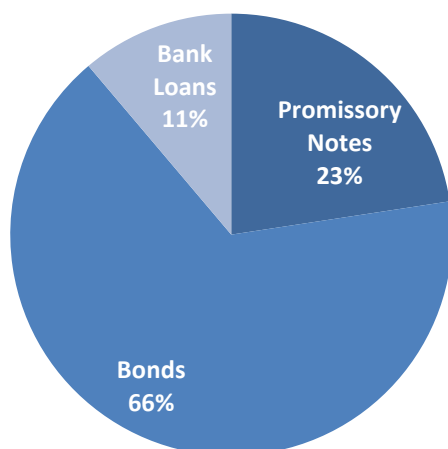
Total shareholders' equity increased by CLP\$10,177,242 thousand and the net equity attributable to the controllers increased by CLP\$11,113,559 thousand, mainly due to the earnings generated during the first three quarters of 2016, which is compensated by the distribution of dividends corresponding to the 2015 financial year.

The Company's consolidated debt amortization profile as of September 30 2016 is as follows:

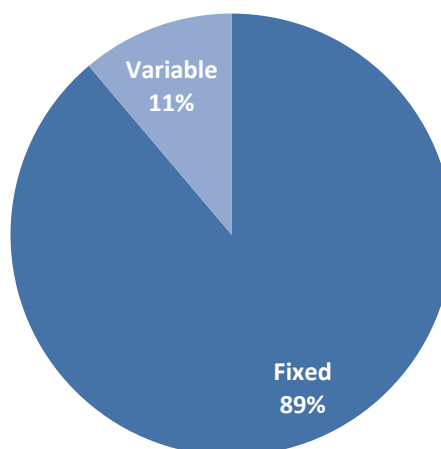
Capital CLP Th.\$	Currency	Total	1 - 12 months	1 - 3 years	3 - 5 years	more than 5 years
Promissory Notes	\$	190,850,316	21,351,061	32,015,357	21,089,333	116,394,565
Bonds	\$	559,525,354	13,584,493	47,230,576	19,185,144	479,525,141
Bank Debt	\$	94,431,961	412,752	50,589,003	43,430,206	0
Total		844,807,631	35,348,306	129,834,936	83,704,683	595,919,706

4.3 Financial Liabilities Structure

Composition By Instrument



Composition by Interest Rate



5. Consolidated Cash Flows

Cash Flow Statement (CLP\$ Th.)	Sept. 16	Sept. 15	% Var.
Net Cash Flow from Operating Activities	179,651,170	168,893,049	6.4%
Net Cash Flow from Investing Activities	(91,638,416)	(65,038,216)	40.9%
Net Cash Flow from Financing Activities	(107,511,740)	(105,941,759)	1.5%
Total Net Cash Flow for the Period	(19,498,986)	(2,086,926)	834.3%
Closing Balance of Cash & Cash Equivalents	13,454,543	24,115,228	(44.2%)

The net cash flow from operating activities increased by CLP\$10,758,121 thousand, when comparing September 2016 to September 2015.

The main variation were as follows:

- An increase in the charges incurred from the sale of goods and services for CLP\$16,860,115 thousand, due to a higher average tariff.
- A decrease in taxes for CLP\$2,679,871 thousand, due to higher activation of bond interests during this year which are present in the investment cash flow.
- A decrease in other payments for operation activities for CLP\$2,463,825 thousand, due to lower value added tax paid.

This variation was partially compensated by the following concepts:

- An increase in the payment to suppliers for CLP\$10,177,805 thousand mainly due to an increase in payments to potable and waste water network maintenance and repair suppliers and electricity payments.
- An increase in the benefits paid to employees for CLP\$1,376,999 thousand mainly due to the early retirement program paid during the first quarter of this year.
- An increase of CLP\$1,217,188 thousand for the payment of capital gains tax which has been due to the change in the Provisional Monthly Payment tax rate for the 2016 period, in addition to higher sales.

The disbursement for investment activities increased by CLP\$26,600,200 thousand mainly due to higher payments for the investment works in the Expansion of the Mapocho-Trebal Waste Water Treatment Plant.

Financing activities generated a negative variation of net cash flow (increase) of CLP\$1,569,981 thousand, this is due to an increase in loan and bond payments for CLP\$29,336,505 thousand and higher dividend payments for CLP\$9,917,204 thousand. The latter was partially compensated by the issuances of bonds Series Z and AA for a total of 3.0 million UF (indexation units).

6. Financial Ratios

		Sept. 16	Dec. 15
Liquidity			
Current Ratio	times	1.00	0.64
Acid Test Ratio	times	0.11	0.14
Leverage			
Total Leverage	times	1.47	1.52
Current Leverage	times	0.13	0.23
Long-term Leverage	times	0.87	0.77
Interest Coverage Ratio	times	7.53	6.96
Return			
ROE	%	21.70	21.01
ROA	%	8.20	7.82
Earnings Per Share	CLP\$	22.19	21.08
Dividend Yield*	%	4.99	5.37

Current Ratio: $\text{Currents Assets} / \text{Current Liabilities}$.

Acid Test Ratio: $\text{Cash and Cash Equivalents} / \text{Current Liabilities}$.

Total Leverage: $\text{Total Liabilities} / \text{Total Shareholders' Equity}$.

Current Leverage: $\text{Current Liabilities} / \text{Total Liabilities}$.

Long-Term Leverage: $\text{Long-Term Liabilities} / \text{Total Liabilities}$.

Interest Rate Coverage: $\text{Net Income before Taxes} / \text{Financial Costs}$.

ROE: $\text{Net Income} / \text{Average Assets}$.

ROA: $\text{Net Income} / \text{Average Assets}$.

Earnings per Share: $\text{Net Income} / \text{Total Shares}$.

Dividend Yield: $\text{Dividends Paid} / \text{Share Price}$

*Share price as of September 2016 was \$422.44. As of December 31, 2015 the share price was \$363.58.

As of September 2016, the current ratio had an increase of 56.3% due to a decrease in current liabilities of CLP\$106,389,421 thousand (45.8%) due to the distribution of interim dividends during the first quarter of 2016 and the payment of the last installment of bond Series N, compensated by a decrease in current assets of CLP\$22,229,926 thousand (15.0%), mainly due to the seasonality of the purchasing cycle.

Total leverage decreased by 3.0% due to a decrease in total liabilities of CLP\$15,145,012 thousand, mainly explained by the distribution of interim dividends and the payment of the final instalment of Bond Series N. This was compensated by the issuance of Bond Series Z and AA for a total of UF 3.0 million. On the other hand, shareholders' equity increased by CLP\$10,177,242 thousand, mainly due earnings generated as of the third quarter of 2016, partially compensated by the distribution of dividends corresponding to the 2015 financial year.

The annualized return on equity attributable to the controller increased by 3.3% due to an increase in earnings generated as of the third quarter of 2016 of CLP\$6,741,833 thousand compensated in part by an increase in average equity of CLP\$11.680,808 thousand.

7. Other Information

a) Tariffs

The most important factor that determines the Company's results of operations and financial condition are the tariffs set for regulated services. As a water utility, the Company is regulated by the SISS, and our tariffs are set in accordance with the tariff law DFL No. 70 of 1988.

Tariffs are reviewed and set every five years and are adjusted in the interim period based on a polynomial index. The accumulated variation of the polynomial index must reach 3.0% or higher to produce a tariff adjustment. The polynomial index includes various inflation indices, specifically the Consumer Price Index (IPC), the Imported Goods of the Manufacturing Sector Price Index (IPBIM) and the Manufacturing Producers Price Index (IPPIM). These indices are all published by the National Institute of Statistics (INE).

The latest adjustments for tariff indexations for each group/company were applied on the following dates:

Aguas Andinas S.A.:

Group 1	November 2015.
Group 2	November 2015.
Rinconada de Maipú	March – July – September 2015.

Aguas Cordillera S.A.:

November 2015.

Aguas Manquehue S.A.:

Santa María	March - November 2015.
Chicureo	October 2015.
Chamisero	March & September 2015.
Valle Grande 3	March & September 2015

Essal S.A.:

Group 1	March & October 2015
Group 2	March & October 2015
Group 3	March & October 2015
Chinquihue	March & December 2015
Los Alerces	March & October 2015

In addition, tariffs may also be adjusted when additional services/investments become operational. These adjustments are previously authorized by the SISS.

Aguas Andinas' current tariffs for the 2015-2020 period were approved through Decree N°83 which was approved on June 5th 2015 and came into effect March 1st 2015 (these tariffs were published in the Official Newspaper on September 3rd 2015). Aguas Cordillera's current tariffs for the 2015-2020 period were approved through Decree N°152 which was approved on October 19th 2015 and came into effect June 30th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015). Aguas Manquehue's current tariffs for the 2015-2020 period were approved through Decree N°139 which was approved on September 16th 2015 and came into effect May 19th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015). For ESSAL, Decree N°116 dated August 31 2011 sets its tariffs for the 2011-2016 period. To date, the 2016 -2020 tariff process has concluded and the Company has reached an agreement with the SISS, however, the decree has not been published.

b) Market Risk

Our Company has a favorable situation in terms of risk, mainly due to the particular characteristics of the sanitation industry. Operational results follow a seasonal pattern and may vary from quarter to quarter. The highest levels of demand and revenues are registered during the summer months (December to March) and lower levels of demand and revenues during the winter months (June to September). In general, demand for water is higher in warmer months, mainly due to the additional water needs caused by irrigation and other outdoor water uses.

Adverse weather conditions could potentially affect optimal delivery of services, because the processes of extracting and producing drinking water depend largely on weather conditions that develop in watersheds. Climate factors such as rainfall, snow, hail, temperature and moisture as well as other factors such as sediment and water levels in rivers determine not only the quantity, quality and continuity of raw water available at each intake point, but also determine the probability that water is properly treated in the water treatment plants.

In the event of prolonged drought, the Company has significant reserves of water that in the El Yeso, Laguna Negra and Lo Encañado reservoirs. Additionally the Company has developed contingency plans to mitigate the effects from adverse climate conditions that could affect our operations. The Metropolitan Region has been affected by drought conditions since 2010. The Company has implemented several contingency plans such as the purchase raw water, increase use of wells and the lease and purchase of water rights, among other measures to reduce the impact of the drought and continue to provide quality, timely services.

c) Market Analysis

The market in which the Company participates has not varied given that by the nature of its services and under current legislation, it has no competition in its concession area.

Aguas Andinas S.A. has 100% service coverage in drinking water, 98.7% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Cordillera S.A. has 100% service coverage in drinking water, 98.8% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Manquehue S.A. has 100% service coverage in drinking water, 99.0% service coverage in sewage collection and 100% service coverage in sewage treatment.

Essal S.A. has 100% service coverage in drinking water, 95.7% service coverage in the X Region and 92.3% in the XIV Region of sewage collection and 100% service coverage in sewage treatment.

d) Capital Investments

One of the variables that influence the results of the operations and the financial condition of the Company are capital investments. There are two types:

Committed Investments: The Company has the obligation to agree on an investment plan with the industry regulator (S.I.S.S). The investment plan outlines investments that will be made in the subsequent 15-year period. Specifically, the plan includes certain projects related to maintaining certain quality standards and service coverage. The investment plan is subject to review every five years, and amendments may be made given certain circumstances.

Dates of approval and dates of updates to the investment plan for the Aguas Group:

Aguas Andinas S.A.

Gran Santiago: December 23 2015

Other Areas: September 12 2012, April 5 2013, September 26 2013, December 31 2014 and January 12 2015.

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: December 21 2015

Aguas Manquehue S.A.

Santa María and Los Trapenses: December 23 2014

Chicureo, Chamisero, and Valle Grande III: December 29 2011

Alto Lampa: November 22 2013

Essal S.A.

X and XIV Region: December 30 2010

Uncommitted Investments: Uncommitted investments are those investments that are not included in the committed investment plan that the Company chooses to carry out voluntarily to ensure the quality of services and to replace obsolete assets. These investments are generally related to the replacement of network infrastructure and other assets, the acquisition of certain water rights and investments in unregulated businesses, among others.

According to IAS 23 of the International Financial Reporting Standards (IFRS), the current accounting standard in Chile, interest on capital investments is capitalized during the construction phase. IAS 23 outlines that when a company acquires debt in order to finance investments, the interest on that debt must be subtracted from financial expenses and incorporated into the financed construction project, for up to the full amount of interest. Consequently, the financial costs associated with our capital investment plan affects the amount of financial expenses recorded in the income statement. These financial costs are recorded along with ongoing works in the line item Property, Plant and Equipment of the balance sheet.

e) Financial Aspects

Currency Risks: Our revenues are largely linked to the evolution of the local currency (Chilean peso). Because of this factor, the Company's debt is mainly denominated in Chilean pesos or financial instruments linked to the Chilean peso, specifically the UF. As a result, the Company does not significant risk of foreign currency transactions.

Interest Rate Risk: As of September 30, 2016, the Company's interest rate profile consisted of 88.9% fixed rate and 11.1% variable rate. The fixed rate debt includes short-term and long-term bonds (74.7%) and promissory notes (25.3%), while the variable rate debt includes bank debt with local financial institutions.

As of December 31, 2015, the Company's interest rate profile consisted of 87.5% fixed rate and 12.5% variable rate. The fixed rate debt includes short-term and long-term bonds (74.2%) and promissory notes (25.8%), while the variable rate debt includes bank debt with local financial institutions.

The company has a policy of monitoring and managing its interest rate, with the aim of optimizing the cost of financing. It continuously evaluates available hedging instruments in the financial market.

This favorable situation has meant that the local rating agencies have assigned the Company a solvency rating of AA+. In the case of our stocks, Fitch and ICR have assigned us a rating of first class Level 1 for series A and first class series 4 for series B.
