



EARNINGS RELEASE

**Financial year ended on
December 31, 2017**

1. Summary of 2017

- The Company's revenues amounted to CLP Th\$509,540,577, which was CLP Th\$17,290,932 (3.5%) higher than in 2016. This increase was mainly explained by higher volumes supplied, together with the tariff indexations recorded in 2016 and 2017.
- The non-regulated subsidiaries increased their revenue by CLP Th\$2,288,136 due to higher sales of EcoRiles and Análisis Ambientales, partially offset by lower sales of materials in Gestión y Servicios. Additionally, during the second half of the year Aguas del Maipo recorded sales of biogas from the Methanization Plant located at the La Farfana plant.
- Costs amounted to CLP Th\$210,935,624, an increase of 5.1%, mainly due to higher activity in network maintenance by CLP Th\$3,767,241, higher electricity costs amounting to CLP Th\$2,240,197, higher personnel costs by CLP Th\$1,926,398, increase in the allowance for doubtful accounts by CLP Th\$1,706,306, and higher costs due to increases in requests for modification of water utility infrastructure by CLP Th\$1,018,933. This is partially offset by lower activity in work requested by customers by CLP Th\$1,318,979 and lower costs in chemical inputs by CLP Th\$577,806.
- The EBITDA for the financial year reached CLP Th\$298,604,953, an increase of 2.4% when compared to the same period of the previous year.
- The financial income displayed a loss of CLP Th\$36,996,176, generating a lower loss by CLP Th\$3,825,100 when compared to the previous year, mainly as a result of a lower revaluation of the debt, readjustable in Unidades de Fomento.
- Other earnings were obtained by CLP Th\$2,608,255, lower by CLP Th\$11,989,266 to those obtained in 2016, mainly due to the fact that the subsidiary Aguas Cordillera sold in 2016 a large area of land in the district of Vitacura.
- Income tax expense at the close of fiscal year 2017 was CLP Th\$46,340,625, higher by CLP Th\$2,898,163 when compared to the previous year. This variation was mainly explained by the change in the tax rate from 24% to 25.5%, due to the Tax Reform.
- Net earnings as of December 31, 2017 amounted to CLP Th\$139,620,280, which is CLP Th\$10,955,386 (7.3%) lower than that obtained at the close of the 2016 financial year.

2. Results

2.1 Accumulated results

Income Statement (CLP\$ thousands)	Dec. 17	Dec. 16	% Var.	2017 / 2016
Ordinary Revenue	509,540,577	492,249,645	3.5%	17,290,932
Operating Costs and Expenses	(210,935,624)	(200,736,266)	5.1%	(10,199,358)
EBITDA	298,604,953	291,513,379	2.4%	7,091,574
Depreciation and Amortization	(74,394,154)	(67,009,703)	11.0%	(7,384,451)
Operating income	224,210,799	224,503,676	(0.1%)	(292,877)
Other Earnings	2,608,255	14,597,521	>200%	(11,989,266)
Financial Results*	(36,996,176)	(40,821,276)	(9.4%)	3,825,100
Tax expense	(46,340,625)	(43,442,462)	6.7%	(2,898,163)
Net Income	139,620,280	150,575,666	(7.3%)	(10,955,386)

* Includes interest income, finance costs, exchange rate differences and income by readjustment units.

2.2 Income Analysis

	Dec. 17		Dec. 16		Variation	
	Sales		Sales			
	CLP Th\$	Share	CLP Th\$	Share	CLP Th\$	%
Potable Water	195,090,811	38.3%	190,399,865	38.7%	4,690,946	2.5%
Sewage	240,399,095	47.2%	235,458,940	47.8%	4,940,155	2.1%
Other Regulated Income	18,408,224	3.6%	17,161,349	3.5%	1,246,875	7.3%
Non- Regulated income	55,642,447	10.9%	49,229,491	10.0%	6,412,956	13.0%
Total	509,540,577	100.0%	492,249,645	100.0%	17,290,932	3.5%

Sales Volume (Thousands of m³)	Dec. 17	Dec. 16	% Var.	Difference
Potable Water	575,046	569,199	1.03%	5,847
Sewage Collection	554,261	549,505	0.87%	4,756
Sewage Treatment and Disposal	484,298	479,031	1.10%	5,267
Interconnections*	123,751	123,379	0.3%	372

Clients	Dec. 17	Dec. 16	% Var.	Difference
Potable Water	2,259,245	2,213,869	2.1%	46,061
Sewage Collection	2,205,940	2,160,473	2.1%	46,102

* The interconnections include Treatment and Disposal of Sewage from other water utility companies.

a. Regulated Businesses

1. Potable Water

Potable water revenue at the end of 2017 reached CLP Th\$195,090,811, which meant an increase of CLP Th\$4,690,947 when compared to the previous year, as a result of a higher volume supplied along with the tariff indexations recorded during 2016 and 2017.

2. Sewage

Sewage revenue at the end of 2017 reached CLP Th\$240,399,095, an increase of 2.1% when compared to 2016. The increase of CLP Th\$4,940,155 was mainly due to a higher volume supplied along with the tariff indexations recorded during 2016 and 2017.

3. Other Regulated Income

This item shows an increase of CLP Th\$1,246,875, which was mainly explained by the variation in the provision for unbilled consumptions along with higher revenues from base charge to customers.

b. Non-Regulated Income

Non-regulated revenue increased by CLP Th\$6,412,955 at the end of 2017 when compared to the previous year. This variation was explained by:

1. Sanitation Services

An increase of CLP Th\$4,124,819 mainly due to higher revenue associated with changes in the water utility infrastructure requested by third parties along with insurance reimbursements.

2. Non-Sanitation Services

An increase of CLP Th\$2,288,136 which was mainly explained by higher activity in Anam and EcoRiles, this is offset by a decrease in Gestión y Servicios due to lower sales of materials. Additionally, during the second semester of this year Aguas del Maipo recorded biogas sales for the Methanization Plant located at the La Farfana plant.

(CLP Th\$)	Dec. 17	Dec. 16	Var. %
Anam S.A.	4,258,167	3,339,493	27.5%
EcoRiles S.A.	13,004,146	12,341,678	5.4%
Gestión y Servicios S.A.	6,780,639	7,408,804	(8.5%)
Aguas del Maipo S.A.	1,335,159	0	-
Non-regulated non-water utility products	25,378,111	23,089,975	9.9%

2.3. Expense Analysis

a) Raw materials and consumables used

As of December 31, 2017, costs of raw materials and consumables amounted to CLP Th\$34,924,849, which is CLP Th\$1,482,089 higher than the previous year. The increase was mainly due to higher electricity costs by CLP Th\$2,315,717, due to higher production of potable water from groundwater sources and higher tariffs for re-liquidation, offset by lower cost of chemical supplies by CLP Th\$577,806.

b) Expenses due to employee benefits

As of December 31, 2017, employee benefits expenses amounted to CLP Th\$55,548,304, which is CLP Th\$1,926,398 higher than in the previous year, generated by higher remuneration and bonuses associated with readjustments by CPI, together with a larger staff.

c) Depreciation and amortization expenses

As of December 31, 2017, depreciation and amortization amounted to CLP Th\$74,394,154, higher by CLP Th\$7,384,451 than in the previous year. This is the result of depreciation associated with new assets such as the fourth module of the Trebal-Mapocho Plant and works associated with the Hydraulic Efficiency Plan.

d) Other Expenses

As of December 31, 2017, these expenses amounted to CLP Th\$120,462,471, which is CLP Th\$6,790,871 higher than in 2016, mainly explained by a higher network maintenance activity by CLP Th\$3,767,241, a higher allocation for doubtful accounts by CLP Th\$1,706,306, and higher costs due to increases in requests for modification of water utility infrastructure by CLP Th\$1,018,933. This is partially offset by a lower activity in work requested by customers by CLP Th\$1,318,979.

2.4. Analysis of Financial Income and Other Income

a) Other Earnings

As of December 31, 2017, other earnings amounting to CLP Th\$2,608,255 were obtained, which were CLP Th\$11,989,266 lower than in 2016, mainly due to the sale of a large plot of land in the district of Vitacura by the subsidiary Aguas Cordillera in 2016.

b) Financial Income

As of December 31, 2017, interest income amounting to CLP Th\$6,052,997 was obtained, which is CLP Th\$420,967 less than that obtained in 2016, mainly due to lower interest income resulting from lower temporary cash surpluses.

c) Financial Expenses

As of December 31, 2017, financial expenses amounted to CLP Th\$31,112,258, which meant an increase of CLP Th\$3,994,717 when compared to those in 2016. This was mainly explained by lower financial capitalization and the impact of inflation insurance, partially offset by lower interest on bonds and banks.

d) Results from Indexation Units

At the closing of the 2017 financial year, losses of CLP Th\$11,945,903 were recorded, resulting in a lower expense of CLP Th\$8,213,809, when compared to 2016. This was mainly explained by a lower revaluation of the debt due to the lower variation of the UF when compared to 2016.

e) Income Tax Expense (Revenue)

Income tax expense at the closing of the 2017 financial year was CLP Th\$46,340,625, higher by CLP Th\$2,898,163 when compared to the previous year. This variation was mainly explained by the change in the tax rate from 24% to 25.5%, due to the Tax Reform.

f) Net income

Net income as of December 31, 2017 amounted to CLP Th\$139,620,280, which is CLP Th\$10,955,386 (7.3%) lower than that recorded in 2016.

3. Results by Segment

3.1 Accumulated Results, Water Segment

Income Statement (CLP Th\$)	Dec. 17	Dec. 16	% Var.	2017 - 2016
External Revenues	484,300,578	469,116,410	3.2%	15,184,168
Revenue Between Segments	989,298	782,634	26.4%	206,664
Operating Costs and Expenses	(192,307,238)	(182,018,986)	5.7%	(10,288,252)
EBITDA	292,982,637	287,880,058	1.8%	5,102,579
Depreciation and Amortization	(73,722,846)	(66,318,416)	11.2%	(7,404,430)
Operating Income	219,259,792	221,561,642	(1.0%)	(2,301,850)
Other Earnings	2,306,663	16,728,956	(86.2%)	(14,422,293)
Financial Results*	(37,155,732)	(40,937,954)	(9.2%)	3,782,222
Tax Expense	(45,056,455)	(43,242,225)	4.2%	(1,814,230)
Net Income	135,492,294	149,848,626	(9.6%)	(14,356,332)

* Includes interest income, finance costs, exchange rate differences and income due to readjustment units.

The income of this segment showed a decrease of 9.6% when compared to the previous financial year, mainly composed of:

- An increase in external revenue, mainly associated with higher tariffs and higher volumes supplied.
- An increase in costs of 5.7% mainly due to higher activity in network maintenance, higher cost of electricity, higher provision for uncollectible bills, higher personnel costs and higher costs due to increases in requests for modification of water utility infrastructure
- An increase in depreciation and amortization cost, mainly due to new assets such as the fourth module of the Trebal-Mapocho Sewage Treatment Plant.
- A decrease in other earnings, mainly due to the fact that in 2016 the company Aguas Cordillera sold a large plot of land in the district of Vitacura.

- An improvement in the financial income when compared to 2016, mainly due to a lower revaluation of the readjustable debt in Unidades de Fomento.
- Higher income tax expense when compared to the previous year, mainly justified by higher earnings before tax, combined with the change in tax rate from 24.0% to 25.5% due to the Tax Reform.

3.2 Accumulated Results, Non-Water Segment

Income Statement (CLP Th\$)	Dec. 17	Dec. 16	% Var.	2017 - 2016
External Income	25,239,999	23,133,234	9.1%	2,106,765
Revenue Between Segments	4,314,127	4,074,938	5.9%	239,189
Operating Costs and Expenses	(23,931,810)	(23,547,138)	1.6%	(384,672)
EBITDA	5,622,316	3,661,034	53.6%	1,961,282
Depreciation and Amortization	(699,021)	(719,000)	(2.8%)	19,979
Operating income	4,923,295	2,942,034	67.3%	1,981,261
Other Earnings	329,304	(2,131,435)	(115.4%)	2,460,739
Financial Results*	159,557	116,677	36.8%	42,880
Tax Expense	(1,284,170)	(200,236)	>200%	(1,083,934)
Net Income	4,127,986	727,040	>200%	3,400,946

* Includes interest income, finance costs, exchange rate differences and income due to readjustment units.

The income of this segment showed an increase of more than 200% when compared to the previous year, mainly composed of:

- An increase in external revenues was mainly due to increased activity in EcoRiles (mainly due to new projects in operating plants) and Anam due to increased activity in laboratory services. This is offset by lower activity in Gestión y Servicios (mainly due to lower sales volume of network materials and meters). Additionally, during the second half of the year Aguas del Maipo recorded sales of biogas from the Methanization Plant located at the La Farfana plant.
- An increase in inter-segment revenues mainly due to the higher activity due to excess load on EcoRiles' activity.
- An increase in costs, which corresponds to higher activity in Anam and EcoRiles, offset by a decrease in activity in Gestión y Servicios.
- An increase in other earnings that was mainly explained by the recovery of a part of the guarantee notes issued by Gestión y Servicios and that had been provisioned in 2016 due to being older than 4 years. Additionally, asset sales were recorded.
- A higher income tax expense at the end of 2017, mainly due to an increase in the income before tax together with an increase in the tax rate from 24.0% to 25.5%.

4. Quarterly Results

Income Statement (CLP Th\$)	4T17	4T16	% Var.	4T17 - 4T16
Ordinary Revenue	134,896,633	131,555,571	2.5%	3,341,062
Operating Costs and Expenses	(54,638,404)	(53,429,059)	2.3%	(1,209,345)
EBITDA	80,258,229	78,126,512	2.7%	2,131,717
Depreciation and Amortization	(19,281,659)	(16,934,222)	13.9%	(2,347,437)
Operating Income	60,976,570	61,192,290	(0.4%)	(215,720)
Other Earnings	848,740	14,845,686	(94.3%)	(13,996,946)
Financial Results*	(9,802,366)	(8,421,576)	16.4%	(1,380,790)
Tax Expense	(12,669,172)	(15,258,183)	(17.0%)	2,589,011
Net Income	38,190,585	51,019,197	(25.1%)	(12,828,612)

* Includes interest income, finance costs, exchange rate differences and income by readjustment units.

4.1 Revenue Analysis

a) Operational Revenue

Ordinary revenues for the fourth quarter of 2017 amounted to CLP Th\$134,896,633, CLP Th\$3,341,062 (2.5%) higher than in the same quarter of the previous financial year. This variation was mainly explained by the sale of biogas from Aguas del Maipo, increased agreements with developers, insurance refunds and higher revenues associated with modifications of water utility infrastructure requested by third parties.

4.2 Expenses Analysis

a) Raw Materials and Consumables Used

In the fourth quarter of 2017, raw materials and consumables costs reached CLP Th\$9,820,536, CLP Th\$1,171,833 higher than in the same quarter of 2016. The increase was mainly due to higher cost of electric energy amounting to CLP Th\$1,641,596, due to higher production of drinking water from underground sources and higher tariffs for re-liquidations, partially offset by a lower cost of chemical supplies amounting to CLP Th\$288,223.

b) Personnel Expenses

During the fourth quarter of 2017, Expenses due to employee benefits reached CLP Th\$15,031,860, which were CLP Th\$58,401 higher than in the same quarter of the previous year.

c) Depreciation and Amortization Expenses

Depreciation and amortization for the fourth quarter of 2017 amounted to CLP Th\$19,281,659, CLP Th\$2,347,436 higher than that recorded in the same quarter of 2016, associated with new investments included in the period.

d) Other Expenses

During the fourth quarter of 2017, the Other expenses amounted to CLP Th\$29,786,009, which are CLP Th\$20,889 lower than those recorded in the same quarter of the previous year.

4.3 Analysis of Financial Income and Other Income

a) Financial Income

Financial income for the fourth quarter of 2017 reached CLP Th\$1,165,258, which are CLP Th\$169,362 lower than the CLP Th\$169,362 recorded in the same quarter of 2016, mainly due to lower financial interests.

b) Financial Expenses

Financial expenses for the fourth quarter of 2017 reached CLP Th\$8,670,514, which are CLP Th\$2,084,622 higher than in the same period of 2016. This was mainly explained by lower financial capitalization and the impact of inflation insurance.

c) Results from Indexation Units

In the fourth quarter of 2017, losses by CLP Th\$2,301,804 were recorded, a figure that decreased by CLP Th\$861,443 when compared to the same period of 2016, mainly explained by a lower revaluation of the debt, due to the lower variation of the UF when compared to the same quarter of 2016.

d) Income Tax Expense (Revenue)

The income tax provision at the end of the fourth quarter of 2017 was CLP Th\$12,669,172, lower by CLP Th\$2,589,011 when compared to the same quarter last year. This variation was mainly explained by a lower income before taxes of CLP Th\$15,593,456, which is partially offset by a higher tax rate due to the Tax Reform.

e) Net Income

Net income for the fourth quarter of 2017 amounted to CLP Th\$38,190,585, which is CLP Th\$12,828,612 (25.1%) lower than in the same quarter of 2016.

5. Financial Situation Statement

	Dec. 17	Dec. 16	
	CLP Th\$	CLP Th\$	% Var.
Assets			
Current assets	150,618,761	182,071,355	(17.3%)
Non-current assets	1,646,261,375	1,589,747,781	3.6%
Total assets	1,796,880,136	1,771,819,136	1.4%
Assets and Equity			
Current liabilities	237,111,903	211,931,051	11.9%
Non-current liabilities	866,468,756	873,005,660	(0.7%)
Total liabilities	1,103,580,659	1,084,936,711	1.7%
Shareholders' Equity	642,630,776	634,157,180	1.3%
Minority Interest	50,668,701	52,725,245	(3.9%)
Total Shareholders' Equity	693,299,477	686,882,425	0.9%
Total Liabilities and Shareholders' Equity	1,796,880,136	1,771,819,136	1.4%

5.1 Asset Analysis

Aguas Andinas' total consolidated assets as of December 31, 2017 showed an increase of 1.4% when compared to December 31, 2016, from CLP Th\$1,771,819,136 to CLP Th\$1,796,880,136.

Current assets decreased by CLP Th\$31,452,594, mainly due to the decrease in cash and cash equivalents by CLP Th\$46,068,103, mainly due to the sale of a large plot of land in the Vitacura district by the subsidiary Aguas Cordillera in 2016. This is partially offset by trade and other receivables by CLP Th\$7,227,246 mainly explained by the increase in regulated sales, together with recoverable taxes amounting to CLP Th\$6,463,152.

Non-current assets increased by CLP Th\$56,513,594 mainly explained by the net increase in plant and equipment properties by CLP Th\$57,193,730 associated with the investments made during the year. The main investment works are shown in the following table:

Investments (CLP TH\$)	Dec-17
Sewage Networks	13,595,574
Chamisero Potable Water Plant	9,327,456
Potable Water Networks	8,451,451
Turbidity Events Emergency Works	8,106,442
Biogas Purification Plant	6,121,864
Connections and Meters	6,019,370

5.2 Liabilities and Equity Analysis

Liabilities payable as of December 2017 increased by CLP Th\$18,643,948 when compared to December 2016.

Current liabilities increased by CLP Th\$25,180,852. This variation was mainly due to the reclassification of the Series J Bond due to its maturity in 2018. This is partially offset by lower debt from Reimbursable Financial Contributions (promissory notes).

Non-current liabilities showed a decrease of CLP Th\$6,536,904 (0.7%), which corresponds mainly to a decrease of CLP Th\$5,283,345 in bank loans.

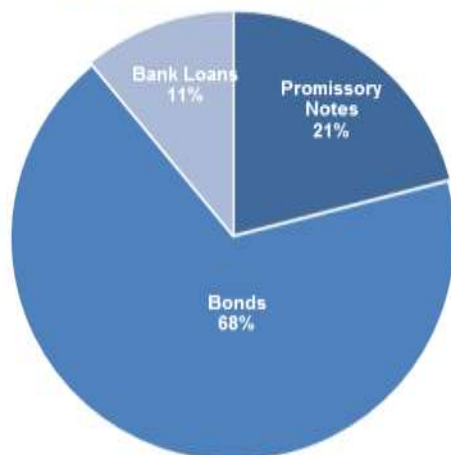
Total equity increased by CLP Th\$6,417,052 and net equity attributable to the controllers increased by CLP Th\$8,473,596.

The maturity profile of the financial debt as of December 31, 2017 is as follows:

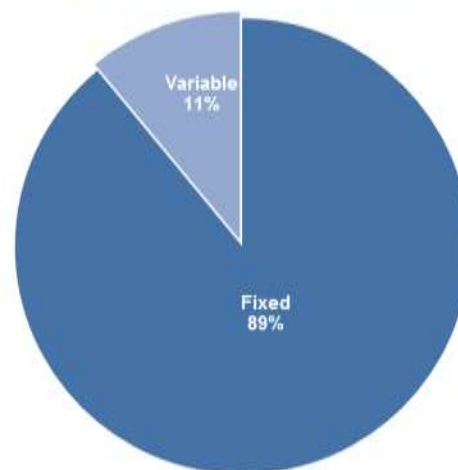
Capital CLP Th\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	More than 5 years
Promissory Notes	\$	181,902,132	15,309,206	20,764,356	44,137,532	101,691,038
Bonds	\$	580,156,234	35,856,224	19,232,757	19,604,953	505,462,300
Bank Loans	\$	95,019,210	6,283,345	72,717,761	16,018,104	0
Totals		857,077,576	57,448,775	112,714,874	79,760,589	607,153,338

5.3 Financial Liabilities Structure

Composition by Instrument



Composition by Interest Rate



6. Cash Flow

Cash Flow Statement (CLP Th\$)	Dec. 17	Dec. 16	% Var.
Operating activities	213,469,168	234,098,851	(8.8%)
Investment activities	(113,828,958)	(93,180,602)	22.2%
Financing activities	(145,708,313)	(108,995,335)	33.7%
Net flow for the period	(46,068,103)	31,922,914	(244.3%)
Closing cash balance	18,808,340	64,876,443	(71.0%)

EBITDA from operating activities decreased by CLP Th\$20,629,683 when comparing December 2017 to December 2016.

The main variations were as follows:

- Increase in payment to suppliers by CLP Th\$18,660,275, mainly associated with higher payments to water utility infrastructure transfers suppliers and leases.
- An increase of CLP Th\$9,080,251 in income taxes paid, which is explained by the change in the PPM rate in the 2017 period (including payment for income associated with the sale of a large land plot in the Vitacura district which was owned by the subsidiary Aguas Cordillera), plus an increase in sales.
- Increase in payments for employee benefits of CLP Th\$4,024,900, when compared to the previous year, generated by higher compensations and bonuses associated with readjustments by CPI, together with a larger staff.
- Increase in payments for premiums and benefits, annuities and other obligations derived from policies subscribed amounting to CLP Th\$2,884,400, associated with the payment of fire insurance corresponding to 24 months.
- Increase in financial interest income of CLP Th\$1,245,986.

These variations were partially offset by the following concept:

- Increase in revenue from sales of goods and services by CLP Th\$17,657,393 mainly due to higher sales volume and higher average rates and an increase in revenue.

The disbursement for investment activities decreased by CLP Th\$20,648,356, mainly due to the completion of the construction of the third Mapocho-Trebal sewage treatment plant and the sale of the plot Isla Lo Mata in Aguas Cordillera during 2016.

Financing activities generated a net negative cash flow of CLP Th\$36,712,978, this is due to higher loan repayment of CLP Th\$40,236,337, partially offset by the placement of Series C bonds by the Essal subsidiary in the fourth quarter of the year, for a total of UF 1.0 million.

7. Financial Ratios

		Dec. 17	Dec. 16
Liquidity			
Current Liquidity	times	0.64	0.86
Acid Test Ratio	times	0.08	0.31
Leverage			
Total Leverage	times	1.59	1.58
Current Leverage	times	0.21	0.20
Long-term Leverage	times	0.79	0.80
Interest Coverage Ratio	times	7.10	8.31
Earnings			
ROE	%	21.87	24.07
ROA	%	7.82	8.70
Earnings Per Share	\$	22.82	24.61
Dividend Yield (*)	%	5.43	6.05

Current liquidity: current assets / current liabilities.

Acid ratio: cash and cash equivalents / current liabilities.

Total leverage: payable liabilities / total equity.

Current leverage: current liabilities/liabilities payable.

Long-term leverage: non-current liabilities/liabilities payable.

Interest coverage ratio: income before taxes and annualized interest / annualized financial expenses.

Return on equity: annualized return for the year/total average net assets for the financial year.

Return on assets: income of the annualized financial year/total assets annualized average of the financial year.

Earnings per share: annualized income of the financial year/ number of shares subscribed and paid.

Dividend yield: dividends paid per share / share price.

(*) The share price as of December 2017 amounts to \$407.40, while in December 2016 it amounted to \$348.73.

As of December 2017, current liquidity decreased by 25.6% due to a decrease in current assets by CLP Th\$31,452,594 (17.3%), mainly explained by the sale of a large plot of land in the district of Vitacura in 2016, and an increase in current liabilities by CLP Th\$25,180,852, as a result of the reclassification of the Series J Bond due to its maturity in 2018.

Total leverage decreased by 0.8%, as a result of an increase in the liability by CLP Th\$18,643,948, mainly due to the payment of interim dividends in the first quarter of 2017, offset by an increase in total equity of CLP Th\$6,417,052, explained by the income generated in 2017, offset by the distribution of dividends corresponding to 2016.

The annualized return on equity attributable to the controller displayed a decrease of 9.1%, due to an increase in the average equity of CLP Th\$12,717,399 and a decrease in the result for the year of CLP Th\$10,955,386.

8. Other Background

a) Tariffs

The most important factor determining our operating income and financial condition is the tariffs set for our regulated sales and services. As a water utility company we are regulated by the S.I.S.S. and our tariffs are set in accordance with the Law of Tariffs of Sanitation Services D. F. L. No. 70 of 1988.

Our tariff levels are reviewed every five years and, during this period, are subject to additional readjustments linked to an indexation polynomial, which are applied when the accumulated variation from the previous adjustment is 3.0% or higher, according to calculations made based on various inflation indexes. Specifically, the readjustments are applied based on a formula that includes the Consumer Price Index, the Imported Manufacturing Sector Goods Price Index and the Manufacturing Producer Price Index, all of which are measured by the Chilean National Statistics Institute. The most recent indexations carried out by each Group company were applied on the following dates:

Aguas Andinas S.A.:

Group 1	July 2017
Group 2	July 2017
Rinconada de Maipú	January 2016, January 2017 and September 2017

Aguas Cordillera S.A.:

January 2017

Aguas Manquehue S.A.:

Santa María	March 2016
Chicureo	June 2017
Chamisero	November 2016
Los Trapenses	March 2016
Valle Grande 3	January 2016, January 2017 and September 2017

Essal S.A.:

Group 1	October 2015
Group 2	June 2015
Group 3	October 2015
Chinquihue	May 2017
Los Alerces	October 2015

In addition, the rates are subject to readjustment to reflect additional services previously authorized by the S.I.S.S.

The tariffs in force for the 2015-2020 period were approved by Decree No. 83 dated in June 5, 2015, for Aguas Andinas S. A., of the Ministry of Economy, Development and Reconstruction and entered into force on March 1, 2015 (published in the Official Gazette on September 3, 2015). The current tariffs of Aguas Cordillera S. A. for the same five-year period 2015-2020 were approved by Decree No. 152 dated on October 19, 2015, and came into force as of June 30, 2015 (published in the Official Gazette on November 25, 2015) and the current tariffs of Aguas Manquehue S.A. for 2015-2020 were approved by Decree No. 139 dated September 16, 2015 and entered into force on May 19, 2015 (published in the Official Gazette on November 25, 2015).

Meanwhile, for the subsidiary Essal, the rates in force for the period 2016-2021 were approved by Decree No. 143 dated on August 25, 2016, and which entered into force on September 12, 2016 (published in the Official Gazette on January 21, 2017).

b) Market Risk

Our company displays a favorable situation in terms of risk, which is mainly due to the specific characteristics of the water utility sector. Our business is seasonal and operating results may vary from quarter to quarter. The highest levels of demand and income are recorded during the summer months (December to March) and the lowest levels of demand and income during the winter months (June to September). Overall, the demand for water is greater in warmer months than in cooler months, mainly due to the additional water requirements generated by irrigation systems and other external uses of water.

Adverse weather conditions may eventually affect the optimal delivery of water utility services, because the processes of collection and production of potable water depend to a large extent on the climatic conditions that develop in river basins. Factors such as weather precipitation (snow, hail, rain, and fog), temperature, humidity, sediment carryover, river flows and turbidity determine not only the quantity, quality and continuity of raw water available at each uptake, but also the possibility of its being properly treated in potable water treatment plants.

In case of drought, we have important water reserves that we maintain in the El Yeso, Laguna Negra and Lo Encañado reservoirs, in addition to the contingency plans that we have developed, which allow us to reduce the possible negative impacts on our operations that could be generated by adverse weather conditions. In the current period, drought persists since 2010, which means that contingency plans such as the purchase of raw water, intensive use of wells, leasing and purchase of water rights, among others, are being applied. All this in order to reduce the impact of the drought and to provide our services normally, both in terms of quality and continuity.

c) Market Analysis

The Company does not display any variation in the market share in which it operates because, due to the nature of its services and the legal regulations in force, it does not have competitors in its concession area.

Aguas Andinas S. A. has 100% potable water coverage, 98.8% of sewerage service and 100% of Sewage treatment in the Santiago basin.

Aguas Cordillera S. A. has 100% coverage in potable water, 98.9% of sewerage service and 100% of Sewage treatment.

Aguas Manquehue S. A. has 100% coverage in potable water, 99.4% of sewerage service and 100% of Sewage treatment.

Essal S. A. has 100% coverage in potable water; it has 95.7% of the sewerage service in the X Region and 92.6% in the XIV Region, and 100% of Sewage treatment.

d) Capital Investments

One of the variables that has the greatest impact on our operational income and financial condition are capital investments. These are of two types:

Committed investments. We are required to agree an investment plan with the S.I.S.S., which describes the investments we must make during the 15 years following the date on which the corresponding investment plan enters in force. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to maintaining certain standards of quality and service coverage. The

aforementioned investment plan is subject to review every five years and may require amendments when certain significant events occur.

Dates of approval and updating of the development plans of the Aguas Group:

Aguas Andinas S.A.

Larger Santiago Area: December 23, 2015

Locations April 5, 2013, September 26, 2013, December 31, 2014, January 12, 2015 and November 17, 2015

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: December 21, 2015

Aguas Manquehue S.A.

Santa María and Los Trapenses: December 23, 2014

Chicureo, Chamisero and Valle Grande III: August 10, 2016

Alto Lampa: November 22, 2013

Essal S.A.

Locations in the X and XIV Regions: June 1, 2016, June 14, 2016, August 12, 2016 and January 16, 2016

Non-committed investments. Non-committed investments are those that are not contemplated in the investment plan and that we make voluntarily in order to ensure the quality of our services and replace obsolete assets. Overall, these are related to the replacement of network infrastructure and other assets, the acquisition of water rights and investments in unregulated businesses, among others.

In accordance with current international financial reporting standards in Chile, specifically IAS 23, interest on capital investments in work in progress is capitalized. IAS 23 establishes that when a company acquires debt in order to finance investments, the interest on that debt must be reduced by the interest expense and included into the financed construction work up to the total amount of such interest, applying the respective rate to the disbursements made at the date of submission of the financial statements. As a result, the financial costs associated with our capital investment plan affect the amount of interest expense recorded in the income statements, and these financial costs are recorded together with the work in progress under "Property, Plant and Equipment" in our financial position statement of.

e) Financial Aspects

Currency Risks: Our revenue is largely linked to local currency developments. Therefore, our debt is mainly denominated in this currency and, therefore, we do not record significant foreign currency operations risks.

Interest Rate Risk: As of December 31, 2017, the interest rate risk held by Aguas Andinas S.A. is 88.9% at a fixed rate and 11.1% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issues (76.1%) and reimbursable financial contributions/promissory notes (23.9%), while variable rate debt corresponds to loans with domestic banks.

As of December 31, 2016, the interest rate risk held by Aguas Andinas S.A. consisted of 88.5% at a fixed rate and 11.5% at a variable rate. Fixed-rate debt consisted of short-term and long-term bond issues (74.2%) and reimbursable financial contributions/promissory notes (25.8%), while variable rate debt consisted of loans with domestic banks.

The Company maintains a policy of monitoring and managing the interest rate, which, with the purpose of optimizing financing cost, permanently evaluates the hedging instruments available in the financial market.

All this favorable situation has meant that the risk classifiers have assigned us a risk rating of AA+ for long-term debt. In the case of shares, Fitch and ICR assigned us a first class classification level 1 for the A series and a first class level 4 for the B series.