



EARNINGS RELEASE

**Period ending
September 30 2017**

1. 2017 Summary

- During the third quarter of 2017, the Company's revenues amounted to CLP Th\$374,643,944, which was CLP Th\$13,949,870 (3.9%) more than earnings as of the third quarter of 2016. This increase was explained mainly by higher sales volumes and the tariff indexations which were registered during 2016 and 2017.
- Non-regulated subsidiaries increased their sales by CLP Th\$894,626 due to higher sales of EcoRiles and Análisis Ambientales (Anam), which was partially offset by lower sales in Gestión y Servicios. Additionally, during this quarter, the subsidiary Aguas del Maipo started registering revenues for the sale of biogas as the Methanization Plant which is in the La Farfana Plant became operational.
- Costs increased to CLP Th\$156,297,220, 6.1% higher, mainly due to a CLP Th\$2,523,225 increase in provisions for uncollectible bills, higher personnel costs of CLP Th\$1,867,997, CLP Th\$1,697,371 in costs due to higher activity in network maintenance, higher costs totaling CLP Th\$978,927 for sanitation modification infrastructure services, higher costs of the operation of sewage treatment plants for CLP Th\$950,679, higher expenses of CLP Th\$812,110 for transportation and machinery leases and higher electricity costs for CLP Th\$674,121. This was partially compensated by lower expenses in chemical inputs of CLP Th\$289,583 and lower activity in works requested by clients of CLP Th\$1,282,757.
- EBITDA for the period amounted to CLP Th\$218,346,724, a 2.3% increase over the same period the previous year.
- Financial earnings showed a loss of CLP Th\$27,193,809, which was CLP Th\$5,205,894 less than the same quarter last year. This was mainly the result of a lower revaluation of the debt that can be adjusted in Unidades de Fomento (UFs).
- Income tax expense at the end of the third quarter of 2017 was CLP Th\$33,671,453, which was CLP Th\$5,487,174 higher than as of the same quarter of the prior year. This change is mainly explained by the change in tax rate from 24% to 25.5% due to the Tax Reform in force since September 2014, in addition to a higher pre-tax gain of CLP Th\$7,136,415.
- Net income as of September 30, 2017 amounted to CLP Th\$101,429,696, which was CLP Th\$1,873,227 higher (1.9%) than that obtained as of the third quarter of 2016.

2. Results

2.1 Accumulated Results

Income Statement (CLP\$ thousands)	Sept. 17	Sept. 16	% Var.	2017 / 2016
Ordinary Revenue	374,643,944	360,694,074	3.9%	13,949,870
Operational Costs & Expenses	(156,297,220)	(147,307,206)	6.1%	(8,990,014)
EBITDA	218,346,724	213,386,868	2.3%	4,959,856
Depreciation and Amortization	(55,112,495)	(50,075,480)	10.1%	(5,037,015)
Operating Income	163,234,229	163,311,388	(0.0%)	(77,159)
Financial Results*	(27,193,809)	(32,399,703)	(16.1%)	5,205,894
Tax expenses	(33,671,453)	(28,184,279)	19.5%	(5,487,174)
Net Income	101,429,696	99,556,469	1.9%	1,873,227

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

2.2 Consolidated Revenue Analysis

	Sept. 17		Sept. 16		Variation	
	Sales		Sales			
	CLP Th\$	Share	CLP Th\$	Share	CLP Th\$	%
Potable Water	148,198,871	39.5%	142,469,506	39.5%	5,729,365	4.0%
Sewage	177,140,698	47.3%	174,221,225	48.3%	2,919,473	1.7%
Other Regulated Income	11,170,218	3.0%	7,741,342	2.1%	3,428,876	44.3%
Non-Regulated Income	38,134,157	10.2%	36,262,001	10.1%	1,872,156	5.2%
Total	374,643,944	100.0%	360,694,074	100.0%	13,949,870	3.9%

Sales Volume (Thousands of m³)	Sept. 17	Sept. 16	% Var.	Difference
Potable Water	430,800	419,457	2.7%	11,343
Sewage Collection	414,471	405,688	2.2%	8,783
Sewage Treatment & Disposal	362,304	354,533	2.2%	7,771
Interconnections *	77,142	91,013	(15.2%)	(13,871)

Customers	Sept. 17	Sept. 16	% Var.	Difference
Potable Water	2,249,314	2,200,290	2.2%	49,024
Sewage Collection	2,195,996	2,147,150	2.3%	48,846

* Las interconexiones incluyen el Tratamiento y Disposición de Aguas Servidas de otras empresas Sanitarias

a. Regulated Businesses

1. Potable Water

Revenues from potable water during as of the third quarter of 2017 amounted to CLP Th\$148,198,871, an increase of CLP Th\$5,729,365 compared to the same period of the last year, due to the higher volumes supplied and the tariff indexations which were registered during 2016 and 2017.

2. Sewage

Sewage revenues as of the third quarter of 2017 amounted to CLP Th\$177,140,698, showing an increase of 1.7% in comparison to the same period of the previous year. The increase of CLP Th\$2,919,473 was due to a higher volume supplied and the tariff indexations which were registered during 2016 and 2017.

3. Other Regulated Revenues

This item increased by CLP Th\$3,428,876, mainly due to the variation in provisions for unbilled consumption.

b. Non-Regulated Revenues

Non-regulated revenues increased by CLP Th\$1,872,156 as of the third quarter of 2017 compared to the same semester of the previous year. This variation was explained by:

1. Sanitation Services

An increase of CLP Th\$977,530, mainly due to higher revenues associated to with sanitation infrastructure modifications requested by third parties. This was partially compensated by lower work activity requested by clients.

2. Non-Sanitation Services

An increase of CLP Th\$894,626, mainly explained by increased activity at EcoRiles and Anam, which was offset by a decrease in Gestión y Servicios due to lower sales of materials. Additionally, during this quarter, the subsidiary Aguas del Maipo started registering revenues for the sale of biogas as the Methanization Plant which is in the La Farfana Plant became operational.

(CLP Th\$)	Sept. 17	Sept. 16	Var. %
Anam S.A.	3,233,451	2,466,450	31.1%
EcoRiles S.A.	9,801,761	9,212,075	6.4%
Gestión y Servicios S.A.	4,885,039	5,643,250	(13.4%)
Aguas del Maipo S.A.	296,150	0	-
Non-regulated, non-sanitation companies	18,216,401	17,321,775	5.2%

2.3. Expense Analysis

a) Raw Materials and Consumables Used

As of September 30, 2017, costs of raw materials and consumables totaled CLP Th\$25,104,313, CLP Th\$310,257 more than that obtained as of the third quarter of the 2016 fiscal year. The increase in these costs is mainly due to higher electricity costs of CLP Th\$674,121, due to higher production of potable water from underground sources, compensated with lower costs of chemical inputs for CLP Th\$289,583.

b) Personnel Expenses

At the end of the third quarter of 2017, personnel expenses totaled CLP Th\$40,516,444, which was CLP Th\$1,867,997 more than as of the same quarter of the previous year, generated by higher compensation and gratuities associated to CPI adjustments, together with a larger work force.

c) Depreciation and Amortization Expenses

As of September 30, 2017, depreciation and amortization amounted to CLP Th\$55,112,495, CLP Th\$5,037,015 more than that obtained as of the same quarter of 2016. This was the result of the depreciation associated with the new assets like the fourth module of the Trebal-Mapocho Plant.

d) Other Expenses

At the end of the third quarter of 2017, these expenses amounted to CLP Th\$90,676,463, which was CLP Th\$6,811,760 higher than that obtained as of the same quarter of 2016. This was mainly due to a higher provision of CLP Th\$2,523,225 for uncollectible bills, higher costs of CLP Th\$1,697,371 for network maintenances, higher costs of CLP Th\$978,927 for sanitation infrastructure transfers, higher sewage treatment plant operation costs for CLP Th\$950,679 mainly associated with the variation of the UF (indexation units), and higher costs of CLP Th\$812,110 for transportation and machinery leasing. The latter is partially compensated by lower activity in works requested by clients for CLP Th\$1,282,757.

2.4. Financial Income and Other Earnings Analysis

a) Financial Income

At the end of the third quarter of 2017, CLP Th\$4,887,739 in financial income was obtained, CLP Th\$251,605 less than that obtained as of the same quarter of 2016, mainly explained by lower financial interests resulting from lower temporary cash surpluses.

b) Financial Expenses

As of September 30th 2017, financial costs totaled CLP Th\$22,441,745, which meant a CLP Th\$1,910,095 increase in costs compared as of the same quarter in 2016. This is mainly explained by lower financial activation, partially offset by lower bond and bank loan interest rate.

c) Results from Indexation Units

At the end of the third quarter of 2017, losses of CLP Th\$9,644,098 were obtained, resulting from CLP Th\$7,352,370 fewer expenses compared to the end of the same period in 2016. This was mainly explained by a lower revaluation of the debt due to a lower variation of the UF compared to the third quarter of 2016.

d) Income Tax Expense (Revenue)

Income tax expenses at the end of the third quarter of 2017 was CLP Th\$33,671,453, which was CLP Th\$5,487,174 higher compared to the same quarter of the previous year. This change is mainly explained by the change in the tax rate from 24% to 25.5% due to the Tax Reform in force since September 2014, compounded by a higher pre-tax income of CLP Th\$7,136,415.

e) Net Income

Net income as of September 30 2017 amounted to CLP Th\$101,429,696, CLP Th\$1,873,227 (1.9%) higher than that obtained as of the third quarter of 2016.

3. Results by Segment

3.1 Accumulated Results, Water Segment

Income Statement (CLP\$ thousands)	Sept. 17	Sept. 16	% Var.	2017 - 2016
External Revenues	354,057,495	340,895,738	3.9%	13,161,757
Inter-Segment Income	3,236,258	2,997,463	8.0%	238,795
Operational Costs and Expenses	(142,234,569)	(133,366,755)	6.6%	(8,867,814)
EBITDA	215,059,184	210,526,446	2.2%	4,532,738
Depreciation and Amortization	(54,610,527)	(49,551,342)	10.2%	(5,059,185)
Operating Income	160,448,657	160,975,104	(0.3%)	(526,447)
Other Earnings	1,392,941	7,652	>200%	1,385,289
Financial Results*	(27,346,906)	(32,521,311)	(15.9%)	5,174,405
Tax Expenses	(32,844,052)	(27,595,049)	19.0%	(5,249,003)
Net Income	98,951,854	97,943,624	1.0%	1,008,230

* Includes financial income, financial costs, exchange differences and earnings by readjustment units

Earnings for this segment showed a 1.0% increase from the same quarter the previous year, mainly due to:

- An increase in external revenues, mainly associated with higher volumes supplied.
- A 6.6% increase in costs, mainly due to a higher provision for uncollectible bills, higher personnel expenses, increased activity associated with network maintenance, higher costs associated with sanitation infrastructure modifications, and increased expenses associated with the operation of sewage treatment plants due to the variation of the UF (indexation units).
- An increase in depreciation and amortization costs, mainly due to new assets like the fourth module of the Trebal-Mapocho Wastewater Treatment plant.
- An improvement in the financial results compared to 2016, mainly due to a lower revaluation of the debt readjustment in Unidades de Fomento (UFs).
- Higher income tax expenses compared to the previous year, mainly due to a higher pre-tax profit together with the change in the tax rate from 24.0% to 25.5% due to the Tax Reform in force since September 2014.

3.2 Accumulated Results, Non-Water Segment

Income Statement (CLPS thousands)	Sept. 17	Sept. 16	% Var.	2017 - 2016
External Revenues	20,586,449	19,798,336	4.0%	788,113
Inter-Segment Income	708,964	585,389	21.1%	123,575
Operational Costs and Expenses	(18,007,873)	(17,758,461)	1.4%	(249,412)
EBITDA	3,287,540	2,625,264	25.2%	662,276
Depreciation and Amortization	(522,752)	(544,923)	(4.1%)	22,171
Operating Income	2,764,788	2,080,341	32.9%	684,447
Other Earnings	387,359	125	>200%	387,234
Financial Results*	153,096	121,610	25.9%	31,486
Tax Expenses	(827,401)	(589,231)	40.4%	(238,170)
Net Income	2,477,842	1,612,845	53.6%	864,997

* Includes financial income, financial costs, exchange differences and earnings by readjustment units

Non-Water segment earnings showed an increase of 53.6% over the same period in the previous year, mainly due to:

- An increase in external revenues mainly due to increased activity in EcoRiles (mainly higher volumes of waste discharges and new projects at the operation plants) and Anam due to an increase in laboratory service activity. This was offset by lower activity at Gestión y Servicios S.A. (mainly due to lower sales volumes for network materials). Additionally, Aguas del Maipo registered biogas sales produced in its Methanization Plant which is located in the La Farfana Plant.
- An increase in revenue between segments due to greater activity due to excess load in EcoRiles.
- An increase in costs, which is due to increased activity in Anam and EcoRiles, compensated by a decrease in activity in Gestión y Servicios.
- An increase in other earnings, mainly at Gestión y Servicios due to a recovery of guarantee notes that had been provisioned for being older than 4 years, together with the sale of assets.
- Higher income tax expense compared to the same quarter of 2016, mainly due to an increase in income before tax, together with the increase in the tax rate from 24.0% to 25.5%.

4. Quarterly Results

Income Statement (CLP\$ thousands)	3Q17	3Q16	% Var.	3Q17 - 3Q16
Ordinary Revenue	113,001,414	110,177,750	2.6%	2,823,664
Operational Costs & Expenses	(50,657,769)	(48,312,894)	4.9%	(2,344,875)
EBITDA	62,343,645	61,864,856	0.8%	478,789
Depreciation and Amortization	(19,071,700)	(16,856,293)	13.1%	(2,215,407)
Operating Income	43,271,945	45,008,563	(3.9%)	(1,736,618)
Financial Results*	(6,508,120)	(10,352,908)	(37.1%)	3,844,788
Tax expenses	(9,486,972)	(7,367,851)	28.8%	(2,119,121)
Net Income	26,408,874	26,086,773	1.2%	322,101

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

4.1 Revenue Analysis

a) Operational Revenue

Ordinary revenues in the third quarter of 2017 amounted to CLP Th\$113,001,414, CLP Th\$2,823,664 (2.6%) higher than that obtained in the same quarter of the previous year. This was mainly due to the variation of unbilled consumption.

4.2 Expense Analysis

a) Raw Materials and Consumables Used

In the third quarter of 2017, costs of raw materials and consumables totaled CLP Th\$8,191,229, CLP Th\$721,073 more than that obtained in the same quarter of the 2016 fiscal year. The increase in these costs is mainly due to increased costs of CLP Th\$557,969 in electricity for CLP Th\$328,803 due to increased production of water from underground sources and higher chemical input expenses for CLP Th\$208,190.

b) Personnel Expenses

During the third quarter of 2017, personnel expenses totaled CLP Th\$12,805,581, which was CLP Th\$26,228 less than for the same quarter of the previous year.

c) Depreciation and Amortization Expenses

Depreciation and amortization during the third quarter of 2017 amounted to CLP Th\$19,071,700, CLP Th\$2,215,407 more than that obtained in the same quarter of 2016, associated with the new investments incorporated during the period.

d) Other Expenses

During the third quarter of 2017, these expenses amounted to CLP Th\$29,660,959, which was CLP Th\$1,650,030 higher than that obtained in the same period of 2016. This was mainly due to higher network maintenance costs for CLP Th\$676,104, increased sewage treatment plant operation expenses for CLP Th\$243,992, higher costs for leasing services for CLP Th\$413,969, increased client service costs for CLP Th\$165,383, and higher equipment and enclosure maintenance expenses for CLP Th\$111,670.

4.3 Financial Income and Other Earnings Analysis

a) Financial Income

Financial income for the third quarter of 2017 amounted to CLP Th\$1,437,170, CLP Th\$74,429 more than that obtained in the same quarter of 2016, mainly explained by higher financial interests.

b) Financial Expenses

Financial expenses for the third quarter of 2017 totaled CLP Th\$7,298,801, which meant a CLP Th\$399,981 increase in costs compared to the same period in 2016. This is mainly explained by lower financial activation, partially offset by lower bank loan interest rates.

c) Results from Indexation Units

For the third quarter of 2017 losses of CLP Th\$652,463 were obtained, resulting from a CLP Th\$4,146,618 decrease compared to the end of the same period in 2016, mainly explained by a lower revaluation of the debt due to lower variation of the UF compared to the same quarter of 2016.

d) Income Tax Expenses (Revenue)

The provision for Income tax expenses at the end of the third quarter of 2017 was CLP Th\$9,486,972, which was CLP Th\$2,119,121 higher compared to the same quarter of the previous year. This change is mainly explained by the change in the tax rate from 24% to 25.5% due to the Tax Reform in force since September 2014 and a higher pre-tax result of CLP Th\$2,563,511.

e) Net Income

Net income for the third quarter of 2017 amounted to CLP Th\$26,408,874, which was CLP Th\$322,101 (1.2%) more than that obtained in the same quarter of 2016.

5. Balance Sheet

	Sept. 17	Dec. 16	
	CLP Th\$	CLP Th\$	% Var.
Assets			
Current assets	125,402,643	182,071,355	(31.1%)
Non-current assets	1,614,397,713	1,589,747,781	1.6%
Total assets	1,739,800,356	1,771,819,136	(1.8%)
Liabilities and equity			
Current liabilities	164,247,825	211,931,051	(22.5%)
Non-current liabilities	878,720,246	873,005,660	0.7%
Total liabilities	1,042,968,071	1,084,936,711	(3.9%)
Shareholder's Equity	645,443,727	634,157,180	1.8%
Minority Interest	51,388,558	52,725,245	(2.5%)
Total Shareholder's Equity	696,832,285	686,882,425	1.4%
Total Liabilities & Shareholder's Equity	1,739,800,356	1,771,819,136	(1.8%)

5.1 Asset Analysis

Aguas Andinas' total consolidated assets as of September 30, 2017 decreased by 1.8% compared to December 31, 2016, from CLP Th\$1,771,819,136 to CLP Th\$1,739,800,356.

Current assets decreased by CLP Th\$56,668,712, mainly due to the decrease in cash and cash equivalents of CLP Th\$59,521,690 and trade and other accounts receivable of CLP Th\$8,969,492, mainly due to the seasonality of the sales cycle. The latter is partially compensated by the registration of CLP Th\$8,003,338, associated to the registration of the advance payment of capital and interests for the bonds payable on October 1st of this year.

Non-current assets increased by CLP Th\$24,649,932, mainly explained by a net increase of CLP Th\$23,567,704 in property, plant and equipment, associated with investments made during the period. The main investment works during the period are shown in the following table:

Investments (CLP Th\$)	Sept-17
Sewage Network	9,039,532
Chamisero Potable Water Plant	5,726,859
Potable Water Network	5,543,006
Start-ups and Meters	4,066,801
Mapocho-Trebal WWTP Expansion	3,784,483

5.2 Liabilities and Shareholders' Equity Analysis

Liabilities through September 2017 decreased by CLP Th\$41,968,640 compared to December 2016.

Current liabilities decreased by CLP Th\$47,683,226. This variation was mainly due to the distribution of interim dividends made during the first quarter of 2017.

Non-current liabilities increased by CLP Th\$5,714,586 (0.7%). This corresponds mainly to a CLP Th\$4,716,655 increase in bank loan debts.

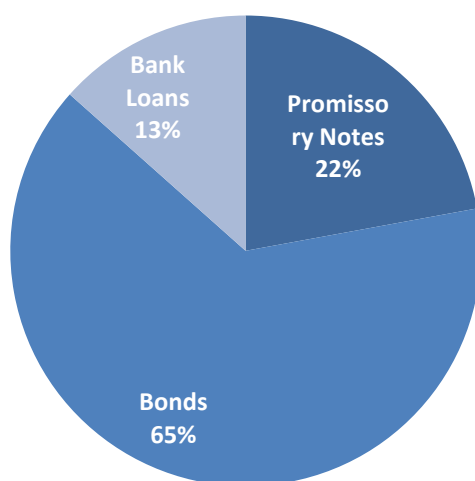
Total shareholders' equity increased by CLP Th\$9,949,860 and net equity attributable to the controllers increased by CLP Th\$11,286,547, this is mainly due to the profits generated as of the third quarter of 2017, compensated by the distribution of dividends corresponding to the 2016 financial year.

The maturity profile of the financial liabilities as of September 30, 2017 is as follows:

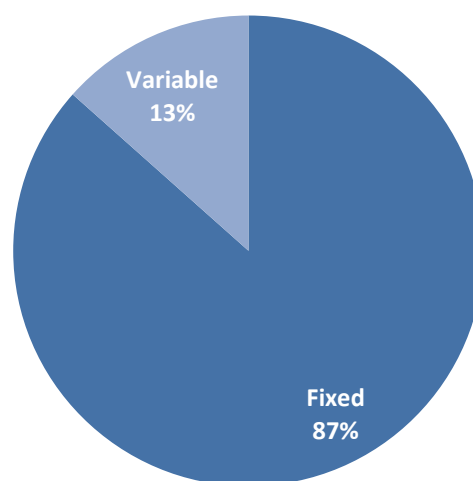
Capital CLP Th\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	more than 5 years
Promissory Notes	\$	186,118,192	21,430,625	21,570,662	37,525,864	105,591,041
Bonds	\$	554,944,493	9,010,306	48,749,967	19,501,544	477,682,676
Bank Debt	\$	114,513,308	15,777,443	82,717,761	16,018,104	0
Total		855,575,993	46,218,374	153,038,390	73,045,512	583,273,717

5.3 Financial Liability Structure

Breakdown By Instrument



Breakdown By Interest Rate



6. Cash Flow

Cash Flow Statement (CLP\$ Th.)	Sept. 17	Sept. 16	% Var.
Operating activities	160,538,121	179,651,170	(10.6%)
Investment activities	(77,145,880)	(91,638,416)	(15.8%)
Financing activities	(142,913,931)	(107,511,740)	32.9%
Net flows for the period	(59,521,690)	(19,498,986)	205.3%
Closing cash balance	5,354,753	13,454,543	(60.2%)

Flows from operating activities experienced a decrease of CLP Th\$19,113,049, comparing September 2017 with September 2016.

The main variations were as follows:

- A CLP Th\$6,783,883 increase in payments to suppliers for, mainly associated with higher payments to suppliers of sanitation infrastructure transfers and leases.
- A CLP Th\$8,268,198 increase in income taxes paid, which is explained by the PPM rate change in 2017 (including payment for revenues associated with the sale of land at Aguas Cordillera) and by higher sales.
- A CLP Th\$5,482,870 increase in other payments for operation activities, mainly associated to higher payments of value added tax.
- A CLP Th CLP Th\$2,791,944 increase in payments for premiums and benefits, annuities and other obligations derived from the policies subscribed, associated with the payment of fire insurance corresponding to 24 months.
- A CLP Th\$2,720,749 increase in payments for employee benefits, due to higher income from CPI readjustments together with a larger workforce.
- A CLP Th\$1,751,256 increase in the payment of financial interests.

These variations were partially offset by the following concept:

- A CLP Th\$9,466,419 increase in collections from sales of goods and provision of services, mainly due to higher sales volume and a higher average tariff.

The disbursement for investment activities decreased by CLP Th\$14,492,536, mainly due to the end of the construction of the fourth module of the Mapocho-Trebal Plant.

Financing activities generated a net flow (decrease) of CLP Th\$35,402,191, due the fact that during the first semester of 2016 the Company issued the series Z and AA bonds for 3.0 million UF (indexation units), partially offset by new loans for CLP\$56,617,580 in the third quarter of 2017.

7. Financial Ratios

		Sept. 17	Dec. 16
Liquidity			
Current Ratio	times	0.76	0.86
Acid Test Ratio	times	0.03	0.31
Leverage			
Total Leverage	times	1.50	1.58
Current Leverage	times	0.16	0.20
Long-term Leverage	times	0.84	0.80
Interest Coverage Ratio	times	8.08	8.31
Return			
ROE	%	23.94	24.07
ROA	%	8.90	8.70
Earnings Per Share	\$	24.91	24.61
Dividend Yield*	%	5.43	6.05

Current Ratio: Currents Assets / Current Liabilities.

Acid Test Ratio: Cash and Cash Equivalents / Current Liabilities.

Total Leverage: Total Liabilities / Total Shareholders' Equity.

Current Leverage: Current Liabilities / Total Liabilities.

Long-Term Leverage: Long-Term Liabilities / Total Liabilities.

Interest Rate Coverage: Net Income before Taxes / Financial Costs.

ROE: Net Income / Average Assets.

ROA: Net Income / Average Assets.

Earnings per Share: Net Income / Total Shares.

Dividend Yield: Dividends Paid / Share Price

(*) The share price as of September 2017 was \$407.23, whereas it was \$348.73 as of December 2016.

As of September 2017, the current ratio decreased by 11.6%, due to a CLP Th\$56,668,712 decrease (31.1%) in current assets, due to the seasonality of the sales cycle, compensated by a decrease in current liabilities of CLP Th\$47,683,226 mainly due to the payment of interim dividends in the first quarter of 2017.

Total leverage decreased by 5.2%, as a result of a CLP Th\$41,968,640 decrease in liabilities payable, which was mainly due to the payment of Interim dividends in the first quarter of 2017 and an increase in total shareholders' equity of CLP Th\$9,949,860 which is due to the profits generated as of the third quarter of 2017. This is compensated by the distribution of dividends corresponding to the 2016 financial year.

Annualized return on equity attributable to the controller showed an decrease of 0.5%, due to a CLP Th\$11,200,053 increase in average equity, partially compensated with an increase in annualized earning of CLP Th\$1,873,227.

8. Other Information

a) Tariffs

The most important factor that determines the earnings of our operations and financial situation are the tariffs that are set for our regulated sales and services. As a sanitation company we are regulated by the S.I.S.S. and our tariffs are set in accordance with the Law of Tariffs for Sanitation Services D.F.L. N°70 of 1988.

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

Aguas Andinas S.A.:

Group 1	November 2015 and July 2017
Group 2	November 2015 and 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	October 2015 and 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	October 2015
Group 3	October 2015
Chinquihue	December 2015 and May 2017
Los Alerces	October 2015

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

The tariffs in force for Aguas Andinas S.A. for the 2015-2020 period were approved by Decree N°83 of June 5, 2015, by the Ministry of Economy, Development and Reconstruction, and entered into force on March 1, 2015 (published in the Diario Oficial on September 03, 2015). The current tariffs for Aguas Cordillera S.A. for the same 2015-2020 five-year period were approved by Decree N°152 dated October 19, 2015, and entered into force on June 30, 2015 (published in the Diario Oficial on November 25, 2015) and current 2015-2020 tariffs for Aguas Manquehue S.A. were approved by Decree N°139 dated September 16, 2015 and entering into force on May 19, 2015 (published in the Diario Oficial on November 25, 2015).

Meanwhile, for the Essal subsidiary, the tariffs in force for the 2016-2021 period were approved by Decree N°143 dated August 25, 2016, published in the Diario Oficial on January 21, 2017.

b) Market Risk

Our company has a favorable situation in terms of risk, which is mainly due to the particular characteristics of the sanitation sector. Our business is seasonal and the earnings from operations can 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). In general, water demand is higher in warmer than temperate months, mainly due to the additional water requirements generated by irrigation systems and other external water uses.

Adverse weather conditions can occasionally affect the optimal delivery of sanitation services, because the processes of capturing and producing drinking water depend to a large extent on the climatic conditions that develop in the watersheds. Factors such as precipitation (snow, hail, rain, fog), temperature, humidity, sediment drags, river flows and turbidity determine not only the quantity, quality and continuity of raw water available in each intake location, but also the possibility that they can be properly treated in the potable water plants.

In the case of drought, we have important water reserves that we maintain in the El Yeso Reservoir, Laguna Negra and Lo Encañado, in addition to the contingency plans we have developed which allow us to reduce any negative impacts adverse weather conditions could cause for our operations. Currently the drought continues to exist since 2010, which means implementing contingency plans such as the purchase of raw water, intensive use of wells, rental and purchase of water rights, among others. All of this is in order to diminish the impact of the drought and provide our services at normal levels, both in terms of quality and continuity.

c) Market analysis

The Company does not present variations in the market in which it participates because of the nature of its services and the current legal regulations, meaning it does not have competition in its concession areas.

Aguas Andinas S.A. maintains 100% potable water coverage, 98.7% sewage service coverage and 100% wastewater treatment coverage in the Santiago watershed.

Aguas Cordillera S.A. maintains 100% potable water coverage, 98.8% for sewage service and 100% for wastewater treatment.

Aguas Manquehue S.A. maintains 100% potable water coverage, 99.0% for sewage service and 100% for wastewater treatment.

Essal S.A. maintains 100% potable water coverage, 95.7% sewerage coverage in Region X and 92.3% sewerage coverage in Region XIV, and for 100% wastewater treatment.

d) Capital investments

One of the variables that most affects the earnings of our operations and financial situation are capital investments. These can be of two types:

Committed investments. We have an obligation to agree to an investment plan with the S.I.S.S., which describes the investments that must be made during the 15 years following the date on which the corresponding investment plan enters into force. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to the maintenance of certain quality standards and service coverage. The aforementioned investment plan is subject to review every five years, and may require modifications when certain relevant facts are verified.

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

Aguas Andinas S.A.

Greater Santiago: December 23, 2015

Localities: 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.

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

Uncommitted investments. Uncommitted investments are those that are not included in the investment plan and that we perform voluntarily in order to ensure the quality of our services and replace obsolete assets. These, in general, relate to the replacement of network infrastructure and other assets, the acquisition of water use rights and investments in unregulated businesses, among others.

In accordance with the international financial reporting standards in force in Chile, in particular IAS 23, interest on capital investments for works in progress is capitalized. The aforementioned IAS 23 establishes that when the entity acquires debt in order to finance investments, interest on that debt must be deducted from the financial expense and incorporated into the financed construction work, up to the total amount of said interest, applying the respective rate to disbursements made at the date of presenting the financial statements. As a result, the financial costs associated with our capital investment plan affect the amount of interest expenses recorded in the income statements, and these financial costs are recorded together with the work in progress under "property, plant and equipment" in our statement of financial position.

e) Financial Aspects

Currency Risks: Our revenues are largely tied to changes in local currency. That is why our debt is mainly issued in the same currency, so we do not record significant risks from foreign currency transactions.

Interest Rate Risk: As of September 30, 2017, the interest rate risk held by Aguas Andinas S.A. is made up of 86.7% at a fixed rate and 13.3% at a variable rate. Fixed-rate debt consists of short-term and long-term bond issues (75.0%) and repayable financial contributions (25.0%), while variable-rate debt corresponds to loans from domestic banks.

As of December 31, 2016, the interest rate risk held by Aguas Andinas S.A. was made up 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 repayable financial contributions (25.8%), while variable-rate debt corresponded to loans from domestic banks.

The company maintains an interest rate monitoring and management policy, which, in order to optimize the cost of financing, permanently evaluates the hedging instruments available in the financial market.

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