

An aerial photograph of a city park, likely Parque Metropolitano in Santiago, Chile. The park features a large green lawn, a winding path, and a small pond. To the left, there are several high-rise apartment buildings. To the right, a multi-lane highway runs parallel to the park. In the background, the city skyline is visible, including the prominent Torre Costanera Center. The sky is overcast.

IAM

Annual Report 2017

www.iam.cl

Index

1. 2017 Highlights		5. 2017 Financial Year	
Statistics and Indicators	4	Planning a Sustainable and	30
Financial Summary.....	4	Long-Term Management	
Operating Background Information.....	4	Comprehensive Water Cycle Management	31
2017 Revenue Distribution.....	5	Annual Investments	35
Stock Exchange Performance.....	5	2017 Clients.....	36
Ebitda - Ebitda Margin.....	6	Workforce	37
2017 Investments	6	Safety Indices.....	38
Accident Rate.....	7	Environment.....	39
2. Letter from the Chairman		6. Financial Management	
3. The Company		Strength and Stability	41
Inversiones Aguas Metropolitanas, IAM	12	Risk Factors.....	42
IAM's History	13	Main Suppliers.....	45
IAM Management Milestones	15	Dividend Policy	46
Ownership of the Company	16	2017 Distributable Profit.....	47
Board of Directors.....	18	Summary of distribution to shareholders	47
Alternate Directors	20	Shares Transactions	48
The Administration	21	7. Corporate Governance	
4. Company Operation		Board of Directors.....	51
The Company	23	Directors' Committee	54
Operations.....	24	Remuneration and Expenses.....	57
Clients	26	Other Corporate Governance Instances	60
Our Coverage.....	27	Material Events	61
Non-Regulated Companies	28	8. General Information	
		Company Identification.....	63
		Sanitation Regulation.....	64
		Responsibility Statement	65
		9. Financial Statements	

An aerial photograph of a city featuring a wide river. On the left bank, there is a dense residential area with many houses and trees. A baseball field is visible near the center of the left bank. A road with a bridge crosses the river in the foreground. On the right bank, there are several tall apartment buildings and more trees. The text "2017 Highlights" is centered over the river.

2017 Highlights

Statistics and Indicators

CONSOLIDATED FINANCIAL SUMMARY

(In Millions of Pesos)

As of December 31 st ,	2013	2014	2015	2016	2017
Potable water revenue	157,307	171,488	180,937	190,400	195,091
Sewage revenue	184,299	202,001	220,706	235,459	240,399
Other regulated revenue	16,557	20,282	18,015	17,161	18,408
Other non-regulated revenue	45,884	47,085	53,739	49,225	55,638
Total revenue	404,047	440,856	473,397	492,245	509,536
Operating income ⁽¹⁾	182,948	206,460	212,999	223,334	222,990
Net income for the period	57,648	58,711	63,283	74,289	68,719
Total assets	1,850,756	1,879,381	1,963,814	2,044,462	2,069,371
Short-term liabilities	221,033	177,518	233,356	212,350	237,819
Long-term liabilities	680,044	763,838	787,470	873,274	866,737
Minority interest	368,767	360,391	362,362	369,155	371,326
Equity attributable to the controlling company	580,912	577,634	580,626	589,683	593,488

⁽¹⁾ Operating income = Regular revenues – consumption of raw materials and secondary materials – personnel expenses – depreciation and amortization – losses due to deterioration – other operating expenses.

OPERATING BACKGROUND INFORMATION FOR IAM'S SUBSIDIARIES

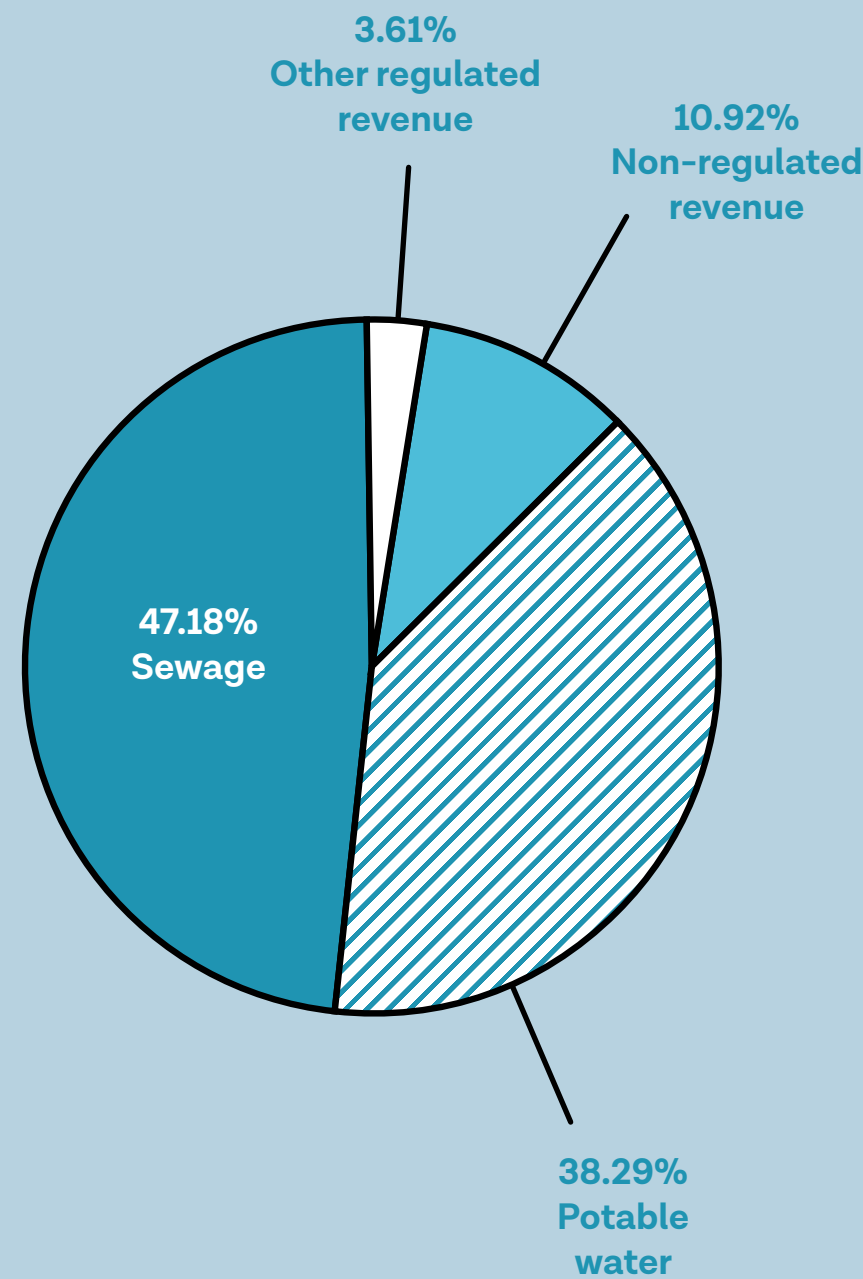
As of December 31 st ,	2013	2014	2015	2016	2017
Total potable water clients	2,039,298	2,096,999	2,149,673	2,213,869	2,259,245
Total sewerage clients	1,999,419	2,045,634	2,096,347	2,160,473	2,205,940
Total invoiced water (millions of cubic meters)	548.9	558.6	562.2	569.2	575.0
Invoiced sewage collection (millions of cubic meters)	534.1	540.5	542.9	549.5	554.3
Invoiced sewage treatment and disposal (millions of cubic meters)	466.9	473.7	472.7	479.0	484.3
Invoiced sewerage system interconnection (millions of cubic meters)	119.1	119.3	121.8	122.3	123.8
Total potable water coverage	100.00%	1100.00%	100.00%	100.00%	100.00%
Total sewerage coverage	98.30%	98.40%	98.40%	98.40%	⁽²⁾
Total sewage treatment	100.00%	100.00%	100.00%	100.00%	100.00%
Total staff	1,857	1,881	1,953	2,033	2,107

⁽²⁾ Estimate from the Superintendence of Sanitation Services will be published in 2018.

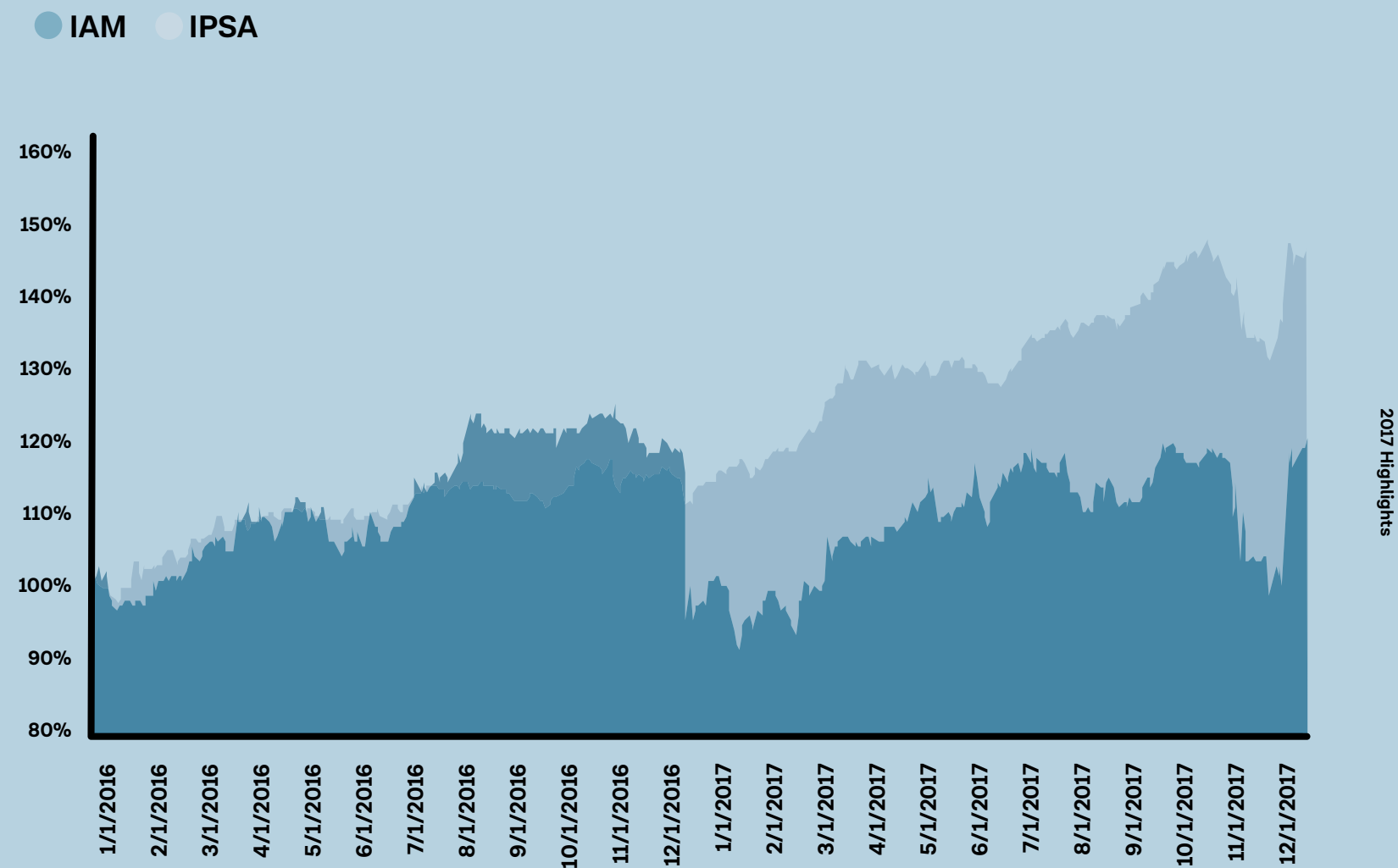
2017 Highlights

Note: All of the financial and operational information in this annual report are consolidated figures of IAM and its subsidiaries.

2017 REVENUE DISTRIBUTION

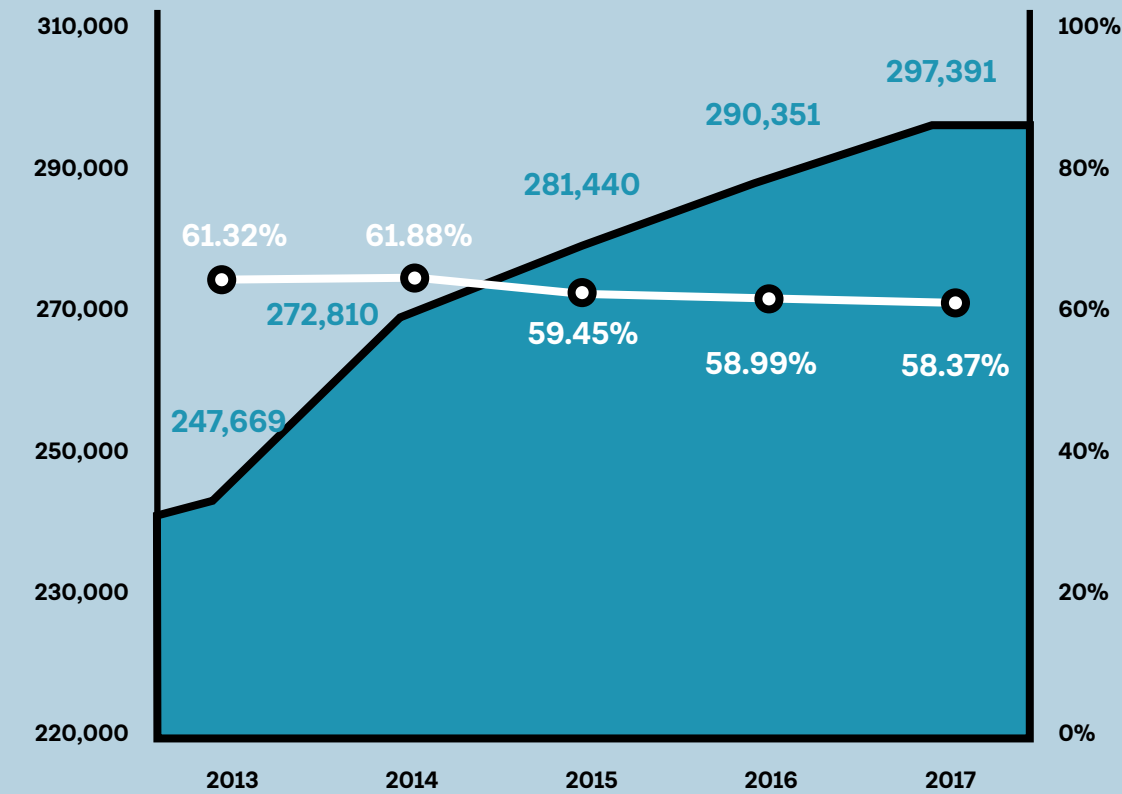


STOCK EXCHANGE PERFORMANCE⁽¹⁾

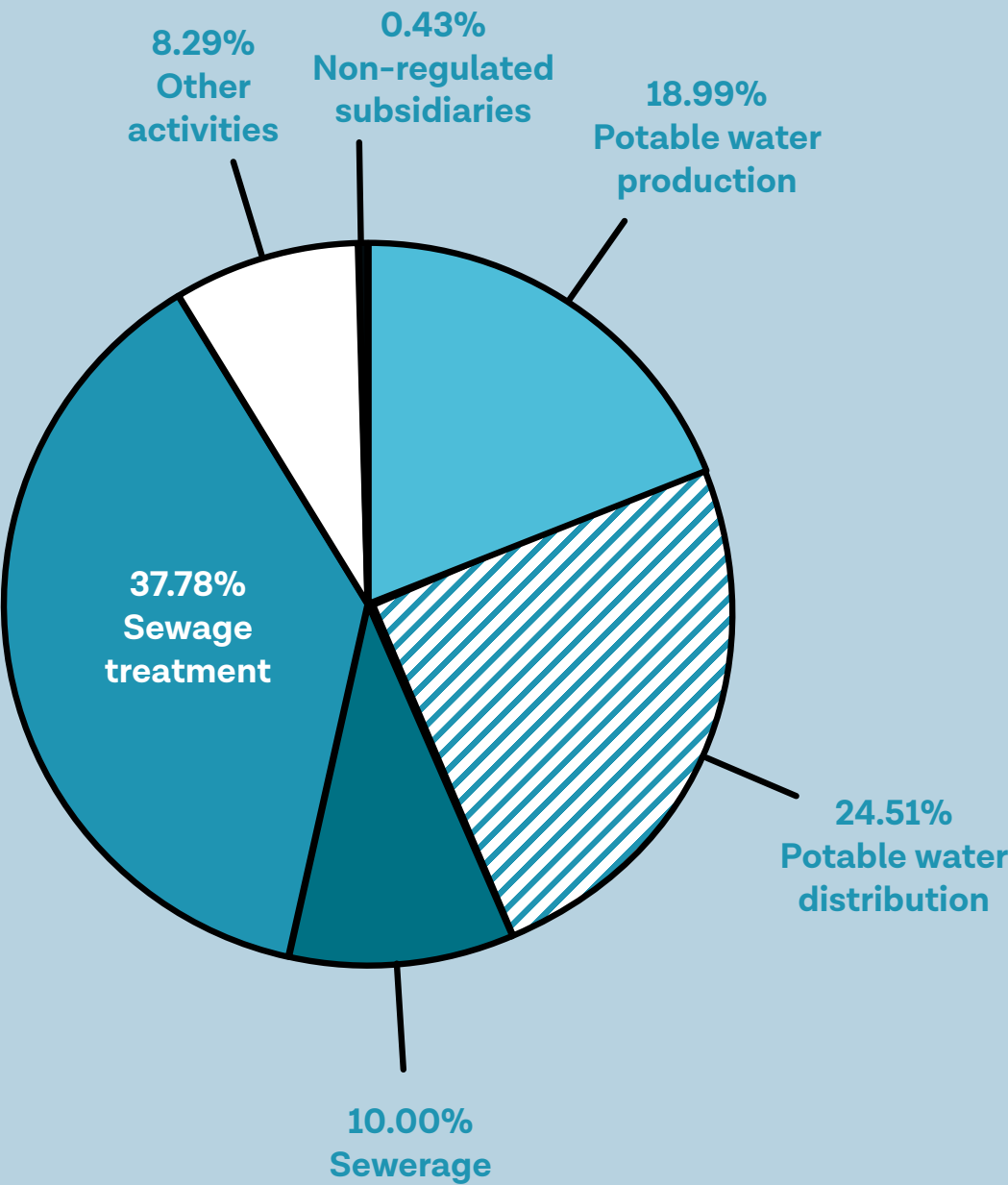


⁽¹⁾ Source: Santiago Stock Exchange. Base 100.

● EBITDA ● EBITDA Margin



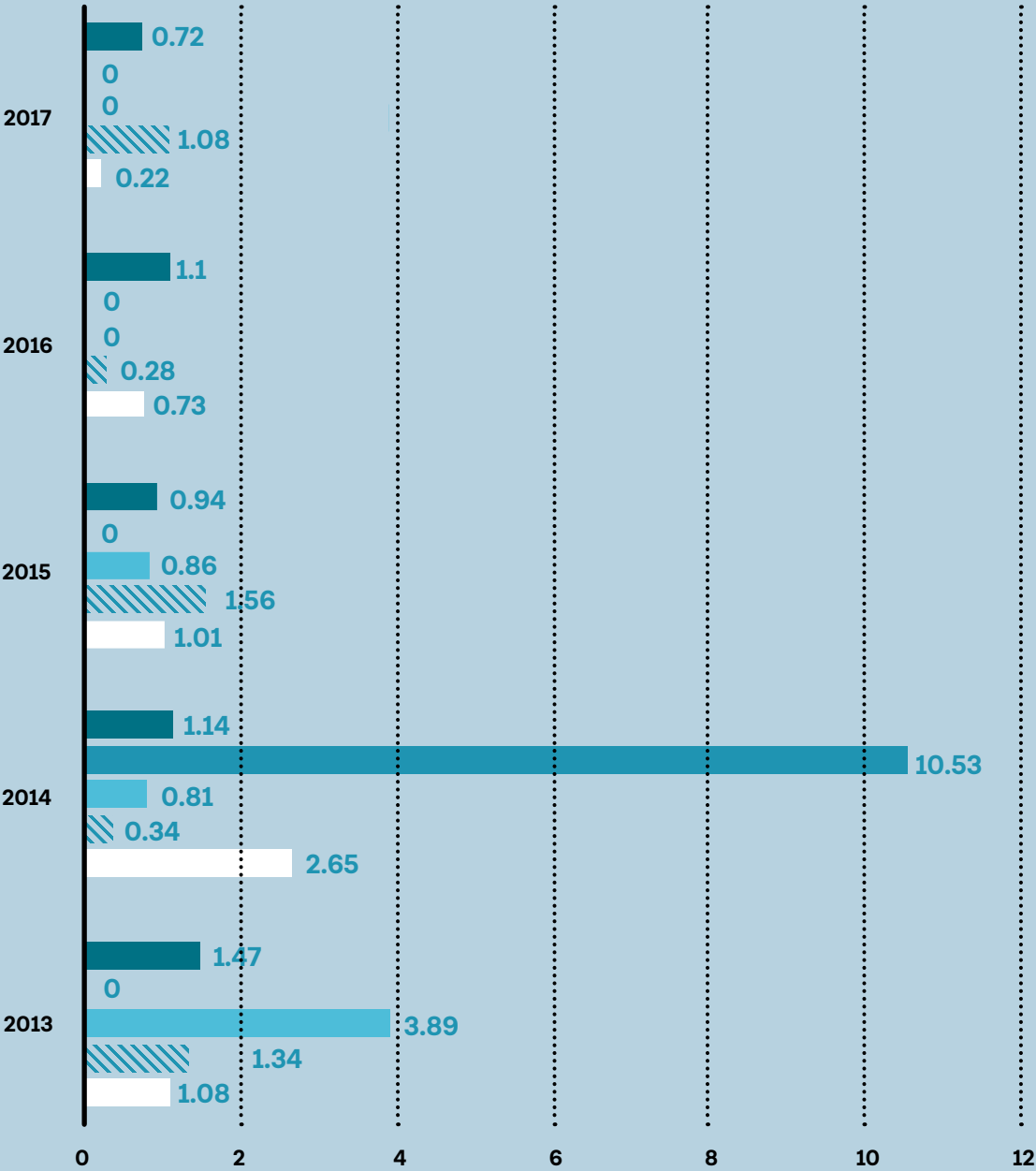
⁽¹⁾ EBITDA: Operating income + depreciation for the accounting period + amortization of intangibles.
⁽²⁾ EBITDA Margin: Regular revenue – consumption of raw materials and secondary materials – personnel expenses – other operating expenses.



2017 Highlights

ACCIDENT RATE*

- Aguas Andinas S.A.
- Aguas Manquehue
- Aguas Cordillera S.A.
- ▨ ESSAL S.A.
- Non Regulated Subsidiaries



* Accident Rate: Number of accidents with time lost / Average number of workers during the period



2017 Highlights

An aerial photograph of a park area. A winding river flows through the center, bordered by green grass and trees. A multi-lane highway runs along the bottom of the frame. The text "Letter from the Chairman" is overlaid in the center of the image.

Letter from the Chairman



Letter from the Chairman

Felipe Larraín Aspillaga
CHAIRMAN

Dear Shareholders:

As Chairman of the Board of Directors of Inversiones Aguas Metropolitanas S.A., I have the honor to present you the Company's Annual Report and Financial Statements for 2017.

The year was characterized by a good service level to the customers of Aguas Andinas, Aguas Cordillera, Aguas Manquehue, and Essal, an adequate coordination with authorities, and by the high level of investment, which reflects our vision of sustainable management, allowing service continuity in the medium and long term. We have always continued to work with our eyes set on the citizen, in order to respond in the best way possible to the new demands of society, and to the climatic conditions facing our concession areas, especially in the Santiago basin.

These investments reached 131 billion pesos during the financial year, a historic figure that demonstrates the confidence in the Chilean water utility market and the management's clear commitment to provide a secure and high quality service to its clients. The investments were mainly destined to the execution of new infrastructure works to insure supply, among which the Pirque reservoir project stands out, consisting of six tanks with an approximate joint capacity of 1.5 cubic hectometers of raw water, which will allow greater autonomy to the potable water system of the Metropolitan Region beginning on December 2019. During the financial year, the corresponding Environmental Impact Study was approved and construction work began.

**At IAM we will
continue to work with
our commitment to
oversee that Aguas
Andinas and its
subsidiaries offer
better quality service
to our clients, through
the action of our
water utility facilities,
which is based on
the principles of
innovation, excellence
and sustainable
development.**

In order to add two hours of additional autonomy in the short term to those already existing, and in response to the massive service interruptions due to extreme turbidity of the Maipo river that occurred in February and April 2017, Emergency Complementary Works, which will be operational beginning on the first quarter of 2018 were quickly projected in coordination with the Superintendence of Sanitation Services, and their construction was started, this meant an additional investment effort equivalent to that of the first quarter of 2018.

In order to strengthen action in emergency situations and massive service interruptions, a new public-private protocol was adopted, with the aim of achieving joint and coordinated action between the water utility and public authorities. Aguas Andinas signed agreements with 20 municipalities of the Metropolitan Region in which emergency supply points, communication lines, tanks and other items to deal with this type of situation are determined in detail.

At the same time, we continued to improve potable water production plants and develop the Hydraulic Efficiency Plan, projects that are part of a comprehensive management approach with the final purpose of giving more resilience to the operation of Aguas Andinas and its water utility subsidiaries.

In terms of investments and sustainability, in July the subsidiary Aguas Andinas adopted a new concept in the operation of its wastewater treatment plants to turn them into biofactories, that is, true resource centers capable of transforming waste into reusable products, managed with high sustainability standards and energy self-sufficiency. The year began with the first biofactory contract in La Farfana, which makes it the first facility of its kind in the country and in the world, and makes our water utility an environmental benchmark in the region.

This consistent and sound management was reflected in the Company's financial results. Net income for the year reached Ch\$68,719 million. In turn, the EBITDA was Ch\$297.39 billion, which represents a positive variation of 2.4% when compared to the previous financial year.

This management's financial responsibility and commitment to the environment were also recognized once again. Both IAM and Aguas Andinas were selected for the third consecutive year to be part of the Dow Jones Index Chile, sustainability index of the Santiago Stock Exchange, and at the same time, Aguas Andinas was part of the Dow Jones Sustainability Index of Emerging Markets for the third time. Aguas Andinas water utility toilet was also chosen in 2017 to be part of the FTSE4Good Emerging Index, which highlights companies with high social, environmental and economic standards.

Throughout the year, the share price of IAM and its subsidiary Aguas Andinas recovered from the significant drop in price recorded in December 2016 due to the approval by the house of representatives in its first constitutional procedure, of the bill that sought to amend the water utility legislation (Bulletin 10.795-33), a measure that introduced important uncertainty factors to the sector.

At the end of the 2017 financial year, the legal initiative was before the Senate's Public Works Committee, which requested two reports during the year: one on constitutionality from the Ministry General Secretariat of the Presidency, which established that the bill transgresses the rules of law formation and merits rejection; and another from the Ministry of Public Works, which said it did not sponsor some changes related to the Committee of Experts in the tariff fixing process, among others. Given these reports, which support our opinion on the parliamentary initiative, we remain confident that the authority will safeguard the stability of the model, which has enabled not only the modernization of the water utility sector in Chile, but also to reach global standards of quality and coverage of potable water, as well as wastewater collection and treatment.

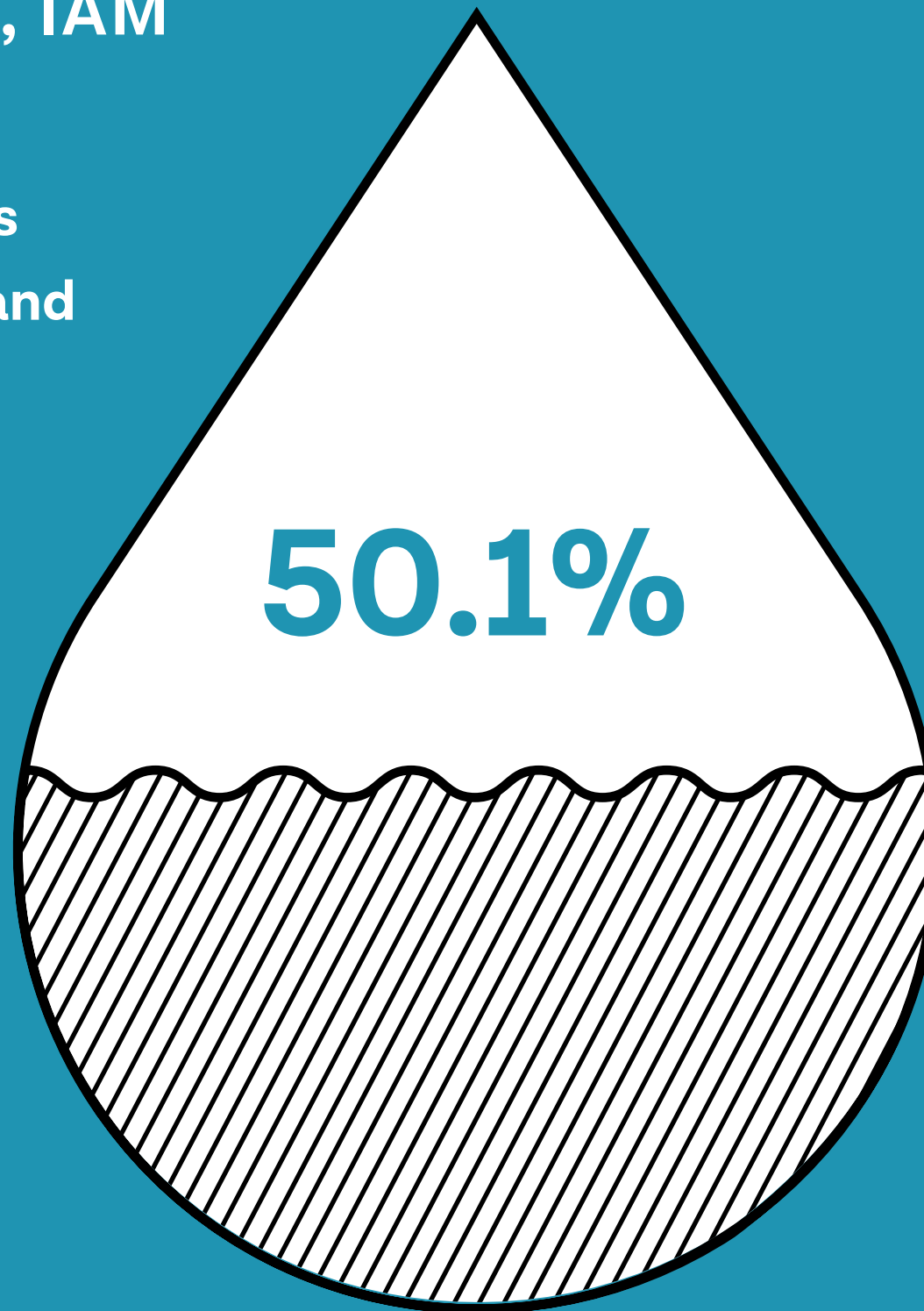
At IAM we will continue to work with our commitment to oversee that Aguas Andinas and its subsidiaries offer better quality service to our clients, through the action of our water utility facilities, which is based on the principles of innovation, excellence and sustainable development.

An aerial photograph of a wastewater treatment plant. A large, circular, dark-colored tank dominates the right side of the frame. A long, blue metal walkway or bridge extends horizontally across the middle of the image, connecting the tank area to a smaller, rectangular structure on the left. The water in the tank appears dark and textured. The sky is visible in the upper left corner, showing some clouds.

The Company

INVERSIONES AGUAS METROPOLITANAS, IAM

**Inversiones Aguas
Metropolitanas S. A. owns
50.1% of Aguas Andinas and
its subsidiaries, Chile's
water utility with the
largest number of
clients and one of the
largest private Latin
American companies
in this industry.**





IAM's History

Since 1999, IAM has carried out a modernizing, efficient and sustainable management of its water utility companies.

On May 19, 1999, Inversiones Aguas Metropolitanas, IAM, a limited liability company, formed by the Agbar and Suez Environment groups (now known as Suez), was founded. Its purpose was to take part in the privatization process of the Empresa Metropolitana de Obras Sanitarias S. A. (EMOS S.A.), currently known as Aguas Andinas S. A.

Following the international bidding process carried out by the Corporación de Fomento de la Producción (CORFO), IAM won a shares package, subscribed a capital increase and bought additional shares in the stock exchange, taking control of Aguas Andinas (formerly EMOS), owning 51.2% of its share capital.

In June 2005, IAM became an open corporation, and restricted its corporate purpose to investing in shares of Aguas Andinas, as well as the provision of all kinds of advisory and consulting services; related to the transfer of technology and know-how, technical support, business administration and project, especially those regarding the management and operation of businesses related to the water utility sector.

In November 2005, the company went to market, placing a package of 43.4% of its shares. New shareholders entered the company and Agbar became its sole controller, retaining 56.6% ownership.

The following year, IAM sold 1.1% of its shares in Aguas Andinas, retaining control with 50.1% ownership of the company.

In 2007, in order to provide access to all types of shareholders to own company shares, an ADR Level I program was established, trading shares in the Over the Counter market in the United States.

In 2008, the subsidiary Aguas Andinas acquired 53.5% of Empresa de Servicios Sanitarios de Los Lagos (ESSAL), whose concession areas are located in the Los Lagos and De Los Ríos regions of southern Chile. With this transaction, the Aguas Group achieved a local market share of 42.5%.

In June 2010, Suez indirectly acquired 75.01% of Agbar's shares, becoming the new controller of the Company.

During 2013, IAM began operating the Mapocho Plant through the management of its water utility companies, fulfilling its commitment to clean up 100% of the wastewater generated by the inhabitants of the Metropolitan Region.

The following year, in 2014, Suez acquired 24.99% of Agbar's shares, which enabled it to become the company's sole controller.

During the 2015 financial year, IAM and its subsidiary Aguas Andinas joined the Dow Jones Sustainability Index Chile, the first sustainability index of the Santiago Stock Exchange, a recognition that they maintained during 2016 and 2017, showing their excellent performance in this area.

In 2016, the Company finalized its ADR program.

Finally, during the 2017 financial year, the subsidiary Aguas Andinas entered a path towards a circular economy, pursuing to become a benchmark for sustainability in the region.



IAM Management Milestones

Management Milestones

2000	2001	2002	2003		
The subsidiary Aguas Andinas acquired 100% of Aguas Cordillera and 50% of Aguas Manquehue.	The wastewater treatment plant El Trebal began operations. The subsidiaries Anam and EcoRiles were incorporated.	The subsidiary Aguas Andinas acquired the remaining 50% of Aguas Manquehue.	La Farfana, the largest wastewater treatment plant in Latin America, began operations. Aguas Andinas became ISO 9.001 certified in customer service.		
2004	2005	2006	2007	2008	2010
Aguas Andinas became ISO 9.001 certified in invoicing and collection.	IAM became an open corporation. The company went public by placing a 43.4% share package. Aguas Andinas became OHSAS certified in occupational health and safety.	The subsidiary Aguas Andinas became ISO 9.001 certified for its process of acquiring new clients.	An ADR Level I program to trade IAM shares in the Over the Counter market in the United States was established. ISO 9,000, ISO 14,000 and OHSAS 18,000 certifications were renewed for Aguas Andinas and its facilities.	The subsidiary Aguas Andinas took control of Empresa de Servicios Sanitarios de Los Lagos (ESSAL) by purchasing 53.5% of its ownership.	Inauguration of Aguas Andinas' Mapocho Urbano Limpio project, a bicentennial landmark for the country. IAM won second place in the XV Annual Chilean Corporations Report Contest, organized by Diario Estrategia and Price Waterhouse Coopers.
2012	2013	2014	2015	2016	2017
The subsidiary Aguas Andinas received the Best Company award from ICARE, one of the most prestigious awards a company can receive in Chile.	The Mapocho Wastewater Treatment Plant came into operation, which culminated in the Santiago Basin Sanitation Plan, treating 100% of the wastewater in the Metropolitan Region.	The subsidiary Aguas Andinas achieved the best historical rate in the Chilean capital market for corporate issuing with terms of over 20 years.	IAM, like its subsidiary Aguas Andinas, was selected to be part of the Dow Jones Sustainability Index Chile, the first sustainability index of the Santiago Stock Exchange, to which only 12 companies were selected.	For the second consecutive year, IAM together with Aguas Andinas were selected to be part of the Dow Jones Sustainability Index Chile. Aguas Andinas was awarded the bronze medal in the PROHumana 2016 sustainability ranking.	Once again, IAM together with Aguas Andinas were selected to be part of the Dow Jones Sustainability Index Chile. Aguas Andinas inaugurated the world's first biofactory in the world for the water utility sector which converts waste into resources.

The Company

Ownership of the Company

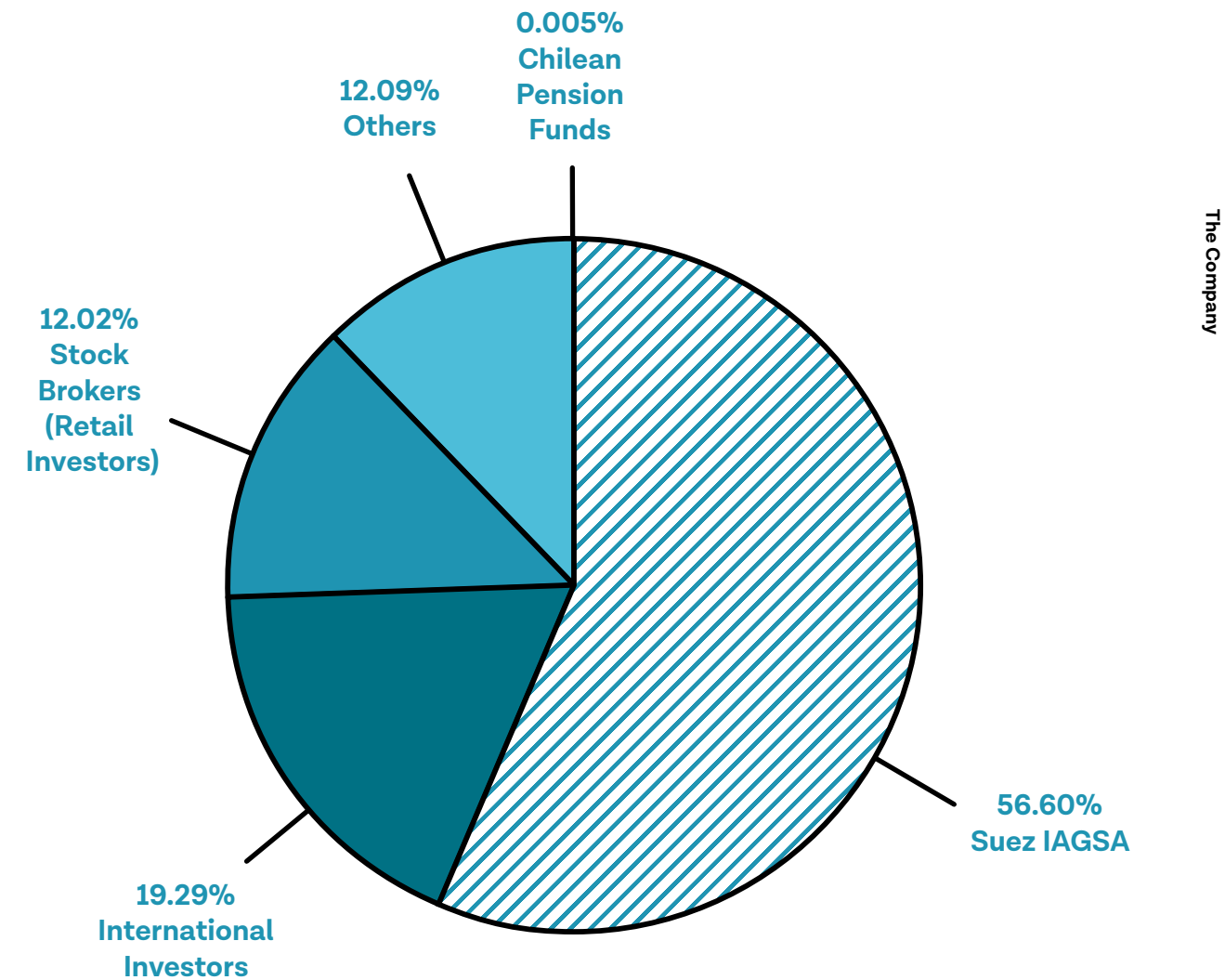
At the end of the 2017 financial year, IAM’s twelve main shareholders are the following:

Name	Tax ID	Shares	%
Suez Inversiones Aguas del Gran Santiago Ltda. *	77.329.730-4	566,000,000	56.60%
Banco de Chile for Non-Resident Third Parties	97.004.000-5	142,570,977	14.26%
Inversiones Tramonto Limitada	76.257.531-0	68,327,293	6.83%
Banco Itaú Corpbanca for Foreign Investors	97.023.000-9	35,003,382	3.50%
Larraín Vial S.A. Corredora de Bolsa	80.537.000-9	24,610,195	2.46%
Banchile Corredora de Bolsa S.A.	96.571.220-8	22,217,221	2.22%
Banco Santander for Foreign Investors	97.036.000-K	15,304,965	1.53%
Santander Corredores de Bolsa Ltda.	96.683.200-2	14,900,475	1.49%
BCI Corredora de Bolsa S.A.	96.519.800-8	14,216,026	1.42%
Asociación de Canalistas Sociedad del Canal de Maipo	70.009.410-3	7,638,350	0.76%
Valores Security S.A. Corredores de Bolsa	96.515.580-5	7,432,535	0.74%
BICE Inversiones Corredores de Bolsa S.A.	79.532.990-0	6,506,599	0.65%
Others (365 shareholders)		75,271,982	7.53%
		1,000,000,000	100.00%

* Controlling Shareholder.

SHARE OWNERSHIP IN 2017

On December 31, 2017, IAM’s share capital consisted of 1,000,000,000 shares, fully subscribed and paid-for, distributed among 377 shareholders.



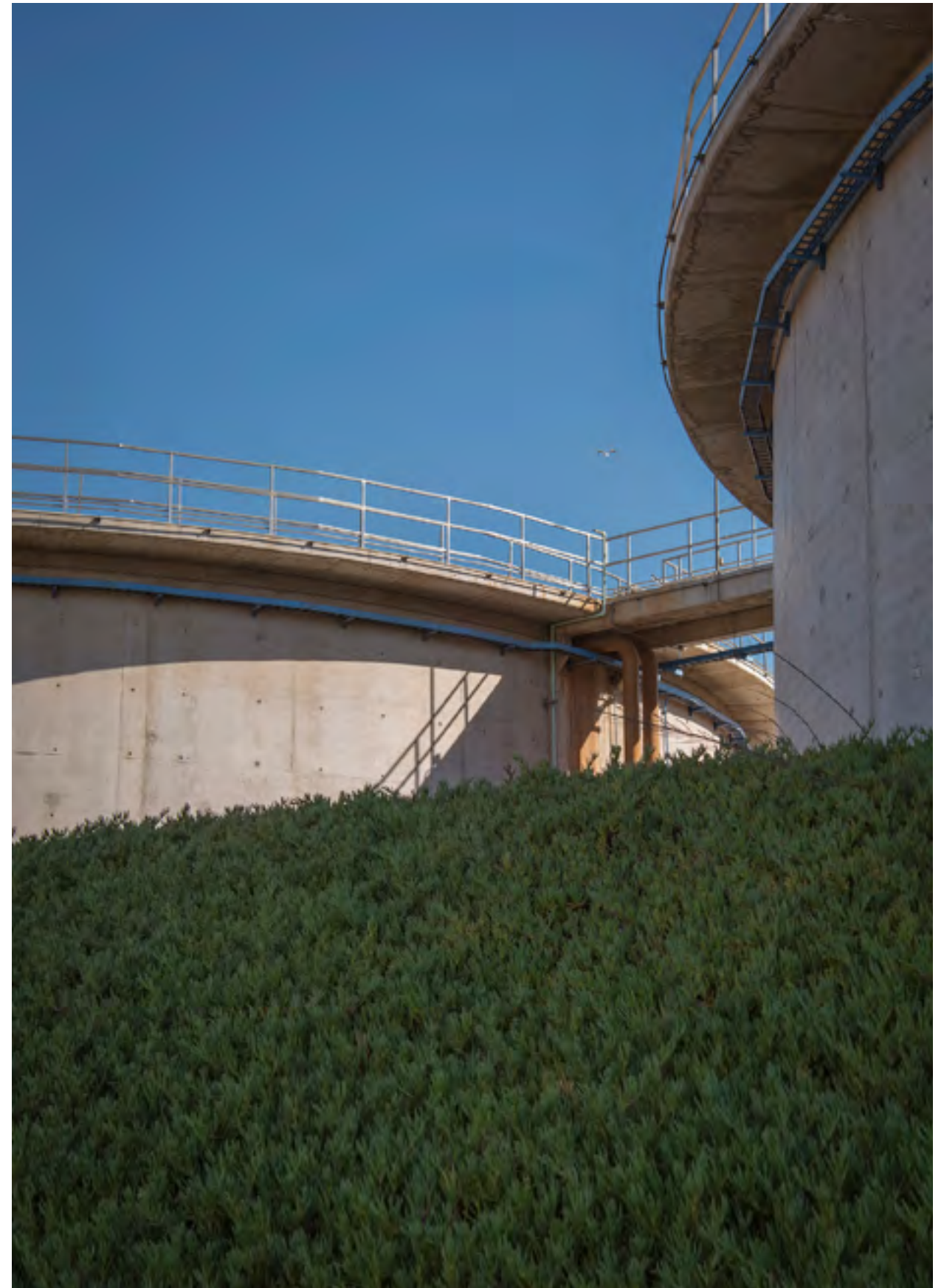
CONTROLLER

Sociedad General de Aguas de Barcelona (SGAB) through Suez IAGSA, is IAM's controlling and strategic partner, and owns 56.6% of its assets. IAM owns 50.1% of the shares in Aguas Andinas and its subsidiaries.

With almost 150 years of experience in domestic potable water supply, SGAB is an international benchmark in the water utility industry, operating in Spain, Chile, United Kingdom, Mexico, Colombia, Algeria, Peru, Brazil, Cape Verde, France, Portugal, Turkey and the United States. It supplies water to more than 25.6 million people in the world every day.

The Suez Group, maintains control over SGAB. With more than 120 years of experience, this conglomerate is a world leader in water and waste management, operating in 70 countries with more than 79,000 employees worldwide.

In light of the fact that Suez is the controller of SGAB, it is presumed, in accordance with the second paragraph of Article 98 of the Securities Market Law, that a joint action agreement exists between the two companies.



Board of Directors

IAM’s Board of Directors has seven named members and seven alternate members. The directors of the Company serve for three years and may be re-elected at the end of their term indefinitely.

IAM’s Board Members, at the end of the 2017 financial year, are the following*:



CHAIRMAN | PRESIDENT
Felipe Larrain Aspillaga

Civil Engineer, graduate from Pontificia Universidad Católica de Chile.
He was the CEO of Aguas Andinas between 2004 and 2011, he then was appointed Chairman of Aguas Andinas from 2011 to 2016, he is also Director of the Sociedad del Canal de Maipo and of the Junta de Vigilancia del Río Maipo. Mr. Larrain has been a Director of IAM since April 30, 2014, and Chairman of the Board of Directors of IAM since June 29, 2016.



VICE-CHAIRMAN
(INDEPENDENT BOARD MEMBER)
Alberto Muchnick Mlynarz

Commercial Engineer, Graduate from Universidad de Chile.
He was Managing Director of HSBC Bank (USA), Executive Vice Chairman for Latin America of the Republic National Bank. Current Executive Chairman of CGIS Securities LLC in Miami, United States. Mr. Muchnik has been an Vice-President of IAM’s Board of Directors since April 21, 2010.



DIRECTOR
Herman Chadwick Piñera

Lawyer and graduate in Law from Pontificia Universidad Católica de Chile, he also practices law as a senior partner of the firm Chadwick & Reymond Attorneys at Law.
President of Enel Chile S.A., Vice-President of Aguas Andinas, Vice-President of Intervial S.A. Vice-President of the Arbitration and Mediation Center of the Santiago Chamber of Commerce, Director of Viña Santa Carolina S.A. He has been a Director of IAM since April 27, 2006.

***Changes in the board during the year**
According to the Material Event from May 31 2017 informed to the Financial Market Commission (previously known as Superintendence of Securities and Insurance), Rodrigo Axócar Hidalgo’s resignation was received. On this date, his Alternate Director, Carlos Mladinic Alonso, became Named Director.



DIRECTOR

Ignacio Guerrero Gutiérrez

Commercial Engineer, graduate from Pontificia Universidad Católica de Chile, MBA from Harvard Business School.

He was formerly Vice Chairman of Citibank New York and NMB Bank (now ING Bank). Partner and Executive Director of CMB CHILE and Vice Chairman of Codelco Chile. Current partner and Executive Director of CMB PRIME A. G. F. S.A. Director of Enjoy, Empresas Hites and several road and airport infrastructure companies related to the Prime Infrastructure Investment Fund. Ignacio Guerrero Gutiérrez has been a Named Director of IAM since April 27, 2006.



DIRECTOR

Ana Girós Calpé

Industrial Engineer, specialized in Power Electronics and Electromechanical Systems, graduate of Escuela Técnica Superior de Ingeniería Industrial de Barcelona (ETSEIB).

He worked at Alston as Senior Vice Chairman for France, Senior Vice Chairman of the Services Division and Vice Chairman of the Services Division for Spain, Latin America and Mexico. He was CEO for Europe and Latin America at Suez. Since January 2017 he has been CEO for Latin America and Agua Industrial Europa for the Suez Group. Ana Girós Calpé has been a Named Director of IAM since April 27, 2017.



DIRECTOR

Hernán Cheyre Valenzuela

Graduate in Economics and Commercial Engineering from Pontificia Universidad Católica de Chile, and Master in Economics from University of Chicago, specialized in Public Finance and Economic Development.

Founding partner and chairman of Econsult consulting firm. He was CEO of Duff and Phelps Chile and Fitch Chile. He has been and currently performs the role of Director in diverse public and private companies. Between 2010 and 2014, he was CORFO's Executive Vice-President. He is currently Director for the Entrepreneurship Institute of the Economics and Business Faculty of Universidad del Desarrollo. He has been a Named Director of IAM since April 27, 2017.



DIRECTOR

Carlos Mladinic Alonso

Commercial Engineer with a mention in Economics from University of Chile.

He has been Minister General Secretary of Government, Minister of Agriculture, and Chairman of the Public Companies System, Undersecretary of Economy, General Director of International Economic Relations, CEO of the Development Corporation (CORFO), Director of Banco Estado and Chairman of Televisión Nacional de Chile. Current Director of Metro S. A., Empresa Nacional Aeronáutica (Enaer) and Chairman of Agroseguros.

Carlos Mladinic Alonso has been an Alternate Director of IAM since April 30, 2014 and Named Director since May 31, 2017.

Alternate Directors

The Directors

ALTERNATE DIRECTOR Hugo Silva Raveau

Industrial Mechanical Technician and Business Administration Diploma from Universidad Federico Santa María.

He worked for 42 years at GE as Regional Director of Mining, and Regional Chairman for Bolivia, Chile, Peru and Ecuador, among others. Current partner of Crisis Management Latin America. Hugo Silva Raveau has been an Alternate Director of IAM since April 27, 2017. Alternate Director of the President Felipe Larraín Aspillaga.

ALTERNATE DIRECTOR Silvina Somasco Mozziconacci

National Public Accountant from Universidad Nacional del Litoral de Santa Fe, Argentina.

She has extensive experience in the Suez Group: she was Management Controller in Argentina, and held various positions in Finance Directorates in France and other countries. She was Director of Contracts at Lyonnaise des Eaux in France. Current Administrative and Financial Director of BU LATAM.

Silvina Somasco Mozziconacci has been Director of IAM since April 27, 2017. Alternate Director of the Named Director Ana Girós Calpe.

ALTERNATE DIRECTOR (INDEPENDENT) Giorgianna Cúneo Queirolo

Publicist with a degree in Marketing from Universidad del Pacífico.

She was Chief Advertising Officer of Banco de Chile and Chairman of the Association of Wine Growers of the Casablanca Valley. Current Executive Director of Viña Casas del Bosque, Association of Winemakers of Casablanca Valley and Falabella Retail of the Falabella Group. Giorgianna Cúneo Queirolo has been an Alternate Director of IAM since April 30, 2014. Alternate Director of the Vice President of the Board of Directors, Alberto Muchnick Mlynarz.

ALTERNATE DIRECTOR (INDEPENDENT) Rodrigo Castro Fernández

Commercial Engineer with a mention in Economics from Gabriela Mistral University. Master in Economics at Georgetown University. Specialization courses in Strategy and Finance at Stanford University of California at Berkeley.

He was Director of the Social Program of Libertad y Desarrollo and Dean of the Chair of Economics and Business at the Universidad del Desarrollo. Professor at the Adolfo Ibáñez University. Director of companies. Consultant to the World Bank and IDB. Current partner and Director of Genesis Partners.

Rodrigo Castro Fernández has been Director of IAM since April 27, 2006. Alternate Director of the Named Director Ignacio Guerrero Gutierrez.

ALTERNATE DIRECTOR Jorge Cosme Sagnier

Graduate in Business Administration and Management and MBA from ESADE Business School, Barcelona, Spain.

Chief Financial Officer of Suez Spain. He was CEO of IAM and Director of Aguas Andinas. Has extensive experience in Grupo Agbar as Director of Administration and Management Control, Tax Director, Consolidation and Administration and Director of Treasury Finance. Jorge Cosme Sagnier has been Director of IAM since April 27, 2017.

Alternate Director of the Named Director Herman Chadwick Piñera.

ALTERNATE DIRECTOR Marcelo Tokman Ramos

Commercial Engineer with a mention in Economics from Pontificia Universidad Católica de Chile, Master and Ph. D. from University of California, Berkeley.

He was formerly Vice-President for Vestas South America, previously Energy Minister, Minister Chairman of the National Energy Commission, Studies Manager for the Budget Directorate and General Coordinator of the Ministry of Finance Advisors. Current CEO of ENAP.

Marcelo Tokman Ramos has been Director of IAM since April 30, 2014. Alternate Director of the Director Herman Cheyre Valenzuela.

The Company

The Administration



CEO
Laureano Cano Iniesta

Graduate in Economics and Business Studies from Pompeu Fabra University of Barcelona. He has extensive experience in the Agbar Group, where he has served as Economic-Financial Manager and member of the Board of Directors of several water utility companies. Director of Aguas Andinas since April 2016. Laureano Cano has been CEO of IAM since May 2, 2016.

Note: More information on the Board of Directors and the Administration can be found in the Corporate Governance section of this report.

An aerial photograph of a wastewater treatment plant. Three large, circular clarifiers are arranged in a triangular pattern, each with a central rotating arm and radial support structures. A small, green-roofed control building is located in the center between the clarifiers. The facility is surrounded by a concrete pad, gravel areas, and some landscaping. A road is visible at the top of the image.

Company Operations

The Company

Inversiones Aguas Metropolitanas, IAM, owns 50.1% of Aguas Andinas and its subsidiaries, Chile’s largest water utility group and one of the largest private companies in Latin America.

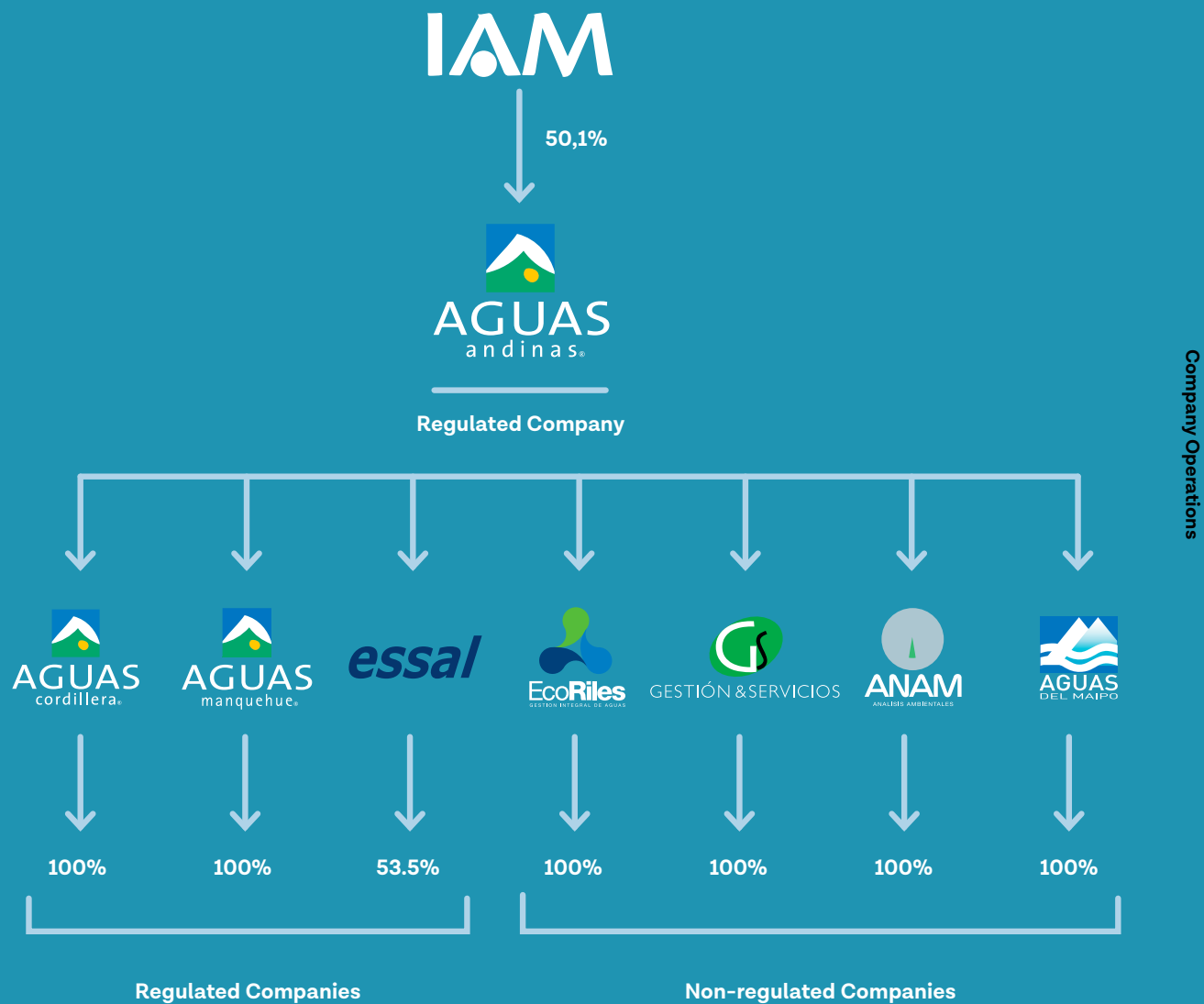
Through the operation of its water utility subsidiaries, IAM provides raw water catchment, production, transportation and distribution of potable water; and collection, treatment and final sewage disposal services to an estimated population of 8 million people, located in the Metropolitan, De Los Lagos and De Los Ríos regions of Chile.

The concession areas include an area of 71 thousand hectares located in the Santiago basin, in the intermediate depression of central Chile; plus a territory of 13 thousand hectares, which is located in the provinces of Valdivia, Ranco, Llanquihue, Chiloé and Palena in the south of the country.

IAM’s regulated water utility subsidiaries are: **AGUAS ANDINAS, AGUAS CORDILLERA, AGUAS MANQUEHUE AND ESSAL.**

Regulated companies with high standards of coverage: 100% water supply, 98% sewage and 100% wastewater treatment.

IAM’s non-regulated subsidiaries are: **ECORILES, GESTIÓN Y SERVICIOS (G&S), ANÁLISIS AMBIENTALES (ANAM) AND AGUAS DEL MAIPO.** These companies are able to provide comprehensive management for the water utility industry, by providing industrial waste treatment services, equipment commercialization, laboratory analysis and the development of energy projects related to water utilities, respectively.





Operations

IAM, through the operation of its water utilities, comprehensively manages the water cycle, which includes the catchment of raw water; the production, transport and distribution of potable water; and the collection, treatment and final disposal of sewage.

Raw water catchment

Sources:

In the Metropolitan Region, the Maipo and Mapocho rivers are the largest sources of raw water catchment, which rise in the Andes Mountains. In the south of the country, on the other hand, the sources of catchment are superficial and operate in conjunction with underground aquifers. Through its subsidiaries, IAM maintains legal ownership of the water rights of all its sources.

Water Reserves:

In Santiago, the company has important water reserves that provide the necessary water resources when water from the sources is scarce. The three largest reserves are: El Yeso Reservoir, with a capacity of 220 million cubic meters; Laguna Negra with 600 million cubic meters; and Laguna Lo Encañado with 50 million cubic meters. In the concessions in southern Chile there is no need for additional reserves, as the sources of catchment ensure continuity of supply.



Production of potable water

Production plants:

In the Greater Santiago area, the main facilities are the Complejo Las Vizcachas and Planta La Florida, which have design flows of sixteen thousand and four thousand liters per second, respectively. In the regions of Los Lagos and De Los Ríos, there are numerous plants that supply the requirements of the 33 cities in that area.

Production capacity:

IAM's production plants have a combined potable water treatment capacity of 38.27 cubic meters per second, of which 34.37 cubic meters per second correspond to the Metropolitan Region facilities and 3.9 cubic meters per second to the plants in the ESSAL concession area.

Potable water transportation and distribution

Regulation tanks:

In the Metropolitan Region, Aguas Andinas and its subsidiaries maintain 373 regulating tanks, with a capacity of more than one million two hundred thousand cubic meters, which provide high autonomy to the system.

Distribution network:

An extensive underground network for transporting and distributing potable water to all water utility clients. IAM's subsidiaries have 100% coverage.

Sewage collection

Collection network:

The company has an efficient collection network, which allows sewage to be drained through the sewerage and taken to wastewater treatment plants or final disposal points.

In the Metropolitan Region, sewerage is gravity based, taking advantage of the location of the city of Santiago at the foot of the Andes Mountains.

Sewage Treatment and Disposal

Sewage treatment plants:

They allow the sanitation of sewage, leaving it in optimum conditions for its restitution to natural watercourses, in accordance with the standards required by Chilean legislation.

In the Santiago basin, IAM's water utilities have two large facilities: La Farfana and the Trebal-Mapocho Complex. This is in addition to 10 smaller plants in different areas of the concession area. In the concession areas in the south of the country, ESSAL has 28 wastewater treatment plants. At a consolidated level, these plants have a treatment capacity of 20.98 m³/s.

Treatment coverage is 100%, which contributes to the country's competitiveness.



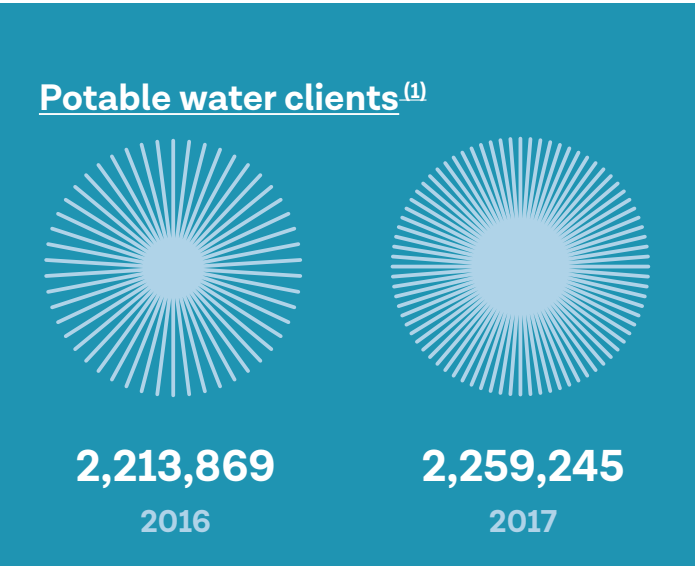
Clients

IAM’s water utilities subsidiaries supply more than 2 million clients -classified as residential, commercial and industrial-, equivalent to an estimated population of 7.9 million people, representing a 43% market share nationwide.

In the Metropolitan Region, the 71 thousand- hectare concession area is bordered to the north by the Cuesta de Chacabuco and to the south by Angostura de Paine, in the intermediate depression of central Chile.

In the south of the country, the concession area covers more than 13 thousandhectares, concentrating 33 cities in the provinces of Valdivia and Ranco in the Los Ríos Region; and Osorno, Llanquihue, Chiloé and Palena in the Los Lagos Region.

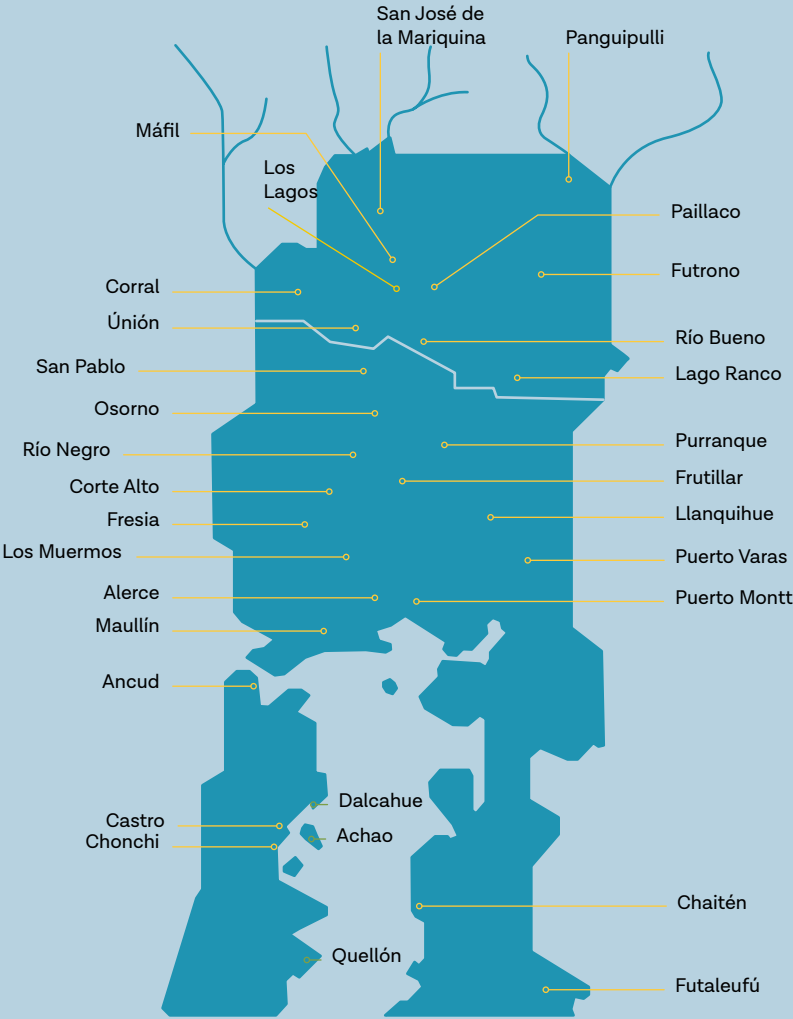
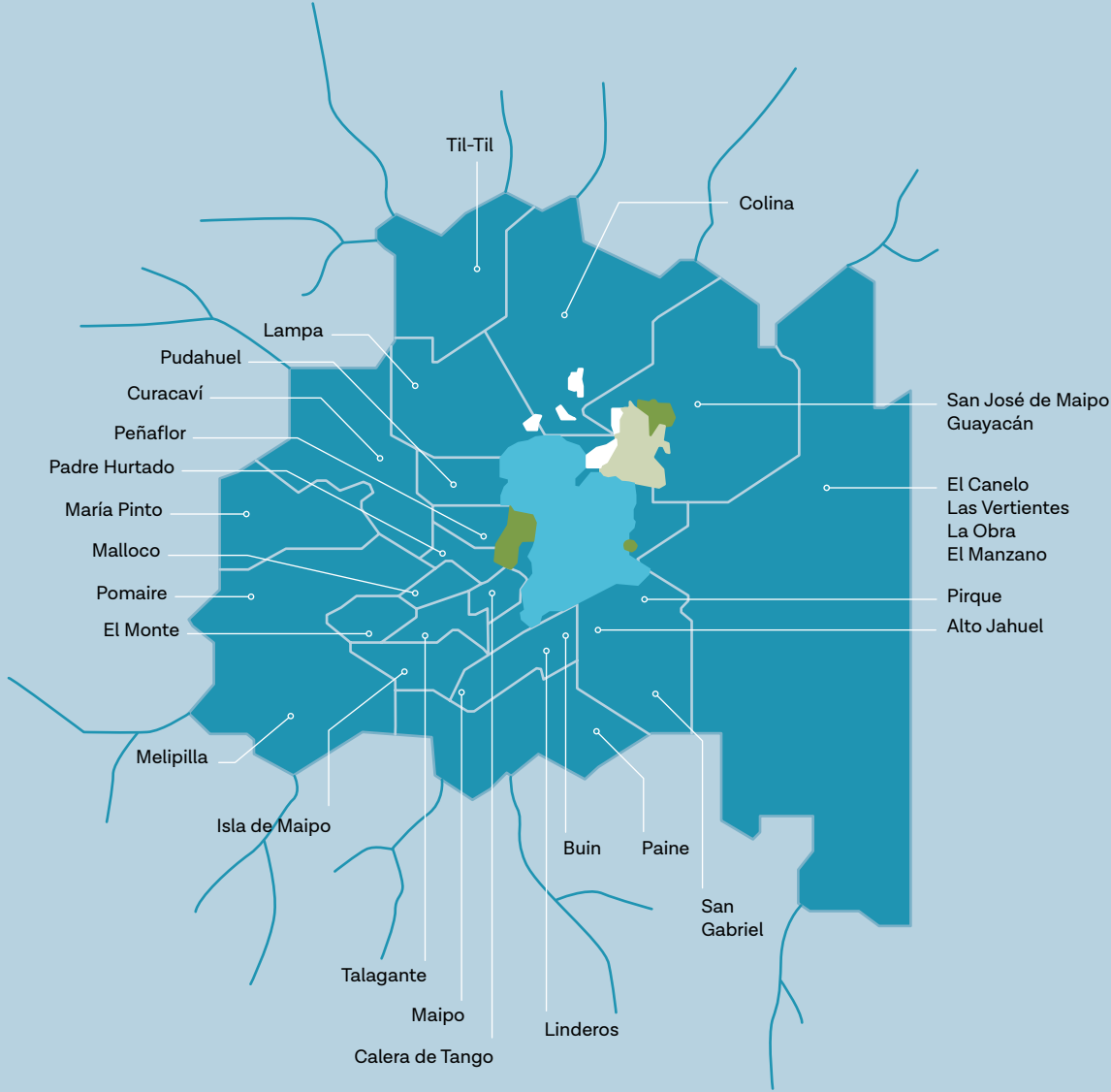
(1) The term “client” refers to the natural or legal person who lives and/or resides in the property that receives the public service of potable water distribution, sewage collection or both. The number of clients reported consider those clients who have been billed as of the end of the year.



Our coverage

- Aguas Andinas
- Aguas Manquehue
- Aguas Cordillera
- Sewage Disposal

Essal



Company Operations

Non-regulated companies

IAM has non-regulated subsidiary companies, which are complementary and contribute to the management of water utilities.

EcoRiles S.A.

EcoRiles, a company specialized in the consultancy and comprehensive wastewater management, has consolidated itself as the leading operator of industrial effluent plants in the country, with operations throughout Chile.

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

Análisis Ambientales S.A. (Anam)

Laboratory for environmental sampling and analysis, accredited under Chilean requirements and the requirements of Suez Spain.

It is the main analysis services laboratory of the Aguas Group in Chile. It is one of the most important environmental analysis laboratories in the water, biosolids and solid waste matrixes in the country, achieving annual sales of more than US\$ 14.0 Million, displaying an 10% growth in revenue when compared to 2016.

Gestión y Servicios S.A.

Dedicated to the sale of materials for potable water and sewage networks, and to a lesser extent to the collector cleaning service and water networks for the general water utility and industrial market.

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

Aguas del Maipo S.A.

Subsidiary responsible for developing energy projects derived from the water utility business.

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



2017
Financial Year

Planning Sustainable and Long-Term Management



With a view towards the sustainability of its business, IAM's water utility operations have a long-term focus, which seeks to plan and anticipate the demands on water utility matters that the Chilean society will require, as well as to respond satisfactorily to the new climate conditions faced by its concession areas.

In this sense, the vision of a sustainable management allows business continuity, which implies investments in new infrastructure works, maintenance of the existing ones, modernization and efficiency of processes and the introduction of an innovative outlook at how to work and address these challenges.

Under these parameters, IAM's water utility subsidiaries within the Metropolitan Region took the first actual steps on a path that seeks to make them a benchmark of environmental sustainability in the country, thanks to the path outlined by its strategic plan that is framed in 7 pillars or lines of work, in order to address important challenges within 5 years.

As an important first step, in July Aguas Andinas transformed the concept of the La Farfana sewage treatment plant to become the first biofactory in the country and the world in the water utility sector, which

implies making this facility a true source of resources, where everything is usable and whose operation tends towards energy autonomy.

Along with this, in 2017 efforts continued to provide greater robustness and reliability to the production of potable water, with significant investments that will increase the autonomy of the system. A good example of this is the progress made in the Pirque Tanks, as well as the Complementary Emergency Works, which will be available from 2018 and will make it possible to increase the autonomy and resilience of Aguas Andinas in the short term from 9 to 11 hours. In addition, the Hydraulic Efficiency Plan and the upgrade of the potable water production plants continued.

In financial terms, the market again acknowledged the consistent and stable management of the company and its subsidiaries. For the third consecutive year, Aguas Andinas was part the Dow Jones Sustainability Index of the Emerging Markets, and both IAM and Aguas Andinas were selected, also for the third time, to be part of the Dow Jones Sustainability Index Chile, the sustainability index of the Santiago Stock Exchange.

Regarding Corporate Governance, the Board of Directors of the Company was completely renewed in 2017.

The 7 strategic pillars of the subsidiary Aguas Andinas

1. **Business model:** Sustainable company, capable of generating shared value for its stakeholders.
2. **Resilience:** Ability to adapt to changes in the environment and overcome contingencies.
3. **Digitalization:** Technology at the service of interactivity between clients and the company and of achieving more agile and efficient processes.
4. **Circular economy:** Use and production of renewable resources to preserve the environment.
5. **Social legitimacy:** Seeking shared value, establishing relationships of respect, trust and transparency with the community.
6. **Innovation and People:** Promoting innovative environments, promoting the well-being of workers and their capacity for change.
7. **Water and quality of life:** Disseminate the benefits of water to people, their health and well-being.

Comprehensive Water Cycle Management

Catchment and production of potable water

At the end of the 2017 financial year, the production of potable water in the Greater Santiago area, measured at the output of the plants, was 761.4 million cubic meters; while in the concession areas in the south of the country it was 60.6 million cubic meters.

At the consolidated level, IAM water utilities had a joint annual production of potable water of 822.0 million cubic meters, a growth of 2% when compared to 2016.

PRODUCTION BY SOURCE TYPE IN M³ (2013-2017)

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



2017 Financial Year

Outstanding investments and projects in 2017

In order to provide greater autonomy to the potable water production system, IAM’s water utility facilities in the Metropolitan Region are in the execution stage of the Phase II of the supply assurance works, consisting of the construction of the Pirque Tanks, a large raw water reserve, which will have a capacity of approximately 1.5 hectometres, and which will provide greater water availability in the event of high turbidity of the Maipo and Mapocho rivers.

The Pirque Tanks involve a total investment of \$64 billion, and its operation is planned for 2019. Its Environmental Impact Study was approved during the 2017 financial year.

At the same time, and in order to increase autonomy in the short term -before the Pirque Tank is completed-, in 2017, work began on the Emergency Complementary Works, which will be operational in 2018. These works involved an additional investment of 15 billion pesos for the financial year.

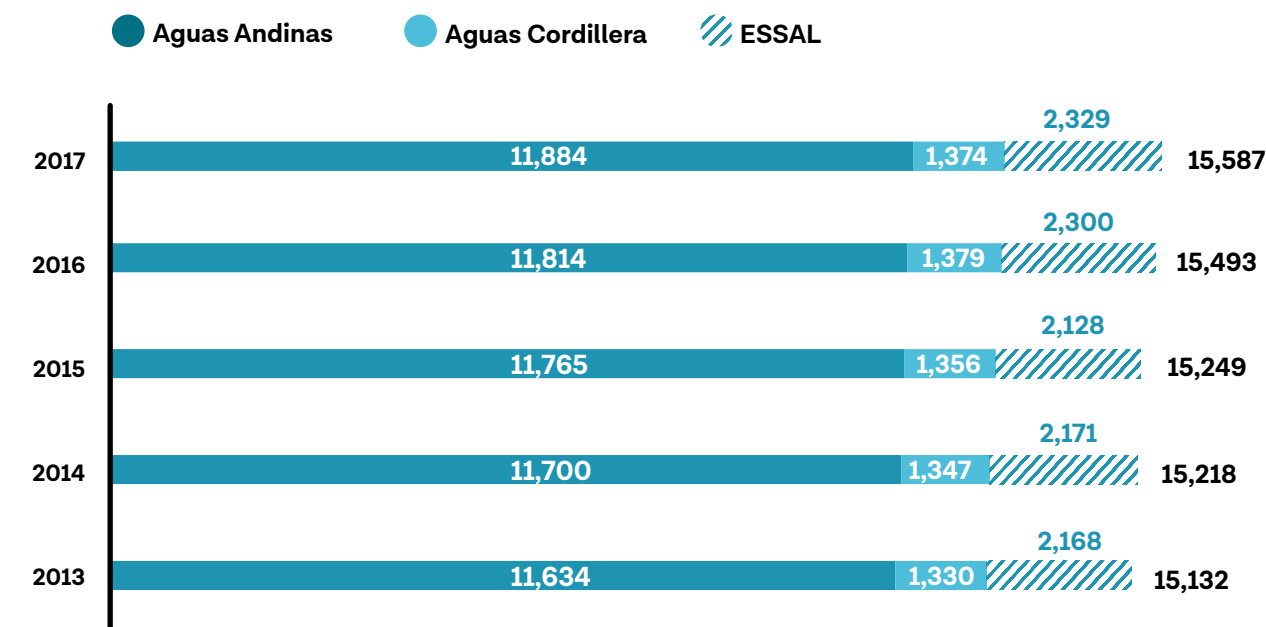
Likewise, the subsidiary Aguas Andinas continued to strengthen its potable water production infrastructure with the improvement of the Las Vizcachas Complex, the start-up of the arsenic abatement plant in San Antonio and the final stage of the construction of the new Chamisero plant, which will be operational in May 2018.

Distribution of potable water

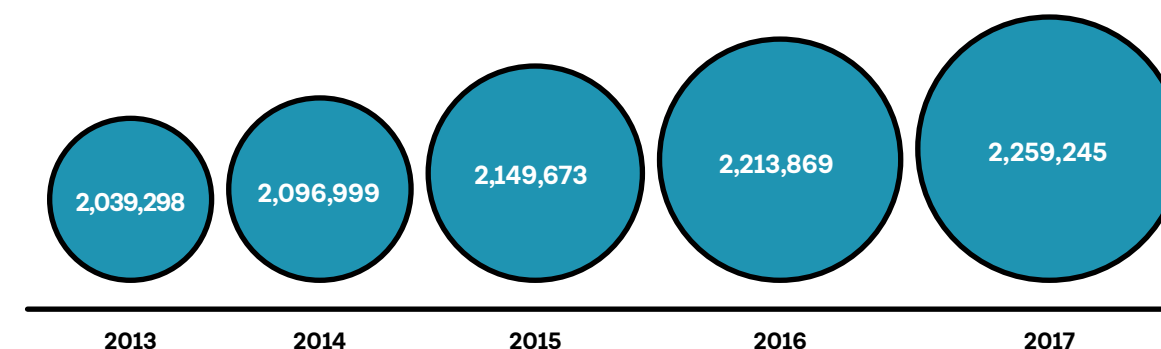
At the end of 2017, the length of the distribution network of IAM's subsidiaries reached 15,587 kilometers, which corresponds to an increase of 1% over the previous year.

In the Greater Santiago area, the network length increased by 65 kilometers, while in the Los Lagos and Los Ríos regions, 29 kilometers were added.

LENGTH OF THE DISTRIBUTION NETWORK 2013-2017 (KM)



NUMBER OF POTABLE WATER CLIENTS (2013-2017)



Outstanding investments and projects in 2017

During the financial year, the development of the Hydraulic Efficiency Plan continued, whose objective is to reduce water losses in the network, recovering 70 cubic hectometers of potable water per year, in order to ensure long-term sustainability.

Likewise, this plan will allow a predictive outlook for the reduction of breakdowns, adequate asset

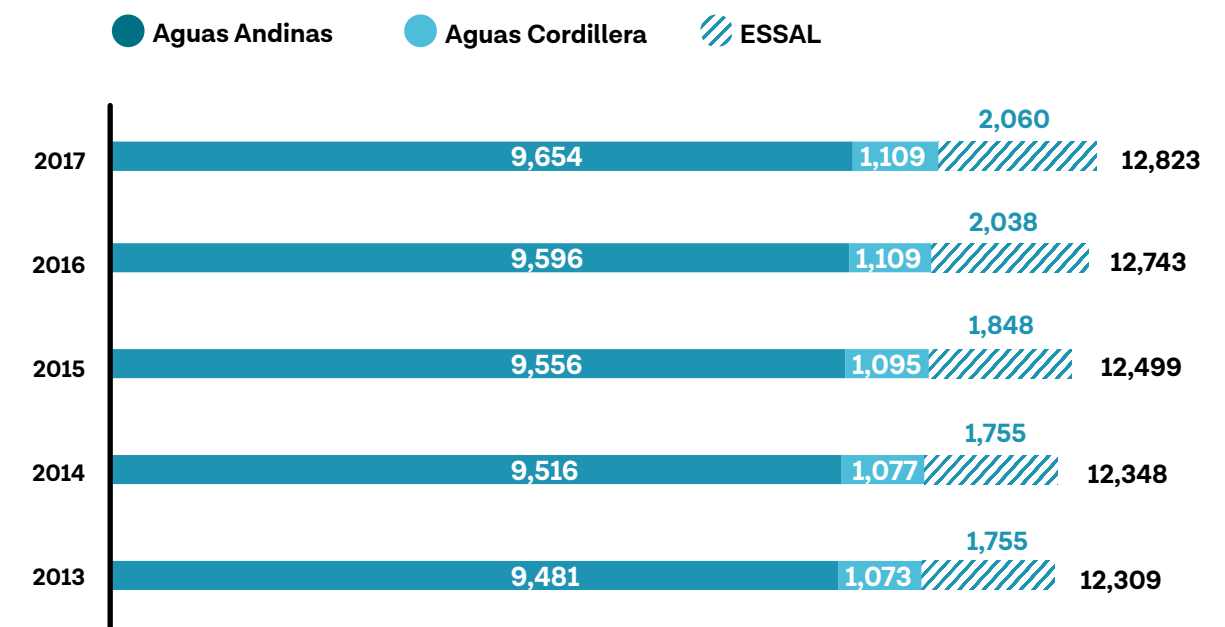
management and an improvement in quality and continuity of service, among others.

In addition to this, in 2017 the project to update the Operational Control Center began, which will manage to modernize the operation thanks to the intelligence management of the data collected.

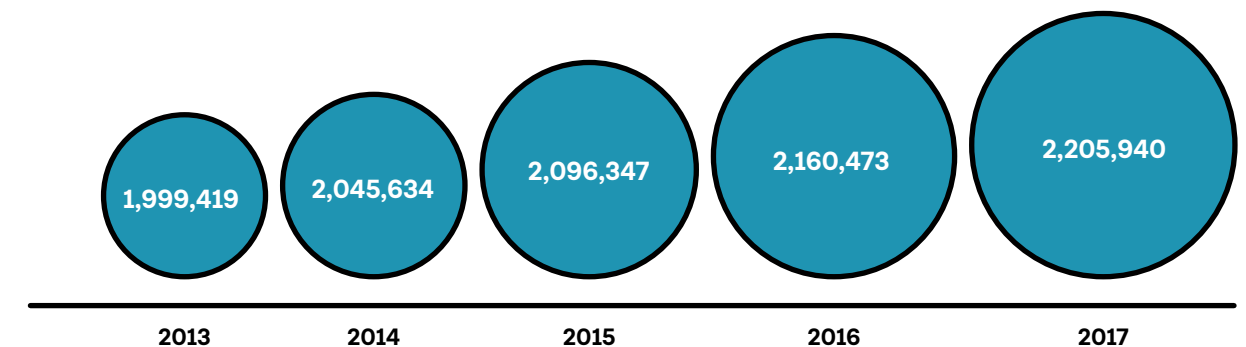
Sewerage network

IAM's water utilities' sewerage network totaled 12,823 kilometers in the 2017 financial year, increasing by 1% when compared to the previous period. Specifically, ESSAL's sewerage network was extended by 22 kilometers and, for its part, that of Aguas Andinas and its subsidiaries in the Metropolitan Region grew by 58 kilometers during the financial year.

LENGTH OF THE COLLECTION NETWORK 2013-2017 (KM)



NUMBER OF SEWERAGE CLIENTS (2013-2017)



Outstanding investments and projects in 2017

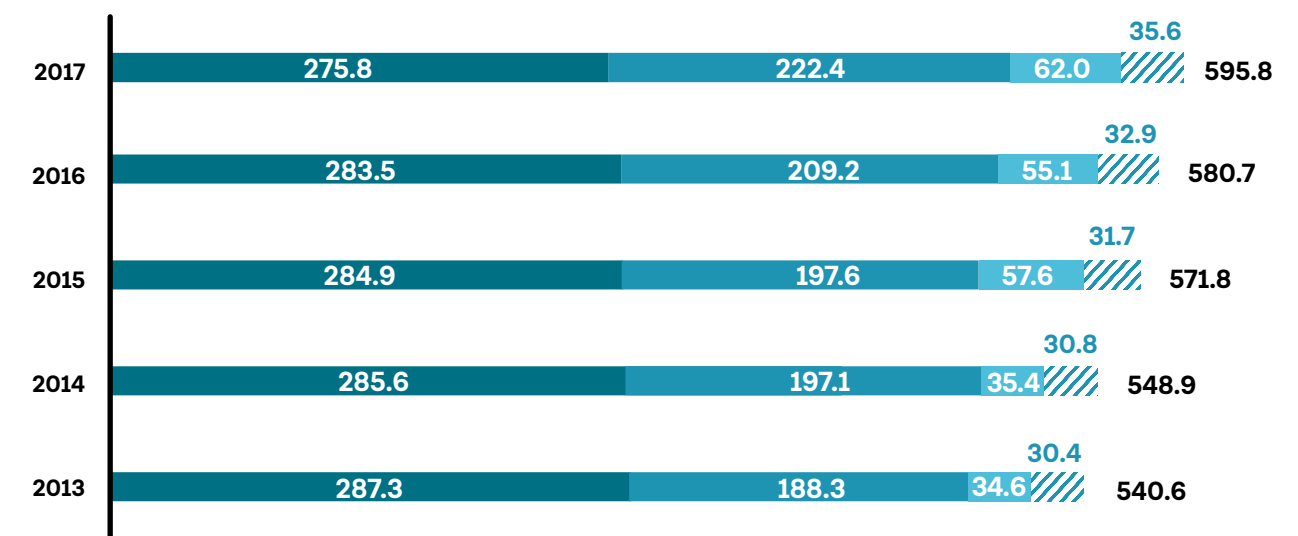
During the financial year, Aguas Andinas started a new sewerage management system, which aims to make cleaning work more efficient thanks to the televised inspection of the sewerage network, and then clean only the sections that require it, increasing the efficiency and improving the service provided to the clients in the Metropolitan Region.

Sewage treatment

In 2017, the consolidated volume of sewage treatment of the IAM's water utilities was 596 million cubic meters, with 90% corresponding to the Metropolitan Region and 10% to treatment in the Los Ríos and Los Lagos regions in the south of the country.

VOLUME OF SEWAGE TREATMENT IN MILLIONS OF CUBIC METERS (2013-2017)

- La Farfana
- Trebal - Mapocho
- ESSAL
- ▨ Others Metropolitan Region



2017 Financial Year

Outstanding investments and projects in 2017

At the beginning of 2017, the expansion of the fourth stage of the Trebal-Mapocho Plant began operations, a work that involved a total investment of \$71.8 billion pesos, and which has increased the treatment capacity by 2.2 cubic meters per second, in response to the growing demand for waste water treatment among the inhabitants of the Santiago basin.

In July, the new contract for the operation of the La Farfana plant began. This contract incorporates the concept of a biofactory which implies a change in its operation from wastewater treatment to resource management, with the aim of converting waste into valued resources in a sustainable facility with energy autonomy. At the same time, two projects related to nitrogen treatment were initiated in La Farfana and Mapocho-Trebal as well as one related to cogeneration in the latter facility.



Annual Investments

\$131 billion pesos was the total investment made by IAM’s subsidiaries in 2017.

The joint investment plan of IAM’s subsidiaries in 2017 was \$131 billion, an increase of 16% over the previous year. Of this amount, 95% corresponded to the water utilities of the Company, while the remaining 5% was allocated to projects in non-regulated subsidiaries.

2017 Financial Year

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

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

2017 Clients

Improving the customer service experience is one of the focal points of the management of IAM's water utility companies, and in 2017 it continued with projects aimed at improving interaction with customers, promoting agile and efficient channels that respond to their requirements in a satisfactory manner.

Consequently, during the year, the new virtual agency of the subsidiary Aguas Andinas began operations, an omni-channel platform that integrates all requirements, regardless of the channel through which they enter and that also allows online transactions to be carried out. In addition to this, the Real Estate Portal was launched, which makes it possible to carry out online procedures regarding new connections and their follow-up.

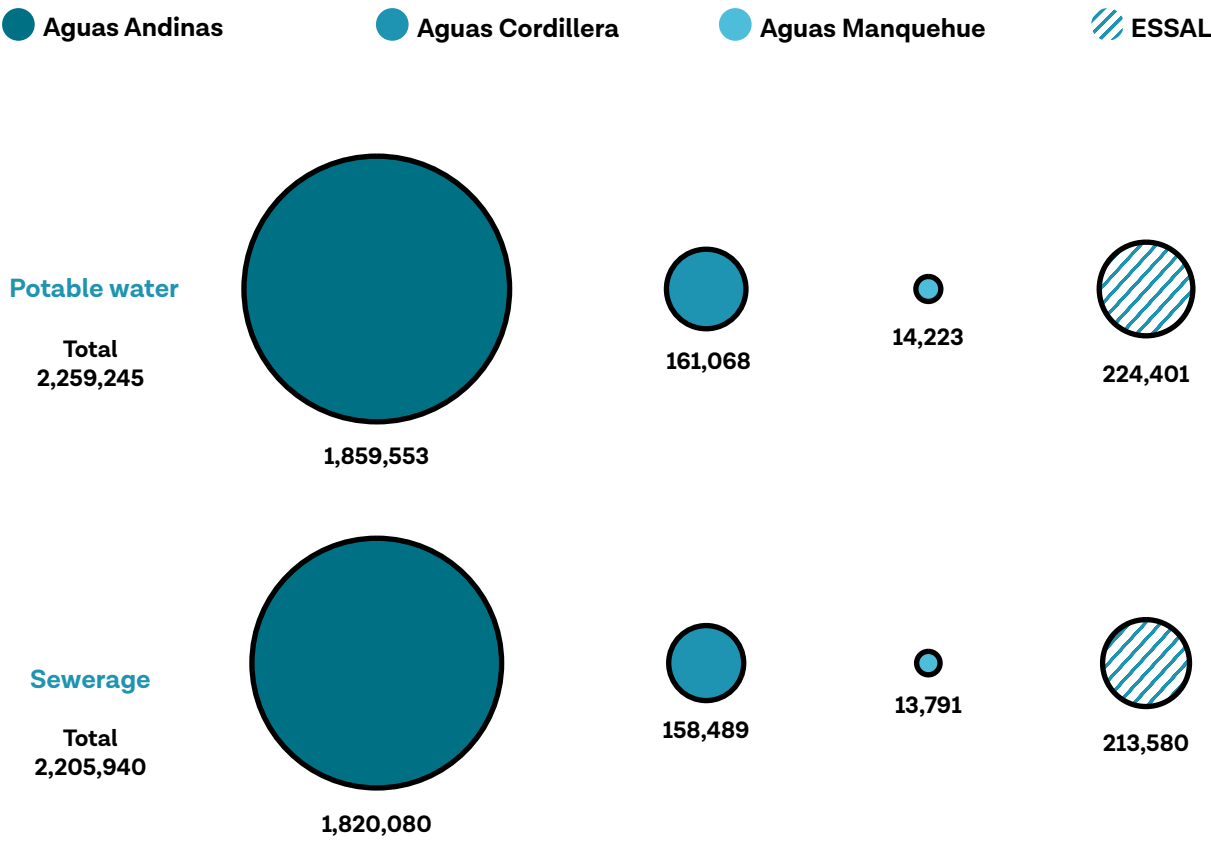
Number of clients in 2017

At the end of the 2017 financial year, the total number of potable water clients of IAM's regulated subsidiaries reached 2,259,245, a 2%% increase over the previous year. On the other hand, sewerage clients were 2,205,940, increasing 3% when compared to 2016.

Of the total number of potable water customers, 7.39% were subsidized customers, which favors stable payment behavior and a lower level of payment default for the water utility facilities of the Company.

2,259,245 is the total number of potable water clients serviced by IAM's water utilities.

NUMBER OF CLIENTES PER WATER UTILITY COMPANY IN 2017





Workforce

By the end of 2017 IAM total staff reached 2,107 workers.

During the year, IAM’s subsidiaries continued to strengthen the talent, competences and employability of their personnel, as well as leadership in order to promote a better working environment.

IAM WORKFORCE IN 2017

Strata	IAM S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.*	Aguas Manquehue S.A.*	ESSAL S.A.	Others	Total
Managers and senior executives	2	70	6	0	7	8	93
Professionals and technicians	1	752	68	7	208	288	1.324
Workers	1	305	49	7	156	172	690
Total	4	1.127	123	14	371	468	2.107

* Aguas Cordillera and Aguas Manquehue share managers and senior executives.

Safety Indices

In 2017 and in accordance with their track record, IAM subsidiaries had very good safety ratings, much better than those of the local water utility sector.



2017 Financial Year

IAM SUBSIDIARIES SAFETY INDICES (2013-2017)

Empresas	Number of accidents with time lost					Number of days lost due to accidents with time lost					Incidence Rate ⁽¹⁾					Days lost due to accidents per worker ⁽²⁾				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Aguas Andinas S.A.	15	12	10	12	8	143	139	500	299	208	1.47	1.14	0.94	1.10	0.72	13.97	13.20	47.00	27.40	18.71
Aguas Cordillera S.A.	0	2	0	0	0	199	223	4	0	0	0.00	10.53	0.00	0.00	0.00	154.81	18.10	66.90	0.00	0.00
Aguas Manquehue S.A.	5	1	1	0	0	0	36	0	0	0	3.89	0.81	0.86	0.00	0.00	0.00	189.50	0.00	0.00	0.00
ESSAL	4	1	5	1	4	59	45	107	358	130	1.34	0.34	1.56	0.28	1.08	19.75	15.20	33.30	98.70	34.97
Non-Regulated Subsidiaries	4	10	2	3	1	158	376	6	14	7	1.08	2.65	1.01	0.73	0.22	42.81	99.82	1.50	3.40	1.52
Total	28	26	18	16	13	559	819	617	671	345	1.52	1.39	0.94	0.80	0.63	30.37	43.86	36.10	33.75	16.63

⁽¹⁾ Incidence Rate: (Number of accidents during the period/average number of workers)*100
⁽²⁾ Days lost due to accidents per worker: (Number of days lost/average number of workers)*100

Environment

The subsidiary Aguas Andinas has introduced circular economy as a strategic focus of its operation, which promotes the development of sustainable initiatives in tune with the environment.

IAM's water utility subsidiaries have the vision of being benchmark sustainability companies in Chile, together with the aim of managing resources efficiently, creating shared value. This conviction is integrated into each of the Company's processes and operations in an effective and overarching manner, ensuring the preservation of the resource and the natural environment.

The subsidiary Aguas Andinas has introduced circular economy as a strategic focus of its

operation, which promotes the development of sustainable initiatives in tune with the environment. The goal is to achieve the elimination of waste in the medium term - turning it into valued resources -, energy self-sufficiency and reduce environmental impact to zero, minimizing the effects of its facilities on the environment.

In specific terms, this commitment is reflected in initiatives such as: the beneficial use of bio solids generated at its treatment facilities, which are used as fertilizers in agricultural soils; the utilization of biogas, also obtained from the sanitation process, as fuel in cogeneration engines or to heat bio digesters, among others.

Thanks to the execution of these and other initiatives, in 2017 the subsidiary Aguas Andinas obtained the Energy Efficiency Seal, Gold category, awarded by the Ministry of Economics of Chile.



An aerial photograph of a wastewater treatment plant. The central feature is a large circular aeration tank with a concrete floor and a central vertical shaft. Surrounding this central tank are several rectangular secondary treatment basins. The entire facility is enclosed by a concrete wall with walkways and railings. The water in the tanks appears dark, and there is some white foam or surfacing in the rectangular basins. The surrounding area is a mix of dirt and sparse vegetation.

Financial Management



Strength and Stability

IAM's financial management is characterized by its stability and consistency, which has allowed it to have a robust profile in the local and international market.

This behavior allowed the Company to be selected, together with its subsidiary Aguas Andinas, for the third consecutive year to be part of the Dow Jones Sustainability Index Chile, a sustainability index of the Santiago Stock Exchange. Aguas Andinas was also included for the third time in the Dow Jones Sustainability Index Emerging Markets and was chosen as a component of the FTSE4GOOD Emerging Index. These indices acknowledge companies with high standards in social, environmental and economic areas.

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

Regarding the volume of share transactions, the Santiago Stock Exchange reported that IAM shares will remain in the IPSA stock exchange index during 2018, with a weighting of 0.92%, Aguas Andinas (Aguas-A) will also continue to be part of this index, with a weighting of 2.14%.

In terms of risk, the Fitch Ratings and ICR rating agencies confirmed the AA+ category for Aguas Andinas, while Fitch Ratings and Feller-Rate ratified IAM AA+ category.



Risk Factors

Operational risks

Seasonality

The water utility business is characterized by seasonality, which could lead to possible variations in results from quarter to quarter. The highest levels of demand and income are recorded during the summer months (December to March in the southern hemisphere), whilst the lowest demand coincides with the winter months (June to September).

Weather conditions

The processes of catchment and production of potable water depend mainly on the climatic conditions in the river basins. Precipitations, temperature, sediment carryover, drought, among other factors, determine the quantity, quality and continuity of raw water available. In order to face these phenomena, IAM's water utility facilities have water reserves and contingency plans which are constantly updated.

New investments

IAM's subsidiaries must comply with the development plans committed to the Superintendence of Sanitation Services (SISS), which involve economic, administrative and technical resources. However, the tariffs charged to customers include these new investments, guaranteeing

them a minimum return. In addition, the experience of the controller ensures the necessary know-how to successfully and efficiently carry out these investment plans.

Government regulation

The Chilean water utility industry is highly regulated by the Government due to its monopoly status, exposing it to possible changes in the established regulations.

The current legal framework regulates the operation of concessions and the tariffs charged to customers, which are determined every five years.

The tariff fixing mechanism is developed under technical criteria, and there may be differences between the studies submitted by the water utilities and the SISS. If no agreement is reached, the disagreements are resolved by a commission of experts composed of representatives of each of the parties.

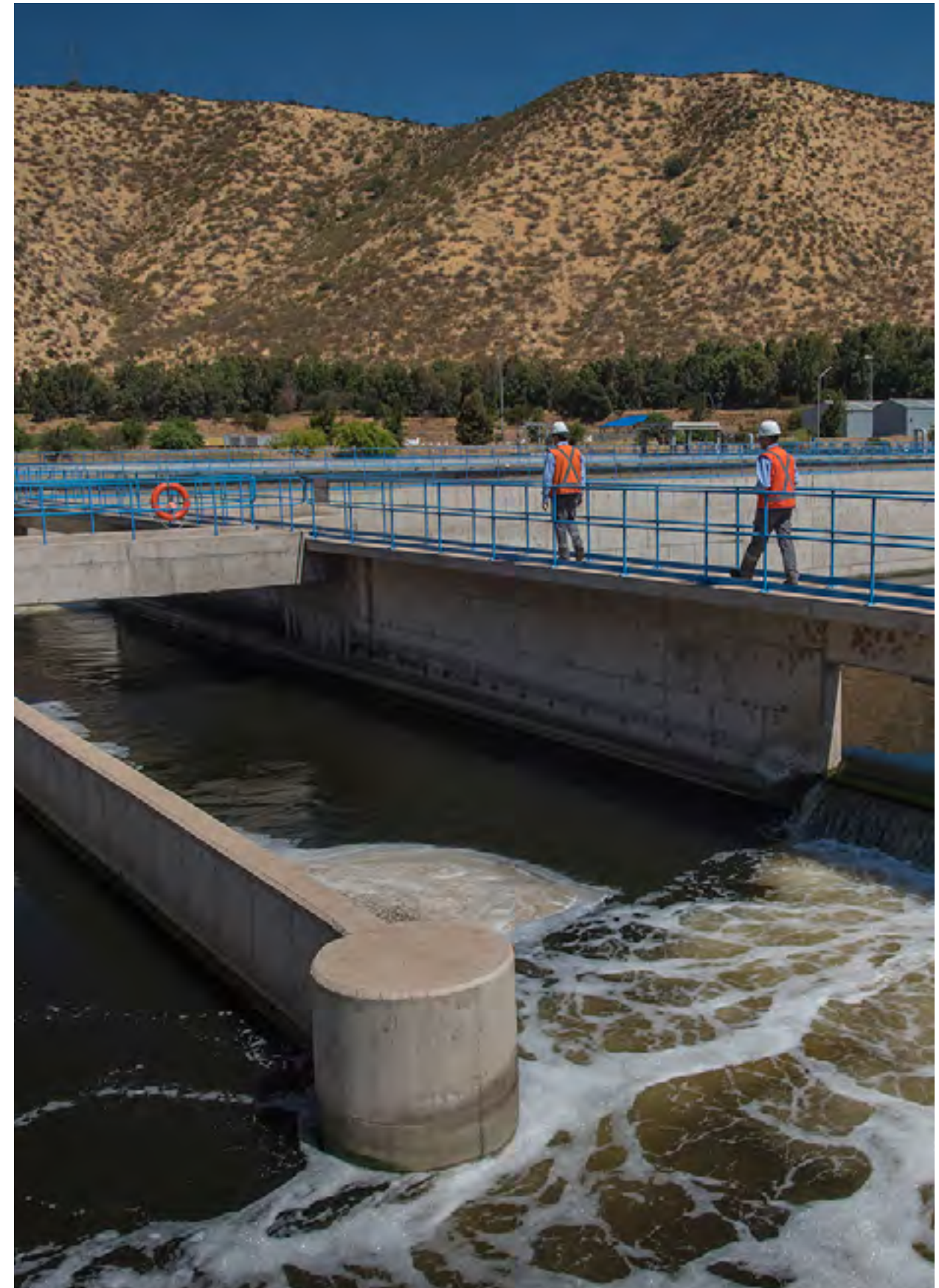
The current tariff period currently in force for the subsidiaries: Aguas Andinas, Aguas Cordillera and Aguas Manquehue, which is in force between 2015 and 2020, includes, among other aspects:

- Additional charges when construction investments come into operation, such as production assurance works for extreme turbidity situations (+1.1% estimated for 2019) and nitrogen treatment works in return at the La Farfana and Trebal-Mapocho treatment plants (+1.4% estimated for 2019).
- Discounts on fees for unregulated businesses, when the Alto Maipo Project comes into operation (estimated at -1.2% when it is operational).

The tariffs for ESSAL, corresponding to the sixth rate fixing process, were determined during 2016 and will remain in force until 2021. The agreement states the following:

- Tariffs are maintained in real terms.
- Additional tariffs of 1.5% at the end of 2018 when the supply assurance works come into operation. These works include production assurance tanks, generators and support equipment.

Despite the great stability of the Chilean regulatory framework, in December 2016, the House of Representatives approved the Bill Bulletin No. 10,795-33, which modifies the legislation applicable to water utility services, regarding unregulated services, rate setting and compliance with development plans by service providers. This initiative was submitted to the Senate in the second legislative stage and, at the end of the financial year, was submitted to the Public Works Committee of the Senate. In this instance and throughout the year, two reports were requested: one on its constitutionality from the Segpres (Ministry General Secretariat of the Presidency) and another from the MOP (Ministry of Public Works) to deliver its formal position on the bill. In the first case, it was established that the initiative transgressed the rules on the drafting of the bill and that it should be rejected by the Senate; and in the second case, the MOP pointed out that it does not sponsor some changes, such as the reduction of the risk premium and the modifications to the composition and functioning of the Committee of Experts of the rate setting process, among others.





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

Among these, there is a risk of fines in the following circumstances:

- For the suspension, cessation or failure to provide basic services of potable water and sewerage services without justification, which will be penalized with a fine of up to 1,500 UTM.
- The Court may impose a fine for each consumer affected (of up to 1,500 UTM).

It should be noted that the law states that the multiplicity of fines will not be applicable when the company has repaired in a complete and effective way the damage caused to all affected consumers, and that only a

flat-rate amount would be charged, which may not exceed 30% of the sales during the suspension or double the economic profit. It also specifies that the fine may not exceed 45,000 UTA.

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

- Compensations shall be direct and automatic to the affected consumer.
- For each day of interruption, compensation will be paid for an amount equal to the average daily value of the previous bill times 10.
- It is understood as a day of interruption, 4 hours of continuous interruption or more, within a period of 24 hours from the beginning of the event. In all other cases, proportionality will apply.
- It will only be applied if the special law does not provide for a compensation of this nature.

In addition, this law, which will come into force in May 2018, incorporates the concept of damages in class actions.

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

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

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

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

Financial risks

Inflation

The revenue of the Company is directly correlated with inflation and, therefore, its debt is issued mainly in Unidades de Fomento (UF).

Interest rates

Financial liabilities are equivalent to fixed-rate debt at 89.20%, comprising approximately 66.92% short-term and long-term bonds and 22.82% reimbursable financial contributions. The remaining 11.46% is variable rate debt and corresponds to loans from domestic banks.

Main Suppliers

IAM’s main suppliers, on an individual basis, at the closing of the 2017 financial year, are the following:

Rentaequipos Leasing S.A.
El Mercurio S.A.P
Bolsa de Comercio de Santiago
Transportes Nuevo Flash S.A
Liberty Compañía de Seguros Generales
Wunderman Chile Ltda.
Storbox S.A.
Travel Security S.A.
Entel PCS Telecomunicaciones S.A.
Compañía de Petroleos de Chile Copec S.A.



Dividend Policy

\$66.6566 was the amount paid per share during 2017.

IAM’s bylaws define its dividend policy, which consists of distributing 30% of the distributable net profits of the financial year, unless the shareholders unanimously agree to distribute a smaller percentage.

However, if the sum of the distributions of dividends or capital received in cash by the subsidiary Aguas Andinas S. A., during the financial year, minus the operational and non-operational expenses and provisions of the corresponding financial year, according to the applicable accounting regulations, is an amount exceeding 30%, the company must distribute that surplus as an additional dividend, within 60 working days following the respective Ordinary Shareholders’ Meeting, up to the total amount of distributable net profit of the financial year.

DIVIDENDS PAID PER SHARE

(Figures expressed in currency of the date of payment)

\$ per share	2013	2014	2015	2016	2017
Book value	580.912	577.634	580.626	589.683	593.488
Profit	57.648	58.711	63.283	74.289	68.719
Amount paid	42.214899 ⁽¹⁾	57.6478 ⁽²⁾	58.7107 ⁽³⁾	63.2833 ⁽⁴⁾	66.6566 ⁽⁵⁾

⁽¹⁾ Includes one item: a dividend of \$42.214899 per share, corresponding to the distribution of earnings for 2012, paid on May 24,2013.

⁽²⁾ Includes two items: an interim dividend of \$18.5379 per share, out of 2013 earnings, paid on January 17,2014; and a final dividend of \$39.1099 corresponding to the distribution of earnings for 2013, paid on May 29,2014.

⁽³⁾ Includes two items: an interim dividend of \$19.4674 per share, out of 2014 earnings, paid on January 16,2015; and a final dividend of \$39.2433, corresponding to the distribution of earnings for 2014, paid on May 29,2015.

⁽⁴⁾ Includes two items: an interim dividend of \$20.324 per share, on account of 2015 earnings, paid on January 18,2016; and a final dividend of \$42.9593 per share, corresponding to the distribution of earnings for 2015, paid on May 27,2016.

⁽⁵⁾ Includes two items: an interim dividend of \$20.0353 per share, out of 2016 earnings, paid on January 23,2017; and a final dividend of \$45.6213 per share, corresponding to the distribution of earnings for 2016, paid on May 25,2017.

2017 Distributable Profit

Distributable Profits	M\$
Net income for the 2017 financial year	68,718,709
Accumulated distributable earnings	7,632,649
Provisional dividends based on 2017 earnings	-21,035,300
Remaining distributable earnings	55,316,058
% of dividends distributed over liquid earnings of the year	30.61%



Summary of Distribution to Shareholders

Type	Year	Closing date	Payment date	Amount per share
Interim dividend	2005	21-09-05	27-09-05	\$ 10.97
Final dividend	2005	23-05-06	29-05-06	\$ 5.97
Capital distribution	-	08-06-06	15-06-06	\$ 33.61
Interim dividend	2006	21-10-06	27-10-06	\$ 14.13
Final dividend	2006	16-05-07	23-05-07	\$ 8.85
Capital distribution	-	19-07-07	25-07-07	\$ 19.51
Interim dividend	2007	19-10-07	25-10-07	\$ 14.53
Final dividend	2007	23-05-08	29-05-08	\$ 9.74
Capital distribution	-	19-06-08	25-06-08	\$ 23.24
Interim dividend	2008	25-10-08	03-11-08	\$ 15.30
Final dividend	2008	18-06-09	24-06-09	\$ 12.91
Capital distribution	-	19-06-09	25-06-09	\$ 24.22
Interim dividend	2009	19-11-09	25-11-09	\$ 16.00
Final dividend	2009	13-05-10	19-05-10	\$ 44.68
Interim dividend	2010	18-11-10	24-11-10	\$ 16.34
Final dividend	2010	18-05-11	25-05-11	\$ 34.66
Interim dividend	2011	19-11-11	25-11-11	\$ 17.02
Final dividend	2011	18-05-12	25-05-12	\$ 37.91
Interim dividend	2012	09-11-12	15-11-12	\$ 17.76
Final dividend	2012	17-05-13	24-05-13	\$ 42.21
Interim dividend	2013	11-01-14	17-01-14	\$ 18.54
Final dividend	2013	23-05-14	29-05-14	\$ 39.11
Interim dividend	2014	10-01-15	16-01-15	\$ 19.48
Final dividend	2014	23-05-15	29-05-15	\$ 39.24
Interim dividend	2015	12-01-16	18-01-16	\$ 20.32
Final dividend	2015	20-05-16	27-05-16	\$ 42.96
Interim dividend	2016	17-01-17	23-01-17	\$ 21.04
Final dividend	2016	19-05-17	25-05-17	\$ 45.62
Interim dividend	2017	23-01-18	29-01-18	\$ 21.04



Share Transactions

As of December 31, 2017, the share capital of Inversiones Aguas Metropolitanas S. A. consisted of 1,000,000,000 shares, fully subscribed and paid-for.

Transaction of shares of majority shareholders and related persons

During the financial year, share transactions which were characterized as financial investments were carried out by related persons.

Name	Transaction Date	Date reported to the SVS (now CMF)	Type of transaction	Sale	Purchase	Unit price in Pesos	Total amount of the transaction in Pesos	Observations
Luis Faúndez Pérez	18/12/2017	19/12/2017	E	8,892		1,130	10,047,960	Reported by Mr Luis Faúndez Pérez, Executive of Aguas Andinas
Inmobiliaria e Inversiones Alcántara S.A.	17/10/2017	24/10/2017	A		115,988	1,145	132,806,260	Reported by Mr. Herman Chadwick Piñera, Named Director of IAM
Marcelo Tokman	06/09/2017	06/09/2017	E	2,802		1,089	3,051,378	Reported by Mr. Marcelo Tokman Ramos, Alternate Director of IAM
Marcelo Tokman	06/09/2017	06/09/2017	E	6,752		1,088	7,346,176	Reported by Mr. Marcelo Tokman Ramos, Alternate Director of IAM
Marcelo Tokman	09/08/2017	11/08/2017	A		579	1,121	649,059	Reported by Mr. Marcelo Tokman Ramos, Alternate Director of IAM
Marcelo Tokman	17/01/2017	17/01/2017	A		5,574	990	5,518,260	Reported by Mr. Marcelo Tokman Ramos, Alternate Director of IAM
Marcelo Tokman	17/01/2017	19/01/2017	A		5,574	990	5,518,260	Reported by Mr. Marcelo Tokman Ramos, Alternate Director of IAM

Secondary market
share transactions

SANTIAGO STOCK EXCHANGE

2017	Average price (CLP\$)	Units	Amount (CLP\$)
Total 1 st quarter	975.16	36,817,218	35,902,636,841
Total 2 nd quarter	1,077.24	25,846,158	27,842,543,553
Total 3 rd quarter	1,109.13	29,033,880	32,202,457,913
Total 4 th quarter	1,092.35	28,671,012	31,318,786,140
2017	1,057.31	120,368,268	127,266,424,447

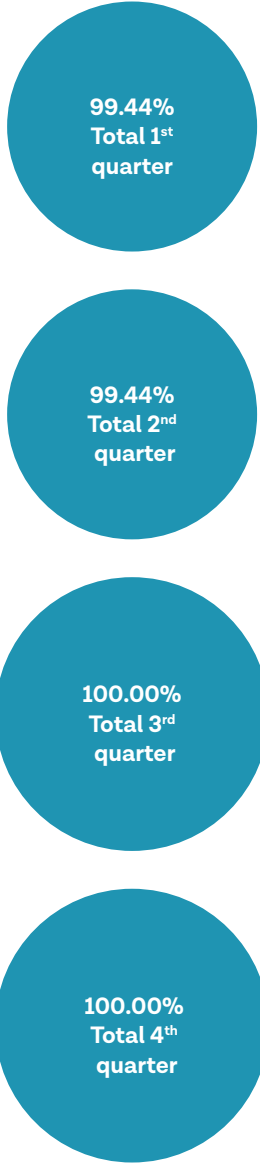
ELECTRONIC STOCK EXCHANGE

2017	Average price (CLP\$)	Units	Amount (CLP\$)
Total 1 st quarter	979.39	1,273,792	1,247,540,253
Total 2 nd quarter	1,077.83	968,330	1,043,690,589
Total 3 rd quarter	1,109.79	1,842,128	2,044,367,236
Total 4 th quarter	1,070.65	1,395,639	1,494,241,821
2017	1,063.86	5,479,889	5,829,839,899

BROKER EXCHANGE – STOCK EXCHANGE

2017	Average price (CLP\$)	Units	Amount (CLP\$)
Total 1 st quarter	No transactions		
Total 2 nd quarter	1,053.23	4,315	4,544,687
Total 3 rd quarter	No transactions		
Total 4 th quarter	1,155.24	20,510	23,694,070
2017		24,825	28,238,757

2017 MARKET PRESENCE



Note: Market presence is calculated based on what has been stipulated by the General Norm N°327 of the CMF. It considers the transactions which have been conducted in thr Santiago Stock Exchage, the Electronic Exchange and Valparaiso Stock Exchange until the day prior to the stipulated date.

An aerial photograph of a vast, snow-covered landscape. A dark, winding river or stream flows through the scene, starting from the top left and curving towards the bottom right. In the lower-left quadrant, there are several thin, white, curved lines that appear to be tracks or paths in the snow. A small, dark boat is visible on the river near the bottom right. The overall scene is desolate and cold, with the white snow contrasting sharply with the dark water and the winding path of the river.

Corporate Governance



Board of Directors

IAM's Board of Directors is the main corporate governance body of the Company, which establishes strategic guidelines and oversees company management.

It has seven named members, each of whom has its respective alternates, who can replace them definitively in case of vacancy, and temporarily in case of absence or temporary impediment. All are elected by the General Shareholders' Meeting taking into consideration their competencies and suitability for the position.

Upon election, each director receives an induction on the business, risks, policies and procedures, as well as key accounting principles and legal framework. They also have the necessary means to receive external advice for the proper performance of their functions, if so required.

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

Directors may be re-elected indefinitely and may be shareholders of the company.

Operation of the Board of Directors

The Board of Directors meets in ordinary and extraordinary sessions. The first meetings are held on predetermined dates by the Board of Directors itself and there is at least one meeting per month. The second meetings are held when summoned by the CEO on their own initiative or at the request of one or more directors, after the CEO has qualified the need for the meeting, unless it is requested by an absolute majority of the directors. In either case, the quorum for the Board of Directors to meet is an absolute majority of its members and the resolutions are taken with the favorable vote of the absolute majority of the attending directors, except for those agreements that according to the by-laws of Inversiones Aguas Metropolitanas S. A., the law and its regulations or other special provisions require a higher majority.

Directors’ training during 2017

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

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

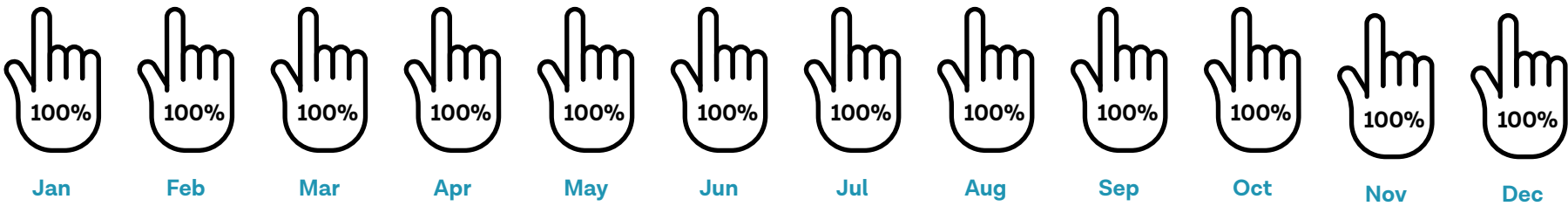
In the June session, Mr. Carlos Díaz, a prominent commercial engineer from the Pontificia Universidad Católica de Chile, Master in Economics from the University of California, USA, made a presentation on the main risk management tools and the role that the Board of Directors plays in said management.

Current Board of Directors

The current Board of Directors was elected for a three-year term, and its functions began on April 27, 2017.

Name	Nationality	Tax ID	Role	Profession	Last Renewal	First Election to the Board
Felipe Larrain Aspillaga	Chilean	6.922.002-9	Chairman/President	Civil Engineer	27-04-17	30-04-14
Alberto Muchnick Mlynarz	Chilean	6.447.493-6	Vice-President (Independent)	Commercial Engineer	27-04-17	21-04-10
Herman Chadwick Piñera	Chilean	4.975.992-4	Named Director	Lawyer	27-04-17	27-04-06
Ignacio Guerrero Gutiérrez	Chilean	5.546.791-9	Named Director	Commercial Engineer	27-04-17	27-04-06
Carlos Mladinic Alonso	Chilean	6.100.558-7	Named Director	Commercial Engineer	31-05-17	30-04-14
Hernán Cheyre Valenzuela	Chilean	6.375.408-0	Named Director	Commercial Engineer	27-04-17	27-04-17
Ana Girós Calpé	French	0-E (Foreigner)	Named Director	Industrial Engineer	27-04-17	27-04-17
Hugo Silva Raveau	Chilean	6.863.031-2	Alternate Director	Industrial Mechanical Technician	27-04-17	27-04-17
Giorgianna Cúneo Queirolo	Chilean	9.667.948-3	Alternate Director (Independent)	Publicist	27-04-17	30-04-14
Rodrigo Castro Fernández	Chilean	10.570.170-5	Alternate Director	Economist	27-04-17	27-04-06
Marcelo Tokman Ramos	Chilean	16.654.431-9	Alternate Director	Commercial Engineer	27-04-17	21-04-10
Jorge Cosme Sagnier	Spanish	24.394.856-8	Alternate Director	Graduate in Business Administration and Management	27-04-17	27-04-17
Silvina Somasco Mozziconacci	French	0-E (Foreigner)	Alternate Director	National Public Accountant	27-04-17	27-04-17

Attendance to Board meetings in 2017



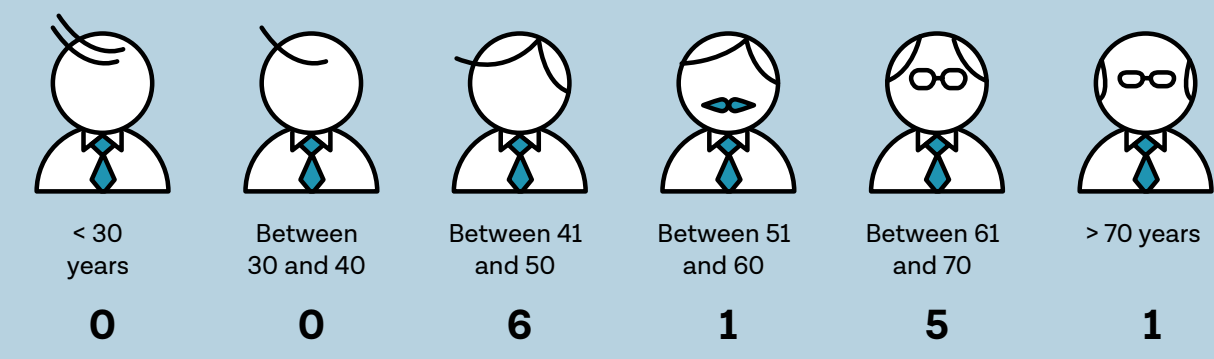
Board of Directors

Composition and Diversity

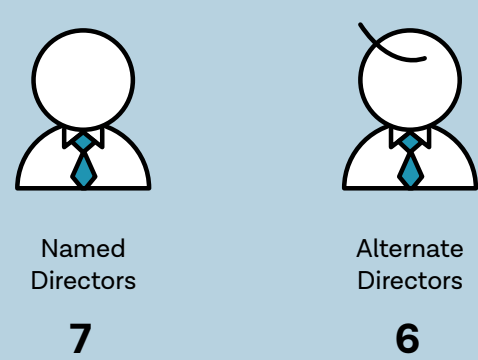
NUMBER OF DIRECTORS BY BYLAWS



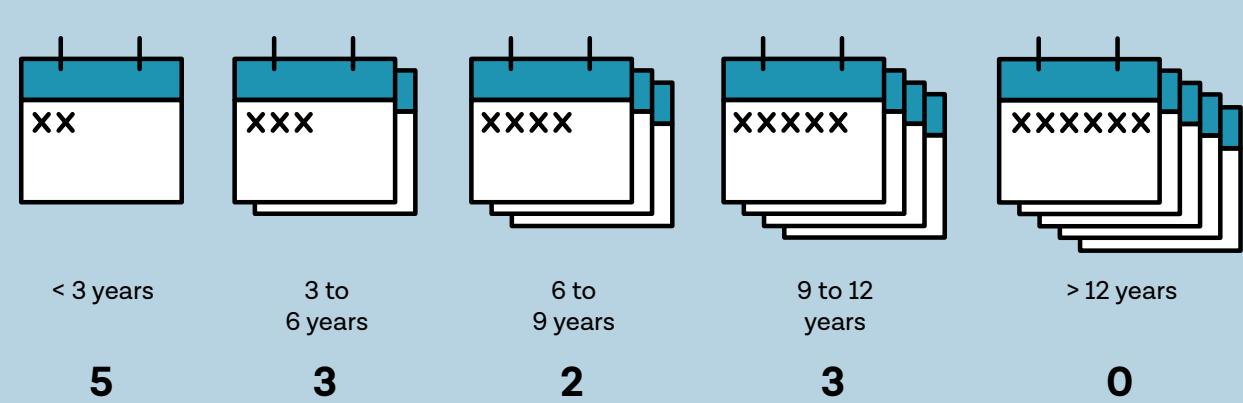
NUMBER OF DIRECTORS BY AGE



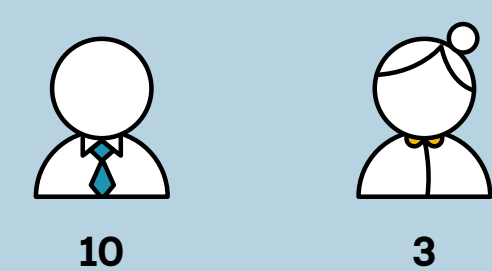
NUMBER OF CURRENT DIRECTORS



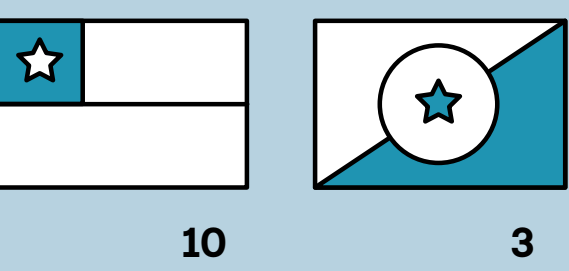
NUMBER OF DIRECTORS BY SENIORITY



NUMBER OF DIRECTORS BY GENDER



NUMBER OF DIRECTORS BY NATIONALITY





Directors' Committee

In accordance with the provisions of Article 50 bis of Law No. 18,046 on public corporations, IAM S. A. has a Directors' Committee, which is also part of its corporate governance.

Main functions and powers

The Directors' Committee has the following powers and duties:

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

Composition

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

Operation

In accordance with Law 18.046 and the internal regulations committee, it has ordinary sessions once a month and extraordinary sessions whenever it is required, in order to address the matters entrusted to it by Article 50 bis of Law 18.046 on Corporations. The minimum quorum for a meeting is two members.

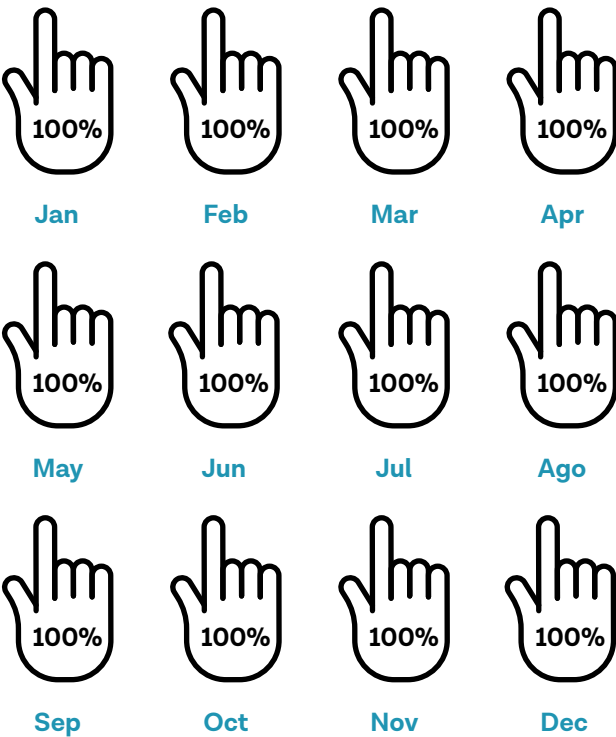
Agreements

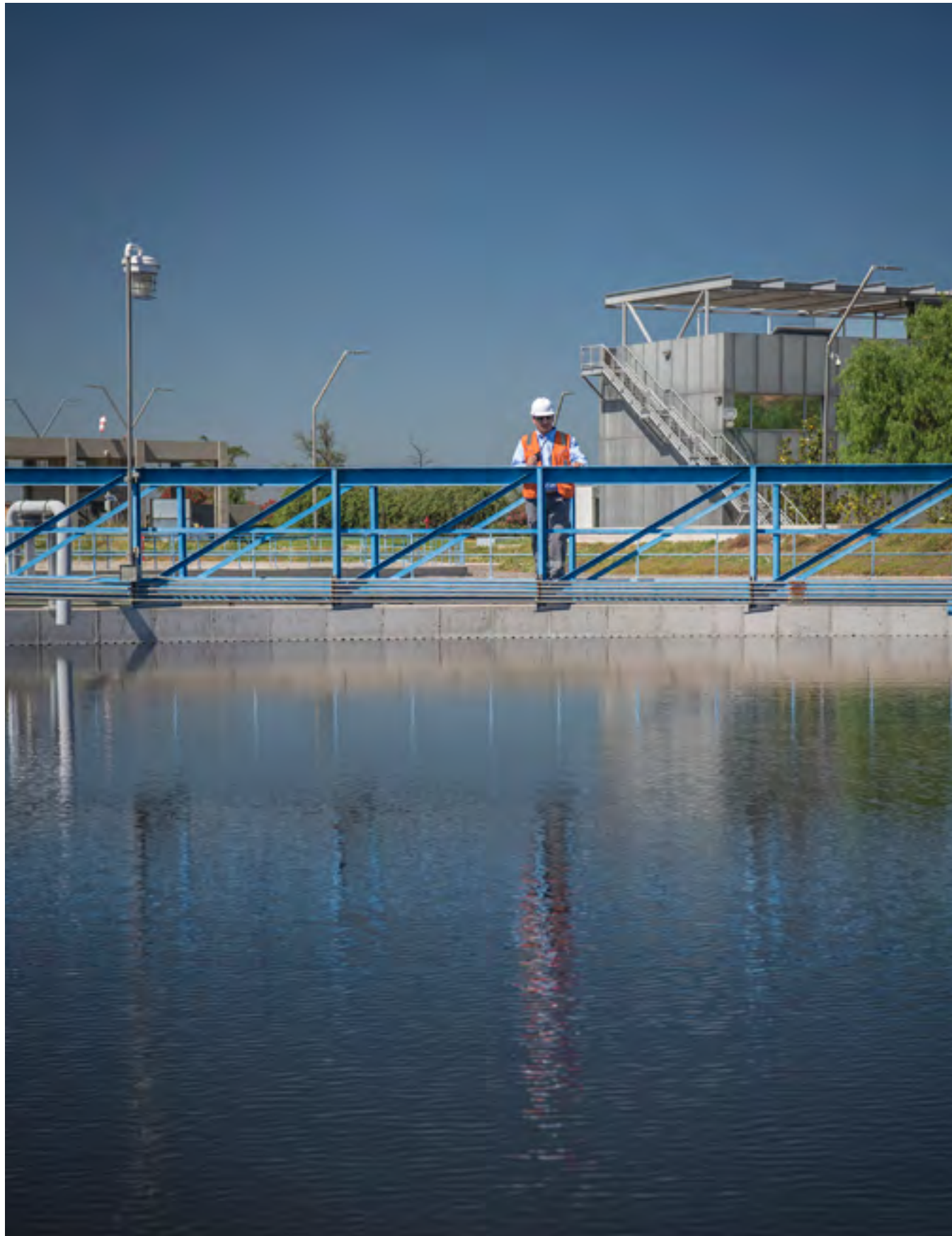
In accordance with the law, the deliberations, agreements and organization of the Committee must be governed by the rules regarding Board of Directors meetings of the corporation. The Committee shall communicate to the Board of Directors the manner in which it will request information, as well as its agreements.

Current Directors' Committee

Currently, IAM's Directors' Committee consists of the director who is independent of the controller, Alberto Muchnick, and by Ignacio Guerrero and Herman Chadwick, who were appointed by the independent director. The Committee is chaired by Alberto Muchnick with the attorney Sebastián Oddó serving as acting secretary.

Attendance to the meetings of the Directors' Committee in 2017





2017 Directors' Committee report

In compliance with what is provided for in Article 50 bis, paragraph eight of Law 18.046 on open corporations, the activities that the Committee developed during the annual financial year ending December 31, 2017 as well as the expenses incurred upon by its advisors are reported.

I. Composition and Operation of the Committee

Inversiones Aguas Metropolitanas S.A.'s Board of Directors' Committee was formed by the independent director of the Controller, Mr. Alberto Muchnick and by Mr. Herman Chadwick and Mr. Ignacio Guerrero, who were appointed by the independent director.

The Committee is presided by Mr. Alberto Muchnick and the attorney Mr. Sebastián Oddó acts as Secretary.

Since the Committee was incorporated it holds sessions once a month to deal with matters that it is entrusted to it by Article No. 50 bis of Law 18,046 and others of general interest for the company.

II. Annual Main Activities

The main activities developed by the Committee during the 2017 financial year were as follows:

1. Examine the reports of the external auditors, balance sheet and other financial statements of Inversiones Aguas Metropolitanas S.A. of the financial year ending on December 31, 2017.
2. Propose to the Board of Directors on the external auditors and risk rating agencies for the 2017 financial year.

3. Examine the reports of the external auditors, balance sheet and other financial statements of Inversiones Aguas Metropolitanas S.A., drafted quarterly Review the internal control letter of the external auditors issued in December 2017.
4. Review the internal control letter of the external auditors issued in December 2017.
5. Review the external audit plan for the 2017 financial year.
6. Review the 2017 Investment Plan for the Aguas Group.
7. Review the reports by the Company and Affiliates Risk Rating Agencies.
8. Review the price evolution of the share after the approval by the House of Representatives of the Bill Bulletin No. 10.795-33.
9. Review the background information on the agreement proposal between Aguas Andinas and Smapa.
10. Examine the background information linked to the profits distribution.
11. Examine the background information on the distribution of the Company's provisory dividend.
12. Review the expenses of the Aguas Group.

III. Board of Directors' Committee Proposal and Expenses

In the General Shareholders' Meeting held in April 2017, the Board of Directors' Committee was awarded an annual budget amounting to 2,000 Unidades de Fomento, which was not used during this financial year.

Remuneration and Expenses

Of the Board of Directors and the Directors' Committee

Pursuant to the provisions of Law No. 18,046, the Ordinary General Shareholders Meeting held on April 30, 2017, approved the remuneration of the Board of Directors, the Directors' Committee and its budget of expenses for the 2017 financial year.

The remuneration of the Board of Directors is divided into two types: a monthly fixed amount of 100 UF for the Chairman, 80 UF for the Vice-Chairman and 60 UF for the Chief Executive Officers and alternates; and a variable amount of 140 UF for the Chairman, 100 UF for the Vice-Chairman, 60 UF for the Chief Executive Officers and 60 UF for alternate directors, when they replace the incumbents.

The expenses of the Board of Directors of IAM during the 2017 financial year were Th\$130,505 pesos.

The remuneration of the Director's Committee for 2017 was as follows: a fixed monthly remuneration of 25 UF and a variable remuneration for attending each meeting of 25 UF. In addition, a budget of 2,000 UF was agreed upon, which was not used during the financial year.

The detail of the amounts paid is as follows (in thousands of pesos):

BOARD OF DIRECTORS' REMUNERATION IN THOUSANDS OF PESOS

Director	Role	Fixed		Variable	
		2016	2017	2016	2017
Felipe Larrain Aspillaga	President/Chairman	25,056	31,906	31,356	48,353
Herman Chadwick Piñera	Named Director	18,757	19,144	18,757	20,723
Alberto Muchnick Mlynarz	Vice-President	25,009	25,525	31,261	34,538
Pablo Pérez Cruz	Named Director	18,757	4,751	14,086	6,330
Ignacio Guerrero Gutiérrez	Named Director	18,757	19,144	15,607	19,127
Hernán Cheyre Valenzuela	Named Director	-	14,393	-	14,393
Rodrigo Azócar Hidalgo	Named Director	-	3,192	-	3,192
Marcelo Tockman Ramos	Alternate Director	18,757	11,138	7,807	3,163
Pedro Butazzoni Álvarez	Alternate Director	18,757	4,751	-	-
Rodrigo Castro Fernández	Alternate Director	18,757	19,144	3,149	1,596
Jorge Bande Bruck	Alternate Director	18,757	4,751	3,128	6,330
Giorgianna Cúneo Queirolo	Alternate Director	18,757	19,144	-	-
Carlos Mladinic Alonso	Alternate Director	18,757	19,144	-	11,201
Hugo Silva Raveau	Alternate Director	-	14,393	-	-
Totales		218,878	210,520	125,151	168,946

DIRECTORS' COMMITTEE REMUNERATION IN THOUSANDS OF PESOS

Director	Role	Remuneration	
		2016	2017
Alberto Muchnick Mlynarz	Vice-President	15,630	15,954
Herman Chadwick Piñera	Named Director	-	11,324
Ignacio Guerrero Gutiérrez	Named Director	14,318	15,289
Marcelo Tockman Ramos	Alternate Director	11,068	2,640
Rodrigo Castro Fernández	Alternate Director	9,127	8,642
Giorgianna Cúneo Queirolo	Alternate Director	7,815	7,977
Totales		57,958	61,826

Compensation of senior executives

As of December 31, 2017, IAM’s senior management and executives payroll consisted of 2 professionals.

At the individual level, total remuneration paid by IAM in the period was \$330 million, a 16% decrease over the previous year. Of this value, \$301 million corresponded to fixed remuneration and \$29 million to variable remuneration.

During 2017 no compensation payments for years of service were recorded.

Gender pay gap

Given that IAM at the individual level has only four people from different positions, it is not possible to calculate its salary gap by gender. However, it is possible to submit the gender pay gap at a consolidated level with all its subsidiaries.

IAM’S SENIOR EXECUTIVES

Name	Tax ID	Role	Date in Role
Laureano Cano Iniesta	25.374.056-6	CEO	09-05-16
Patricio Andrés Acuña Solorza	10.696.150-6	Accounting and Tax Manager	01-10-16

REMUNERATION FOR PRINCIPAL EXECUTIVES

	Fixed		Variable		Total	
Detail	2016	2017	2016	2017	2016	2017
Remuneration for Principal Executives	345	301	49	29	394	330

AVERAGE GROSS BASE SALARY BY STRATA

Strata	Ratio of female remuneration versus male remuneration	Percentage difference between female and male remuneration
Senior Executives	82.46%	-17.54%
Line Managers	102.69%	2.69%
Professionals	88.79%	-11.21%
Technicians	90.41%	-9.59%
Administrative Staff	127.29%	27.29%
Operators	138.25%	38.25%
Total	103.40%	3.40%

DIVERSITY IN MANAGEMENT*

NUMBER OF PEOPLE BY GENDER

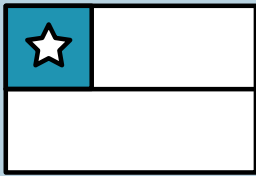


80

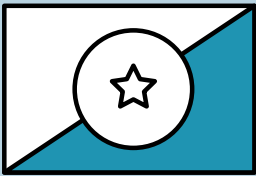


13

NUMBER OF PEOPLE BY NATIONALITY



79



14

NUMBER OF PEOPLE BY AGE



< 30 years

0



Between 30 and 40 years

7



Between 41 and 50 years

49



Between 51 and 60 years

27



Between 61 and 70 years

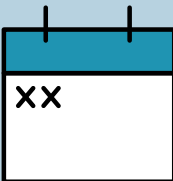
10



> 70 years

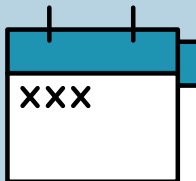
0

NUMBER OF PEOPLE BY SENIORITY



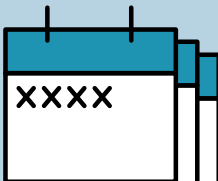
< 3 years

15



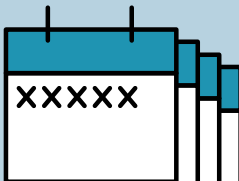
Between 3 and 6 years

7



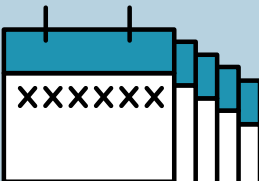
Between 6 and 9 years

9



Between 9 and 12 years

8



> 12 years

54

DIVERSITY WITHIN THE ORGANIZATION*

NUMBER OF PEOPLE BY GENDER

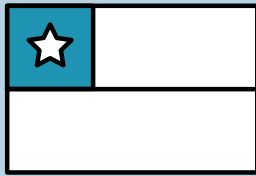


1,644

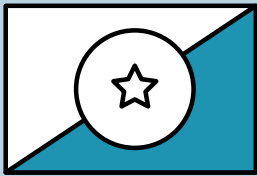


463

NUMBER OF PEOPLE BY NATIONALITY



2,054



53

NUMBER OF PEOPLE BY AGE



< 30 years

292



Between 30 and 40 years

705



Between 41 and 50 years

576



Between 51 and 60 years

424



Between 61 and 70 years

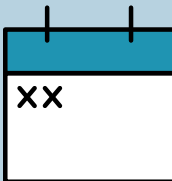
108



> 70 years

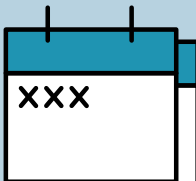
2

NUMBER OF PEOPLE BY SENIORITY



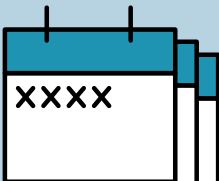
< 3 years

646



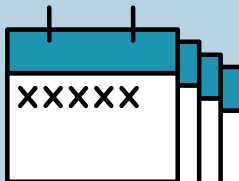
Between 3 and 6 years

299



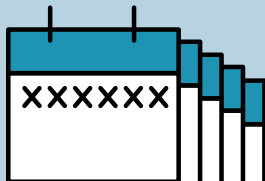
Between 6 and 9 years

251



Between 9 and 12 years

138



> 12 years

773

*Given that IAM only has four employees, these figures are for the consolidated group.

Other Corporate Governance Instances

Code of Ethics

IAM has a Code of Ethics, which contains the fundamental principles of the Company: Complying with laws and regulations, rooting the culture of integrity, showing loyalty and honesty, and respecting all people.

These principles should be applied to shareholders, clients, competitors, the local community and the environment.

For more information on the Code of Ethics, please visit www.iam.cl

Code of Conduct

Within the framework of the implementation of good corporate governance standards, IAM has a Code of Conduct applicable to all the Directors of the Company regarding conflict of interest situations they may face.

This code contains, among others:

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

The code, additionally addresses situations that, although not specifically contained in the law, if

they are poorly resolved could end up affecting social interest.

Crime Prevention Model

IAM has a Crime Prevention Model, which allows it to certify compliance with the supervisory and management duties of the Company.

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

Dissemination of Information on Corporate Governance Practices (NCG N°385)

In December 2015, the Board of Directors of IAM approved a series of policies, procedures and protocols under NCG No. 385, which were included in the document entitled “Compendium of Corporate Governance Policies and Procedures,” which were reported to the Financial Market Commission (previously known as Superintendence of Securities and Insurance) on March 31, 2016, which are currently in force in the company.

This compendium is published in the [IAM](http://www.iam.cl) website.

Corporate Governance Evaluation

The Board of Directors of the Company agreed to have a formal, biennial, continuous improvement procedure to detect and implement possible improvements in its organization and operation.

This procedure considers an expert external advisor to detect and implement these strengths.

Anti-Corruption Policy

IAM’s Code of Ethics acknowledges integrity as one of the basic principles of its corporate culture, and disapproves of corruption in all its forms.

The company argues that equity, integrity and impartiality must rule over the relations between workers, managers and representatives, as well as those that are generated with all those natural or physical persons who relate directly or indirectly with IAM, whether they come from the public or private world.

In this context, IAM’s Anti-Corruption Policy is intended to serve as a guide for the performance of its personnel, guiding them regarding what the company expects and requires when dealing with public officials and in general with third parties, including suppliers and the internal collaborators of the Company.

Investor Relations

IAM’s Investor Relations area is responsible for managing relations and providing timely information to the Company’s investors and shareholders.

The contact in this area is duly identified on the website of the Company, www.iam.cl

In order to provide information on an ongoing and up-to-date basis, this website includes financial analysis tools, corporate presentations, along with related news and events.

The area holds permanent individual meetings and conference calls with institutional investors, both local and international, and takes part in local and international conferences.

Material Events

On March 30 2017, the Financial Market Commission (previously known as Superintendence of Securities and Insurance) was informed of the following, that Mr. Pablo Pérez Cruz submitted his resignation to the position of Named Director of the company, being replaced by his Alternate Director, Mr. Miguel Ángel Zarza, in his capacity of director since that date.

On March 30 2017, the Financial Market Commission (previously known as Superintendence of Securities and Insurance) was informed of the following, that at its ordinary meeting held on March 29, 2017, the Board of Directors unanimously agreed to call for an Ordinary Shareholder Meeting for April 27, 2017, at 10:00 a.m., at Av. Presidente Balmaceda N°1398 tenth floor, Santiago, to learn about and provide an opinion on the matters pertaining to an ordinary shareholder meeting.

On April 27 2017, the Financial Market Commission (previously known as Superintendence of Securities and Insurance) was informed of the following, That in accordance with the provisions of Article 9 paragraph 2 of Article 10 of Law 18.045, as well as in General Regulation No. 30 of the Superintendence, the following information is communicated as an essential fact regarding the company, its businesses, its public offering securities or their offer:

That during the morning, the 12th Ordinary Shareholder Meeting of the Company was held, in which matters pertaining to it were discussed, among them, the renewal of the Board of Directors and the following persons were elected:

Named Director	Alternate Director
Felipe Larrain Aspillaga	Hugo Silva Raveau
Alberto Muchnick Mlynarz	Giorgianna Cúneo Queirolo
Herman Chadwick Piñera	Jorge Cosme Sagnier
Ignacio Guerrero Gutiérrez	Rodrigo Castro Fernández
Rodrigo Azócar Hidalgo	Carlos Mladinic Alonso
Ana Girós Calpe	Silvina Somasco Mozziconacci
Hernán Cheyre Valenzuela	Marcelo Tokman Ramos

It is hereby noted that Alberto Muchnick Mlynarz and his respective Alternate Giorgianna Cúneo Queirolo were elected as independent directors.

The Board of Directors of the Company then met, a session in which it was unanimously agreed to appoint Mr. Felipe Larrain Aspillaga as Chairman and Mr. Alberto Muchnick Mlynarz as Vice-Chairman.

It was also agreed that Alberto Muchnick Mlynarz, Ignacio Guerrero Gutiérrez and Herman Chadwick Piñera and their respective alternates will be members of the Directors’ Committee.

On May 31 2017, the Financial Market Commission (previously known as Superintendence of Securities and Insurance) was informed of the following, That Mr. Rodrigo Azócar Hidalgo submitted his resignation to the position of Full Director of the company due to personal reasons, and Mr. Carlos Mladinic Alonso replaced him in the position of Named Director since that date.

On December 13 2017, the Financial Market Commission (previously known as Superintendence of Securities and Insurance) was informed of the following, that the Board of

Directors, in its ordinary session celebrated on this same date, has unanimously agreed to distribute CLP \$21,035,300,000, in account of the earnings from 2017, as an interim dividend.

Due to this, the 29th interim dividend will amount to CLP \$21.0353 per share and will be distributed from the 29th of January 2018.



Corporate Governance

An aerial photograph of a large, multi-winged building with a prominent green, corrugated metal roof. The building is situated at a street intersection, with a wide road running horizontally across the top and another road running vertically down the right side. The building's layout includes several rectangular wings connected by narrower sections. The surrounding area includes paved sidewalks, green lawns, and numerous trees. Several vehicles are visible, including a white car on the left, a green and white truck near the bottom center, and a few cars parked or driving on the streets. The overall scene is captured from a high angle, providing a clear view of the building's footprint and its immediate environment.

General Information

Company Identification

Name: Inversiones Aguas Metropolitanas S.A.

Legal Address: Av. Apoquindo N° 4800, Torre II, piso 20, Las Condes, Chile.

Tax ID: 77.274.820-5

Phone Number: (56-2) 2739 6600

Activity: Investment in shares of the Chilean corporation Aguas Andinas S. A.; and the provision of all kinds of advice, consultancies and services regarding the transfer of technology and know-how, technical assistance, business administration and projects, especially those regarding the management and operation of businesses related to water utility services.

Registration in the Securities Registry: N° 0912, dated on August 19, 2005.

Stock exchange information

Stock exchange code

Unique Series: IAM

Shareholder information

Central Securities Repository

Address: Huérfanos 770, 22nd floor, Santiago, Chile.

Telephone: (56-2) 2393 9003

Fax: (56-2) 2393 9101

Offices of the Company

Address: Av. Apoquindo N° 4800, Torre II, piso 20, Las Condes, Chile.

Telephone: (56-2) 2739 6600

Email inversionista@aguasmetropolitanas.cl

Legal incorporation of the company

The company was incorporated by a public deed dated on May 19, 1999, granted in the Notary Public's office in Santiago de Santiago by Juan Ricardo San Martín Urrejola. An extract of it was registered in pages 11.226, N° 9.027, in the Registry of Commerce of the Real Estate Registrar of Santiago of the year 1999, and it was published in the Official Gazette on May 22, 1999.

The articles of incorporation have been amended several times, among which the bylaw reform contained in a public deed dated July 15, 2005, granted in the Public Notary office in Santiago de Santiago by Mr. Iván Torrealba Acevedo, through which its shareholders resolved, pursuant to article 96. Law No. 18,046 on Public Corporations, to change the nature or corporate type of the Company, transforming it into a public corporation, a legal continuation of its legal identity. An extract of this modification was recorded in pages 25.668, No. 18.587, in the Trade Registry of the Real Estate Registrar of Santiago 2005, and published in the Official Gazette on July 25, 2005.

Water Utility Regulation

The Chilean water utility (sanitation) sector is governed by a set of laws and regulations. The main legal bodies are:

General Sanitation Services Law (DFL MOP N° 382 of 1988). It contains the provisions governing the system of concessions and the activity of water utility service providers.

- **Regulations of the General Sanitation Services Law (DS MOP N° 1199/2004, published on November 2005).** It establishes the regulatory rules that allow the application of the General Law of Health Services (replaces the DS MOP N° 121 de 1991).

- **Sanitation Services Rates Law (DFL MOP N° 70 of 1988).** It contains provisions governing the setting of potable water and sewerage rates and reimbursable financing contributions.

- **Regulations of the Sanitation Services Rates Law (DS MINECON N° 453 of 1990).** It contains the regulatory rules that allow the application of the Law on Rates for Water Utility Services, including the methodology for calculating rates and the administrative procedures.

- **Law that Creates the Superintendence of Sanitation Services (Law N° 18.902 of 1990).** Establishes the functions of this service.

- **Subsidy Law for the Payment of Potable Water Consumption and Sewerage Services. (Law N° 18.778 de 1989).** It establishes a subsidy for the payment of the consumption of potable water and sewerage.

- **Regulation of the Subsidy Law (DS Hacienda N° 195 of 1998).** It contains the regulatory provisions for the application of the Subsidy Law.

- **DS MOP N° 214/05, Regulation of Article 67° of the General Law of Sanitation Services.** It establishes the requirements for public tender processes, which are mandatory for water utility service providers.



Responsibility Statement

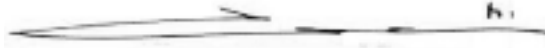
The Directors of Inversiones Aguas Metropolitanas S. A. together with their CEO, signatories of this declaration, are responsible under oath for the truthfulness of the information provided in this Annual Report, in accordance with the provisions of General Rule N° 30 of the Financial Market Commission (previously known as Superintendence of Securities and Insurance).



Felipe Larrain Aspillaga
RUT: 6.922.002-9
Presidente



Hernán Cheyre Valenzuela
RUT: 6.375.408-0
Director



Alberto Muchnick Mlynarz
RUT: 6.447.493-6
Vicepresidente



Ana Girós Calpé
RUT: 0-E (Extranjera)
Directora



Herman Chadwick Piñera
RUT: 4.975.992-4
Director



Laureano Cano Iniesta
RUT: 25.374.056-6
Gerente General



Carlos Mladinic Alonso
RUT: 6.100.558-7
Director

An aerial photograph showing a large industrial facility, likely a wastewater treatment plant, with numerous circular tanks and storage tanks. In the foreground, there is a large, irregularly shaped pond surrounded by green trees and a paved road. The background features a flat landscape with some distant buildings and hills under a clear sky.

Consolidated Financial Statements



Independent Auditor’s Report

(Translation of the report originally issued in Spanish)



Gastón Villarroel O.
EY AUDIT SPA
Santiago, 28 de marzo de 2018

Shareholders and Directors
Inversiones Aguas Metropolitanas S.A.

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

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR’S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

Consolidated Financial Position Statements

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

ASSETS

CURRENT ASSETS	Note	31-12-2017 Th\$	31-12-2016 Th\$
Cash and cash equivalents	7	19,803,208	66,122,006
Other non-financial assets		1,373,386	338,315
Trade and other accounts receivable	8	113,532,427	106,303,061
Accounts receivable from related parties	9	560,234	1,275,867
Inventories	10	3,925,378	3,309,945
Tax assets		12,542,440	5,986,263
Total current assets other than assets or groups of assets for disposal, classified as held for sale or held for distribution to owners		151,737,073	183,335,457
Total Current Assets		151,737,073	183,335,457
NON CURRENT ASSETS			
Other financial assets	8	7,807,734	7,792,445
Other non-financial assets		895,341	886,496
Rights receivable	8	2,276,380	2,082,334
Intangible assets other than capital gains	11	227,084,499	227,951,484
Capital gains	12	307,581,431	307,581,431
Property, plants and equipment	13	1,351,787,934	1,294,600,803
Deferred tax assets	24	20,200,593	20,231,924
Total Non Current Assets		1,917,633,912	1,861,126,917
Total Assets		2,069,370,985	2,044,462,374

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

EQUITY AND LIABILITIES

CURRENT LIABILITIES	Note	31-12-2017 Th\$	31-12-2016 Th\$
Other financial liabilities	8	63,045,352	43,629,749
Trade and other accounts payable	8	115,876,089	112,312,020
Accounts payable to related entities	9	34,482,682	28,193,771
Other provisions	15	2,603,819	2,628,225
Tax liabilities		12,088	2,861,544
Provisions for employee benefits	19	5,531,516	5,419,742
Other non-financial liabilities		16,267,599	17,305,010
Total current liabilities other than liabilities included in disposal liability groups classified as held for sale		237,819,145	212,350,061
Total Current Liabilities		237,819,145	212,350,061
NON CURRENT LIABILITIES			
Other financial liabilities	8	802,978,167	808,003,406
Other accounts payable	8	982,075	949,408
Other provisions	15	1,301,105	1,277,574
Deferred tax liabilities	24	38,089,361	38,419,238
Provisions for employee benefits	19	15,328,801	16,032,827
Other non-financial liabilities		8,057,759	8,592,004
Total Non Current Liabilities		866,737,268	873,274,457
Total Liabilities		1,104,556,413	1,085,624,518
EQUITY			
Share capital issued	3	468,358,402	468,358,402
Retained earnings	3	162,398,166	158,593,033
Other equity interests	3	-37,268,417	-37,268,417
Equity attributable to the owners of the controller		593,488,151	589,683,018
Non-controlling interests	4	371,326,421	369,154,838
Total Equity		964,814,572	958,837,856
Total Equity and Liabilities		2,069,370,985	2,044,462,374

Comprehensive Consolidated Income Statements by Source

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

INCOME STATEMENT BY SOURCE

	Note	31-12-2017 Th\$	31-12-2016 Th\$
Revenue from ordinary activities	17	509,536,405	492,245,134
Raw materials and consumables used		-34,924,904	-33,442,759
Employee benefit expenses	19	-55,930,210	-54,058,843
Depreciation and amortization expenses	11-13	-74,401,330	-67,016,783
Other expenses, by nature	21	-121,290,206	-114,392,606
Other (losses) earnings	5	2,608,255	14,594,087
Financial income	5	6,084,902	6,511,222
Financial expenses	5	-31,115,703	-27,118,382
Exchange rate differences	20	6,907	-20,578
Results from readjustment units	22	-11,947,203	-20,161,469
Earnings before taxes		188,626,913	197,139,023
Income tax expense	24	-46,378,978	-43,454,302
Earnings from continuing operations		142,247,935	153,684,721
EARNINGS		142,247,935	153,684,721
Earnings attributable to owners of the controller		68,718,709	74,289,195
Earnings attributable to non-controlling interests	4	73,529,226	79,395,526
Earnings		142,247,935	153,684,721
Earnings per share			
Earnings per basic share from continuing operations	25	68,719	74,289
Earnings per basic share		68,719	74,289

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

COMPREHENSIVE INCOME STATEMENT

	Note	31-12-2017 Th\$	31-12-2016 Th\$
EARNINGS		142,247,935	153,684,721
Other Comprehensive Income			
Components of other comprehensive income that will not be reclassified to profit or loss for the financial year before tax.			
Actuarial gains (losses) from defined benefit plans	19	1,340,799	58,684
Other comprehensive income that will not be reclassified to income for the financial year, before tax		1,340,799	58,684
Income tax related to defined benefit plans		-362,016	-15,844
Income taxes relating to components of other comprehensive income that will not be reclassified to income for the financial year		-362,016	-15,844
Total other comprehensive income		978,783	42,840
Total Comprehensive Income		143,226,718	153,727,561
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent company		69,210,275	74,302,732
Comprehensive income attributable to non-controlling interests		74,016,443	79,424,829
Total comprehensive result		143,226,718	153,727,561

Consolidated Financial Statements

Consolidated Net Cash Flow Statements

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

DIRECT CASH FLOW STATEMENTS

	Note	31-12-2017 Th\$	31-12-2016 Th\$
Types of transaction activity fees		597,080,877	578,210,685
Fees from sales of goods and provision of services		592,919,710	575,262,317
Fees from premiums and benefits, annuities and other underwritten policy benefits		2,532,452	609,395
Other fees for operating activities		1,628,715	2,338,973
Types of cash payments from operating activities		-315,198,537	-284,095,362
Payments to suppliers for the supply of goods and services		-199,309,573	-178,331,738
Payments to and on behalf of employees		-57,101,179	-53,172,002
Payments for premiums and benefits, annuities and other obligations arising from underwritten policies		-3,464,095	-627,787
Other payments for operating activities		-55,323,690	-51,963,835
Cash flows from operating activities (used in) operations		-72,530,807	-61,341,585
Interest paid		-20,265,514	-18,428,257
Interest received		345,631	1,591,617
Income taxes paid (refunded)		-50,411,683	-41,357,096
Other cash inflows (outflows)		-2,199,241	-3,147,849

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

	Note	31-12-2017 Th\$	31-12-2016 Th\$
Cash flows from (used in) operating activities		209,351,533	232,773,738
Proceeds from sale of property, plant and equipment		622,475	24,548,806
Purchases of property, plant and equipment		-112,299,077	-113,196,078
Purchases of intangible assets		-678,500	-889,173
Interest received		402,982	153,645
Other cash inflows (outflows)		-1,876,838	-3,820,405
Cash flows from (used in) investment activities		-113,828,958	-93,203,205
Proceeds from long-term loans		43,604,119	99,531,219
Proceeds from short-term loans		67,841,887	1,566,591
Proceeds from loans, classified as financing activities		111,446,006	101,097,810
Loan reimbursements		-115,692,132	-75,455,795
Dividends paid		-137,595,247	-133,281,684
Cash flows from (used in) financing activities		-141,841,373	-107,639,669
Net increase (decrease) in cash and cash equivalents		-46,318,798	31,930,864
Cash and cash equivalents at beginning of the financial year		66,122,006	34,191,142
Cash and cash equivalents at end of the financial year	7	19,803,208	66,122,006

Consolidated Financial Statements

Changes in Equity Statements

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

CHANGES IN EQUITY STATEMENT

	Note	Issued capital	Other interest in equity	Actuarial gain or loss reserve in defined benefit plans	Accrued profit (loss)	Equity attributable to the controller	Non-controlling interests	Total Equity
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Initial Balance as of 01-01-2017		468,358,402	-37,268,417	0	158,593,033	589,683,018	369,154,838	958,837,856
Comprehensive income								
Earnings		0	0	0	68,718,709	68,718,709	73,529,226	142,247,935
Other comprehensive result	3	0	0	491,566	0	491,566	487,217	978,783
Dividends	3	0	0	0	-65,405,142	-65,405,142	0	-65,405,142
Decrease due to transfers and other changes	3	0	0	-491,566	491,566	0	-71,844,860	-71,844,860
Total changes in equity		0	0	0	3,805,133	3,805,133	2,171,583	5,976,716
Final Balance as of 31-12-2017	3-4	468,358,402	-37,268,417	0	162,398,166	593,488,151	371,326,421	964,814,572

	Note	Issued capital	Other interest in equity	Actuarial gain or loss reserve in defined benefit plans	Accrued profit (loss)	Equity attributable to the controller	Non-controlling interests	Total Equity
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Initial Balance as of 01-01-2016		468,358,402	-37,268,417	0	149,536,359	580,626,344	362,360,839	942,987,183
Comprehensive income								
Earnings		0	0	0	74,289,195	74,289,195	79,395,526	153,684,721
Other comprehensive result	3	0	0	13,537	0	13,537	29,303	42,840
Dividends	3	0	0	0	-65,246,058	-65,246,058	0	-65,246,058
Decrease due to transfers and other changes	3	0	0	-13,537	13,537	0	-72,630,830	-72,630,830
Total changes in equity		0	0	0	9,056,674	9,056,674	6,793,999	15,850,673
Final Balance as of 31-12-2016	3-4	468,358,402	-37,268,417	0	158,593,033	589,683,018	369,154,838	958,837,856

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

Notes to the Consolidated Financial Statements

[Index](#)

Note 1. General Information	72	Note 3. Equity Attributable To Owners Of The Controller	82
Note 2. Basis Of Preparation and Accounting Policies	72	Note 4. Equity Attributable To Non-Controlling Interests	83
2.1 Basis of preparation	72	Note 5. Other Income And Expenses	83
2.2 Accounting policies	75	Note 6. Financial Statements Of Subsidiary Companies	84
A. Consolidation basis	75	Note 7. Cash And Cash Equivalent	86
B. Operational segments	75	Note 8. Financial Instruments	87
C. Intangible assets other than capital gains	75	Note 9. Information To Be Disclosed About Related Companies	100
D. Capital gains	76	Note 10. Inventories	104
E. Property, plant and equipment	76	Note 11. Intangible Assets Other Than Appreciation	104
F. Impairment of tangible and intangible assets except for capital gains	76	Note 12. Appreciation	107
G. Leases	77	Note 13. Property, Plant And Equipment	108
H. Financial Assets	77	Note 14. Impairment Of Assets	116
I. Inventories	78	Note 15. Provisions And Contingent Liabilities	116
J. Dividend payment policy	78	Note 16. Guarantees And Restrictions	118
K. Foreign currency transactions	78	Note 17. Ordinary Revenue	122
L. Financial liabilities	78	Note 18. Leases	122
M. Derivative financial instruments and hedging accounting	78	Note 19. Employee Benefits	123
N. Provisions and contingent liabilities	79	Note 20. Exchange Rate Difference Effect	125
O. Employee Benefits	79	Note 21. Other Expenses By Nature	126
P. Income tax and deferred taxes	79	Note 22. Income By Readjustment Units	126
Q. Ordinary revenue	80	Note 23. Capitalized Financing Costs	126
R. Earnings per share	80	Note 24. Income Tax And Deferred Taxes	127
S. Environmental information	80	Note 25. Earnings Per Share	128
T. Consolidated cash flow statements	80	Note 26. Business Segments	128
U. Construction contracts	81	Note 27. Environment	132
V. Capitalized financing costs	81	Note 28. Events Occurring After The Date Of The Financial Position Statement	132
W. Reclassifications	81		

Note 1. General Information

Inversiones Aguas Metropolitanas S.A. (hereinafter “IAM” or the “Company”) and its subsidiaries make up the Inversiones Aguas Metropolitanas S.A. Group (hereinafter the “Group”). Its legal address is Apoquindo N°4800, Torre 2; oficina 2001, 20th floor, Las Condes, Santiago, Chile and its Tax Identification Number is 77.274.820-5.

IAM was incorporated on May 19, 1999, by Aguas de Barcelona S.A. (“AGBAR”) and Suez Environment as a limited liability company, with the purpose of participating in the privatization process of the Empresa Metropolitana de Obras Sanitarias (“EMOS”), currently Aguas Andinas S.A.

IAM was awarded the share package in the international bidding process carried out by the Corporación de Fomento de la Producción (CORFO), subscribed a capital increase and bought additional shares in the Stock Exchange, thus achieving control of 51.2% of the share capital of Aguas Andinas S.A. (ex EMOS).

In July 2005, the company was transformed into an open share corporation and restricted its corporate purpose, which was limited to investment in shares of Aguas Andinas S.A. and the provision of all kinds of advice, consultancies and services related to technology transfer and knowhow, technical assistance, business administration and projects, especially those related to the management and operation of businesses related to the water utility sector.

In November 2005, IAM went to market, placing a package of 43.4% of its shares. This meant new shareholders entered the company.

During 2006, IAM sold 1.1% of its shares in Aguas Andinas S.A., retaining control with 50.1% ownership of the company.

In 2007 it implemented an ADR Level I program, which made it possible to trade its shares in the over the counter market of the United States, the program was ended in 2016.

The Company is the parent company of four water utility companies, three in the Greater Santiago areas (Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A.) and one in the Los Ríos and Los Lagos regions (Empresa de Servicios Sanitarios de Los Lagos S.A. (Essal S.A.). In order to provide a comprehensive service within its scope of business, the Company has subsidiaries that are not water utility companies, providing services such as the treatment of liquid industrial waste (Ecoriles S.A.), laboratory analysis (Análisis Ambientales S.A.), marketing of materials and other services related to the water utility sector (Gestión y Servicios S.A.) and carrying out activities associated with water rights and energy projects derived from facilities and assets from water utility companies (Aguas del Maipo S.A.).

The Company and its subsidiaries Aguas Andinas S.A. and Essal S.A. are registered with the Securities Registry of the Superintendence of Securities and Insurance (from now on known as “Financial Market Commission”) under No. 912, No. 346 and No. 524, respectively. The subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A. are registered in the

Special Register of reporting entities of the Financial Market Commission and Insurance under No. 170 and No. 2, respectively. As companies in the water utility sector, they are regulated by the Superintendence of Sanitation Services, in accordance with Law No. 18,902 of 1989 and Decrees with Force of Law No. 382 and No. 70, both of 1988.

For the purposes of preparing consolidated financial statements, a group is deemed to exist when the parent company has one or more subsidiaries, over which the parent company has direct or indirect control. The accounting policies applied in preparing the Group’s consolidated financial statements are detailed in Note 2.2.

The direct controlling entity is Suez Inversiones Aguas del Gran Santiago Ltda. (“SIAGSA”), with a 56.6% share of the ownership, which is controlled by Sociedad General Aguas de Barcelona S.A. (“Agbar”), a company based in Spain and one of the world’s largest water utility operators, which is in turn controlled by Suez (France), being ENGIE (France) its main shareholder.

Note 2. Basis Of Preparation And Accounting Policies

2.1 Basis of preparation

These consolidated financial statements correspond to the consolidated financial position statements as of December 31, 2017 and 2016 and the consolidated comprehensive income,

changes in equity and cash flows statements for the financial years ended December 31, 2017 and 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (hereinafter “IASBs”), and represent the adoption of the International Accounting Standards Board (hereinafter “IASBs”), and represent the full, explicit and unreserved adoption of the aforementioned IFRSs.

The Group complies with the legal conditions of the environment in which it carries out its operations, in particular the water utility subsidiaries regarding the regulations of the water utility sector. The Group companies display normal operating conditions in each area in which they carry out their activities, their projections display a profitable operation and have the capacity to access the financial system to finance their operations, which; in the opinion of the management, determines their ability to continue as an operating company, in accordance with the accounting standards under which these consolidated financial statements are issued.

Functional and presentation currency

The financial statements of each of the companies in the Group are presented in the currency of the main economic environment in which they operate (functional currency). For purposes of the consolidated financial statements, the income and financial position of each company in the Group are expressed in Chilean Pesos (rounded in thousands of Pesos), which is the functional currency of the Company and its subsidiaries, and the presentation currency for the consolidated financial statements.

New accounting declarations

The standards and interpretations, as well as the improvements and amendments to IFRSs that have been issued, effective at the date of these financial statements, are detailed below. The Company has applied these standards and concluded that they did not have a significant impact on the financial statements.

Amendments and/or Modifications	Mandatory Application date
IFRS 12, Disclosures of interests in other companies	Annual periods beginning on or after January 1, 2017
IAS 7, Cash flows Statement	Annual periods beginning on or after January 1, 2017
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2017

The standards and interpretations, as well as the improvements and amendments to IFRSs, which have been issued but have not yet entered into force at the date of these financial statements, are detailed below. The Company has not applied these standards in advance.

New standards	Mandatory Application date
IFRS 9, Financial Instruments, classification and measurement	Annual periods beginning on or after January 1, 2018
IFRS 15, Revenue from client contracts	Annual periods beginning on or after January 1, 2018
IFRIC 22, Foreign currency transactions and prepayments	Annual periods beginning on or after January 1, 2018
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019
IFRIC 23, Treatment of uncertain tax positions	Annual periods beginning on or after January 1, 2019
IFRS 17, Insurance contracts	Annual periods beginning on or after January 1, 2021

Improvements and Modifications	Date of mandatory application
IFRS 1, Adoption of IFRS for the first time	Annual periods beginning on or after January 1, 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1, 2018
IFRS 4, Insurance contracts	Annual periods beginning on or after January 1, 2018
IAS 28, Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2018
IAS 40, Investment Properties	Annual periods beginning on or after January 1, 2018
IFRS 3, Business Combinations	Annual periods beginning on or after January 1, 2019
IFRS 9, Financial instruments	Annual periods beginning on or after January 1, 2019
IFRS 11, Joint agreements	Annual periods beginning on or after January 1, 2019
IAS 12, Income taxes	Annual periods beginning on or after January 1, 2019
IAS 23, Loans costs	Annual periods beginning on or after January 1, 2019
IAS 28, Investments in associates	Annual periods beginning on or after January 1, 2019
IFRS 10, Consolidated Financial Statements	To be determined

The Company's management is analyzing the potential impact that the standards and amendments described above will have on the financial statements. However, those effective for annual periods beginning on January 1, 2018 hereinafter have been analyzed and it is estimated that they will not have a material effect on the preparation and presentation of future financial statements.

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

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

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

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

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

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

IFRS 15 "Revenue from Client Contracts", issued in May 2014, sets out the principles that a company applies to display useful information to the users of the financial statements about the nature, amount, timing and uncertainty of the revenue coming from ordinary activities and cash flows arising from a contract with a client. This new standard aims to improve the inconsistencies and weaknesses of IAS 18 and to provide a model that will facilitate comparability of companies from different industries and regions. Provides a new model for revenue recognition and more detailed requirements for contracts with multiple elements. Its application has been mandatory since January 1, 2018 and its early adoption was allowed.

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

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

Responsibility for the information and estimates made

The information contained in these consolidated financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in International Financial Reporting Standards (IFRS) have been applied. On March 28, 2018, the Board of Directors approved these consolidated financial statements.

The consolidated financial statements of Inversiones Aguas Metropolitanas S.A. and its subsidiaries corresponding to the 2016 financial year were approved by its Board of Directors at a meeting held on March 29, 2017.

Estimates such as these have been used in preparing the consolidated financial statements:

- Service life of property, plant and equipment and intangible assets
- Valuation of assets and capital gains acquired (trading funds or lower value of investments)
- Losses due to asset impairment
- Assumptions used in the actuarial calculation of employee contract termination benefits
- Assumptions used to calculate the fair value of financial instruments
- Income from unbilled supplies
- Provisions for commitments to third parties
- Risks arising from litigation in progress

Although these estimates and judgments were made on the basis of the best information available at the date of issuance of these consolidated financial statements, it is possible that events that may occur in the future may require their modification (upward or downward) in future periods, which would be recorded prospectively, at the time the change is known, acknowledging the effects of such changes in the corresponding future consolidated financial statements.

2.2 Accounting policies

The main accounting policies adopted in preparing these consolidated financial statements are described hereafter.

A. Consolidation basis

The consolidated financial statements include the financial statements of the Company and the companies controlled by the Company (its Subsidiaries). Subsidiaries are those companies over which the Group has the power to direct the relevant activities, is entitled to variable income from its participation and the ability to use that power to influence the amounts of investor returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date on which said control ceases.

In the consolidation process, all transactions, balances, earnings and losses between the Group companies are eliminated.

The Company and its Subsidiaries display uniformity in the policies used by the Group.

The subsidiaries included in the consolidated financial statements of Inversiones Aguas Metropolitanas S.A. are the following:

R.U.T.	Company Name	Direct %	Indirect %	2017 Total %	Direct %	Indirect %	2016 Total %
61.808.000-5	Aguas Andinas S.A.	50.10234	0.00000	50.10234	50.10234	0.00000	50.10234
96.809.310-K	Aguas Cordillera S.A.	0.00000	99.99003	99.99003	0.00000	99.99003	99.99003
89.221.000-4	Aguas Manquehue S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.897.320-7	Inversiones Iberaguas Ltda.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	0.00000	53.50650	53.50650	0.00000	53.50650	53.50650
96.945.210-3	EcoRiles S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.828.120-8	Gestión y Servicios S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
96.967.550-1	Análisis Ambientales S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000
76.190.084-6	Aguas del Maipo S.A.	0.00000	100.00000	100.00000	0.00000	100.00000	100.00000

B. Operational segments

IFRS 8 establishes reporting standards for operating segments and disclosures relating to products and services. Operating segments are defined as components of a company for which there is separate financial information, which is regularly reviewed by the management to make decisions about the resources to be allocated to the segments and evaluate their performance.

The Group manages and measures the performance of its operations by business segment. Internally reported operating segments are the following:

- Operations related to water utility services (Water).
- Operations not related to the water utility sector (Non-Water).

C. Intangible assets other than capital gains

The Company recognizes an identifiable intangible asset when it can demonstrate that it is probable that the future economic benefits attributed to it will flow to the company and the cost can be reliably measured.

i. Intangible assets acquired separately

Intangible assets acquired separately are presented at cost less accumulated amortization and accumulated impairment losses. Depreciation is calculated on a linear basis using estimated useful lives. The estimated useful lives and the amortization method are reviewed at the closing of each balance sheet, prospectively accounting for the effect of any changes in the estimate.

ii. Amortization method for intangible assets

Intangible assets with a defined service life

The amortization method applied by the Company reflects the pattern in which the future economic benefits of the asset are expected to be used by the company. For this purpose, the Company uses the linear method.

Computer software

The estimated service life of the software is 4 years. For other assets with a definite service life, the period of service life in which they are depreciated corresponds to the periods defined in the contracts or rights giving rise to them.

Intangible assets with undefined service life

Intangible assets with undefined useful lives relate mainly to water rights and easements, which were obtained indefinitely, in accordance with the acquisition contracts and the rights obtained from the General Water Bureau, under the Ministry of Public Works.

Service life determination

The factors to be taken into consideration in estimating service life include, among others, the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (product obsolescence, changes in demand).
- Expected reactions from current or potential competitors.

- Natural and climatic factors and technological changes that affect the capacity to generate profits.

The service life may require modifications over time due to changes in estimates as a result of changes in assumptions about the previously mentioned factors.

D. Capital gains

The capital gains (lower investment value or goodwill) generated in the business combination represents the excess of the acquisition cost over the Group’s interest in the fair value of assets and liabilities, including the identifiable contingent liabilities of a subsidiary at the acquisition date.

The assets and liabilities acquired are measured on a provisional basis at the date of taking control of the Company, and are reviewed within a maximum period of one year from the date of acquisition. Until the fair value of assets and liabilities is definitively determined, the difference between the acquisition price and the book value of the acquired company is provisionally recorded as capital gains.

In the event that the definitive determination of the capital gain is made in the financial statements for the financial year following the acquisition of the interest, the items for the previous year that are shown for comparative purposes are modified to include the value of the assets and liabilities acquired and the definitive capital gain from the acquisition date of the interest.

The capital gain that was generated prior to the date of our transition to IFRS, i.e. January 1, 2008, is

maintained at the net carrying amount recognized at that date, while the capital gain arising thereafter is recorded using the acquisition method.

The capital gain is not amortized; instead, at the end of each financial year, an estimate is made as to whether any impairment has occurred in it that reduces its recoverable value to an amount less than the net cost recognized and, where appropriate, an appropriate impairment adjustment is made, as required by IAS 36.

E. Property, plant and equipment

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

Subsequent costs are included in the value of the initial asset or recognized as a separate asset only when it is probable that the future economic benefits associated with the fixed assets will flow to the Group and the cost of the asset can be reliably determined. The value of the replaced component is written off. All other repairs and maintenance are charged to profit or loss for the year in which they are incurred.

Depreciation method and estimated service life for property, plant and equipment

The depreciation method applied by the Company reflects the pattern in which assets are expected to be used by the company during the period in which they generate economic benefits. For this purpose, the Company uses the linear depreciation method throughout its technical useful life, based on studies prepared by independent experts (specialist external

companies). The residual value and service life of the assets are reviewed and adjusted, if necessary, at the closure of each balance sheet.

When the value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount (see Note 14).

Service lives

The service lives considered for the purpose of calculating depreciation are based on technical studies prepared by specialist external companies, which are reviewed as soon as there is a history that allows us to consider that the service life of an asset has been modified.

The allocation of the total service life of the assets is made on the basis of several factors, including the nature of the equipment. Such factors usually include:

1. Nature of the material components of the equipment or constructions.
2. Means of operation of the equipment.
3. Intensity of use.
4. Legal, regulatory or contractual limitations.

The range of service life (in years) by asset type is as follows:

Ítem	Minimum service life (years)	Maximum service life (years)
Buildings	25	80
Plant and equipment	5	50
Information technology equipment	4	4
Fixed installations and accessories	5	80
Motor Vehicles	7	10
Improvements to leased assets	5	5
Other property, plant and equipment	5	80

Cost estimation policy for dismantling, removal or rehabilitation of property, plant and equipment

Due to the nature of the assets being built in the Company and given that there are no contractual obligations or other building requirements such as those mentioned by the IFRS and, within the regulatory framework, the concept of decommissioning costs is not applicable to date of these consolidated financial statements.

Fixed Assets Sales Policy

Earnings or losses on the sale of fixed assets are calculated by comparing the revenue obtained with the book value and are recorded in the Consolidated Comprehensive Income Statements.

F. Impairment of tangible and intangible assets except for capital gains

At each consolidated financial statement closure, the Group reviews the carrying amounts of its tangible and intangible assets with a definite service

life to determine whether there are indicators that these assets have suffered an impairment loss. If such indicators exist, the recoverable value of the assets is estimated to determine the amount of the impairment loss (if any). When it is not possible to estimate the recoverable amount of a particular asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite service lives are tested for impairment on an annual basis and if there are indications that the asset may have been impaired before the end of that period.

The recoverable amount is the larger amount between the fair value minus the costs to sell and the value in use. For the estimation of the value in use, estimated future cash flows are discounted to their present value using a discount rate before taxes that reflects both current market conditions of the value of money over time and the specific risks associated with the asset.

When the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of that asset (or cash-generating unit) is adjusted to its recoverable amount and an impairment loss is recognized immediately as profit or loss. When an impairment loss is reversed, the carrying amount of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided that the adjusted carrying amount does not exceed the carrying amount that would have been determined had no impairment loss of the asset (or cash-generating unit) which had been recognized in prior financial years.

G. Leases

i. Financial leases

Leases are classified as financial leases when the terms of the lease substantially transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

ii. Operating leases

Operating lease payments are recognized as an expense on a linear basis over the life of the lease, except when another systematic basis is more representative to reflect the timing pattern in which the economic benefits of the leased asset are consumed. Contingent leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received in order to enter into an operating lease, such incentives are recognized as a liability. The cumulative benefit from incentives is recognized on a linear basis as a reduction of the lease expense, except when another systematic basis is more representative to reflect the time pattern in which the economic benefits of the leased asset are consumed.

iii. Implied Leases

The Company and its Subsidiaries review their contracts to verify the existence of implied leases, in accordance with IFRIC 4.

H. Financial Assets

Acquisitions and disposals of financial instruments are recognized on the trade date, i.e. the date on which the Group undertakes to acquire or sell the asset. Investments are derecognized when the rights to receive cash flows from them have

been transferred and the Group has substantially transferred all the risks and rewards of ownership.

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss.
- Investments held to maturity.
- Loans and receivables.
- Available-for-sale financial assets.

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

The Company and its Subsidiaries invest in low-risk instruments that comply with classification standards established in their investment policies. Mutual investment funds must therefore have an AAfm / M1 rating (quotas with very high protection against loss, associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Fixed-term deposits and contracted covenants are instruments with an N-1 rating (instruments with the highest capacity to pay capital and interest on the agreed terms and timeframes).

The institutions issuing these instruments correspond to banking companies or subsidiaries of banks, with an N-1 risk rating and their instruments have a risk rating of at least AA (with a very high capacity to pay capital and interest on the agreed terms and timeframes, which would not be significantly affected by possible changes in the issuer, the industry to which it belongs or the economy).

i. Effective interest rate method

The effective interest rate method is the method used to calculate the amortized cost of a financial asset or liability and the allocation of interest income or expense over the entire period. The effective interest rate corresponds to the rate that discounts exactly the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

ii. Financial assets at fair value with changes in income

Financial assets are presented at fair value through profit or loss when the financial asset is held for trading or is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value and any resulting earning or loss is recognized in profit or loss. The net loss or earning recognized in profit or loss includes any dividend or interest received on the financial asset.

The Subsidiaries hold shares of Sociedad Eléctrica Puntilla S.A., which have been valued at their fair value at the acquisition date, as established in IAS No. 39. Its subsequent measurement will be made at cost because there is no active market, according to what is provided in the same standard.

iii. Loans and accounts receivable

Trade debtors, loans and other receivables are non-derivative financial assets, which have fixed or determinable payments and are not quoted in an active market and are classified as loans and receivables. Loans and receivables are valued at amortized cost using the effective interest method,

minus any impairment loss, except for short-term accounts receivable where the recognition of interest would be intangible.

Commercial debtors and other accounts receivable

The commercial debtors correspond to the amounts invoiced for consumption of potable water, sewerage services, wastewater treatment and other services and the income accrued from consumption between the date of the last reading (according to the established monthly calendar) and the closing date of the Financial Statement. These are recorded at net value of the allowance for doubtful accounts receivable or with a low probability of collection.

The commercial debtors' policy is subject to the credit policy, which establishes the payment terms, as well as the different scenarios to be agreed upon by delinquent clients.

Impairment policy for commercial debtors and other receivables

The Company periodically evaluates the impairment losses affecting its financial assets. The amount is recorded in the allowance for doubtful accounts. The carrying amount of the asset is reduced as the provision account is used and the loss is recognized in the consolidated comprehensive income statement under "other expenses". When an account receivable is uncollectible, it is recorded against the provision account for accounts receivable.

Estimates are based on the following historical situation: considering the recovery statistics, which indicate that after the eighth month of unpaid invoicing, its possibility of collection is marginal, in other words, the probability of recovering an invoiced value is minimal.

In the subsidiaries: Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., the debt of clients with more than 8 balances is provisioned for 100%.

For the subsidiaries: Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., the consumption debts transformed into payment agreements are provisioned at 100% of the agreed balance.

For the subsidiaries: Gestión y Servicios S.A., Anam S.A., EcoRiles S.A., and Aguas del Maipo S.A., customers with debts of more than 120 days are provisioned 100% over overdue debt.

Notes receivable with past-due debt are provisioned at 100%.

I. Inventories

Materials, spare parts and consumables are valued at acquisition cost, which does not exceed net realization value. The costing method corresponds to the weighted average cost. Inventories that have not rotated in the last twelve months are valued and recorded at market value if it is lower.

J. Dividend payment policy

The Company's dividend policy and in accordance with Article 79 of Law 18.046 governing Corporations, is to distribute at least 30% of the net profits for each financial year. In the event that these dividends do not exist or are lower than the minimum established by law, the corresponding provision shall be made.

In addition to this, and with the prior approval of the Ordinary Shareholders' Meeting, the remaining

70% may be distributed as an additional dividend, provided that the Company's current level of capitalization is maintained and it is compatible with investment policies.

K. Foreign currency transactions

Foreign currency assets and liabilities are presented at the respective exchange rates in effect at each financial year end, according to the following rates:

Currency	31-12-2017 \$	31-12-2016 \$
US Dollar	614.75	669.47
Euro	739.15	705.60

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency earnings and losses resulting from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currency at the closing exchange rates are recognized in the consolidated comprehensive income statement.

Exchange differences are recorded in the results of the period in which they are accrued.

L. Financial liabilities

Loans and obligations with the public and similar obligations are initially recognized at fair value, net of the costs incurred in the transaction. Subsequently, they are valued at amortized cost using the effective interest rate, except for those operations for which hedging contracts have been entered into and are valued in accordance with the following section.

M. Derivative financial instruments and hedging accounting

The use of derivative financial instruments by the Company and its Subsidiaries is based on the Group's financial risk management policies, which establish the guidelines for their use.

The Group uses derivative financial instruments as hedging instruments to mitigate inflation, interest rate and foreign currency risks on existing items to which it has been exposed as a result of its operations.

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

Changes in fair value are recognized directly in profit or loss, unless a derivative has been designated as a hedging instrument and all the conditions established by IFRS for applying hedging accounting are met.

The treatment of hedging transactions with derivative instruments is as follows:

Fair value hedging. Changes in the market value of derivative financial instruments designated as hedging instruments and hedged items are recorded with a charge or credit to the financial income of the respective income statement.

Cash flows and net investment in foreign currency hedging. Changes in the fair value of these derivative financial instruments are recognized by the effective portion, directly in an equity reserve

called “cash flow hedging”, while the ineffective portion is recognized in profit or loss. The amount recognized in equity is not transferred to the income statement until the income of the hedged transactions is recognized in equity, or until the maturity date of those transactions.

If the hedge is discontinued, the earning or loss accumulated in equity at that date is retained until the underlying hedged transaction is carried out. At that time, the accumulated earning or loss in equity will be reversed on the income statement, affecting this transaction.

At the end of each year, financial instruments are presented at fair value. In the case of derivatives not traded on formal markets, the Group uses assumptions based on market conditions at that date for their valuation.

Effectiveness. A hedge is considered to be highly effective when changes in the fair value or cash flows of the underlying directly attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument which is effective in the range of 80% to 125%.

Embedded derivative. The Group also assesses the existence of embedded derivatives in financial contracts and instruments to determine whether their characteristics and risks are closely related to the host contract whenever the set is not being accounted for at fair value. If not closely related, they are recorded separately by accounting for changes in value directly in the consolidated income statement.

N. Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation arising from past events for which it is probable that the Group will use resources to settle the obligation and on which it can make a reasonable estimate of the amount of the obligation.

Provisions are quantified taking into account the best available information on the event and its consequences, and are re-estimated at each balance sheet closing date. Provisions recorded are used to cover the specific risks for which they were originally recognized and are reviewed, in whole or in part, when these risks disappear or decrease.

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated equity damage is estimated of a low probability. In accordance with IFRSs, the Group does not recognize any provision for these items, although, as required by the same standard, they are detailed, if any, in Note 15.

O. Employee Benefits

The severance payment obligation, which is expected to accrue for workers retiring from Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., and Essal S.A., is recorded at actuarial value, determined using the projected unit of credit method. Actuarial earnings and losses on severance payments arising from changes in estimates of turnover, mortality, salary increases or discount rates, are determined in accordance with IAS 19 in other comprehensive income, directly affecting equity, which is subsequently reclassified as retained earnings.

Aguas Andinas S.A.

The compensation for years of service at Aguas Andinas S.A. is governed by the provisions of the Labor Code, except for the amount of the any event compensation accumulated as of July 31, 2002 and the payment for dismissal of 1.45 salaries, excluding voluntary resignation, without limit of amount or years, for workers who are part of the collective labor contracts in force and to whom, through their individual labor contract, the same benefit was extended. The amount for any event accumulated on that date is adjusted quarterly according to the variation in the consumer price index. Likewise, the collective bargaining agreement establishes that workers who retire in Aguas Andinas S.A., and make their retirement effective within 120 days from the date, on which they reach retirement age, will be able to access the benefit detailed in the collective bargaining agreement, and continue to accrue this benefit after July 2002.

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

The compensation for years of service at Aguas Cordillera S.A. and Aguas Manquehue S.A. is governed by the provisions of the Labor Code, except for the amount of the any event compensation accumulated as of December 31, 2002 and the payment for dismissal of 1 salary without limit of amount or years, for workers who are part of the collective bargaining agreements in force and to whom, through their individual employment contract, the same benefit was extended. The amount for any event accumulated on that date is adjusted quarterly according to the variation in the consumer price index. Likewise, the aforementioned collective bargaining agreements establish that workers retiring in Aguas Cordillera

S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.

Essal S.A.

Employees who are part of the collective bargaining agreement in force or are assimilated to it at the date of the financial statements are measured at actuarial value only in the event of retirement and death. In such cases, there is a limit of six months for payment purposes. In other cases, it is governed by the Labor Code.

Advances granted to personnel against these funds are presented net of current obligations. They will be charged in the final settlement in an adjusted form, in accordance with the provisions of the aforementioned agreements.

For the other subsidiaries there are no benefits of this nature.

P. Income tax and deferred taxes

Income tax expense corresponds to the sum of income tax payable and changes in deferred tax assets and liabilities.

The income tax payable is determined on the basis of the period’s tax result. The Group’s income tax payable is calculated using the tax rates that have been approved, or are in the final approval process, at the closing date of the financial position statement.

Deferred taxes are recognized on the basis of the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in calculating the

tax result and are accounted for using the balance sheet based liability method. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be used to offset such differences. Deferred tax assets or liabilities are not recognized if temporary differences arise from the impairment or initial recognition (except in a business combination) of other assets and liabilities in a transaction that does not affect taxable income or financial results.

The carrying value of deferred tax assets is reviewed at the date of each financial position statement and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to enable recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at tax rates expected to be in effect in the period in which the liability is settled or the asset is realized, based on tax rates that have been approved or the approval process is practically completed at the end of the period in the financial position statement. The measurement of deferred tax assets and liabilities reflects the tax consequences that would arise from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and these are related to the same company and tax authority.

Q. Ordinary revenue

Ordinary revenue recognition policy

Revenue arising from all normal operations and other events is recorded at its fair value of payment received or receivable based on payment terms, rebates and credit notes. The amount of income can be measured with confidence.

Revenue recognition policy for sales of goods

Ordinary revenue from sales of goods is recognized once the risk and significant advantages derived from the ownership of the goods are transferred, the Company does not have any relationship with the goods sold, the amount of revenue can be measured reliably, it is probable that the company will receive the economic earnings associated with the sale and the costs incurred in the operation are also reliably measurable.

Service sales revenue recognition policy

Revenue from the sale of services is measured at fair value. Invoicing is made based on actual consumption or work performed on the consideration receivable, net of returns, trade discounts and rebates, so that revenue is recognized when transferred to the customer and recovery is considered probable, associated costs and possible discounts for erroneous collections can be reliably estimated.

The service area of the water utility companies is divided into billing groups, which determines dates for readings and subsequent billing. This process is developed on the basis of a monthly calendar, which generates unread consumption at the end of each month, and therefore not invoiced.

For billing groups that have the information on the basis of consumption actually read, the corresponding rate will be applied.

In those cases in which the Company does not have all the consumptions read, it will proceed to make the best estimate of that not invoiced income, this is on the basis of physical data from the previous month valued at the current rate, considering in both cases (invoicing or estimate) normal or over-consumption rate as appropriate.

The transfer of risks and benefits vary according to the company's business. For water utility services companies, the provision of services and all their associated charges are made according to actual consumption and a monthly provision are made on the consumptions made and not invoiced based on previous invoicing. For the companies Anam S.A., EcoRiles S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A., the invoicing and eventual provisioning is carried out on the basis of executed work.

Method for determining service termination status

The provision of water utility services is verified through the measurement of consumption, in accordance with the provisions of the associated legal regulations, insofar as for the non-regulated subsidiaries once the services have been completed and/or the respective reports issued.

Income from agreements with developers is recorded as ordinary income as long as certain conditions stipulated in each contract are met, which ensure that the associated economic benefit will flow to the Company.

R. Earnings per share

Basic earnings per share are calculated as the quotient between the earning (loss) attributable to the holders of equity instruments of the controlling company and the weighted average number of ordinary shares in circulation.

During the financial years ended on December 31, 2017 and 2016, the Group has not carried out any type of dilutive effect operation that results in diluted earnings per share which differ from basic earnings per share.

S. Environmental information

Assets of an environmental nature are those that are used on a lasting basis in the activity of the Subsidiaries, whose main purpose is to minimize adverse environmental impacts and to protect and improve the environment, including the reduction or elimination of future pollution of the Subsidiaries' operations.

These assets are valued, like any other asset, at acquisition cost. Subsidiaries depreciate these items on a linear basis over the estimated remaining service life of the various items.

T. Consolidated cash flow statements

The statement of cash flows includes cash flows made during the period, which include value added tax (VAT), determined by the direct method and using the following criteria:

Cash and cash equivalents: represent inflows and outflows of cash and cash equivalents, defined as short-term investments with high liquidity and low risk of changes in value (less than three months from the date of trade and without restrictions).

Operating activities: represent activities typical of the normal operation of the Company's and its Subsidiaries business, as well as other activities not classified as investing or financing.

Investment activities: represent acquisition, disposal or other disposition of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: represent activities that result in changes in the amount and composition of equity and liabilities that are not part of ordinary activities.

U. Construction contracts

For construction contracts, the Group uses the "Percentage of realization method" to recognize revenues and expenses relating to a contract in progress. Under this method, contract revenues are compared with contract costs incurred in the degree of progress, which will reveal the amount of revenues from ordinary activities, expenses and earnings that can be attributed to the executed portion of the contract.

Contract costs are recognized when incurred. When the result of a construction contract can be reliably estimated and the contract is likely to be profitable, contract revenues are recognized over the contract period. When it is probable that total contract costs will exceed total contract revenues, the estimated loss is recognized immediately as an expense

for the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are recognized only up to the limit of the contract costs incurred that are likely to be recovered.

The Group presents as an asset the gross amount owed by clients for work on all contracts in progress for which the costs incurred plus recognized profits (minus recognized losses) exceed partial invoicing. Partial invoicing not paid by clients and withholdings are included under "Commercial debtors and other receivables".

The Group presents the gross amount owed to customers for the work of all contracts in progress for which partial invoicing exceeds costs incurred plus recognized profits (minus recognized losses) as a liability.

V. Capitalized financing costsB

Interest bearing loan policy

Loan costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets.

Capitalization policy for interest costs

Interest paid or accrued on debts financing qualifying assets is capitalized in accordance with IAS 23. IAS 23 establishes that when the Company acquires debt in order to finance investments, the

interest on that debt must be subtracted from the financial expense and included in the financed construction work, up to the total amount of such interest, applying the respective rate to the expenditures made at the date of presentation of the financial statements.

W. Reclassifications

For comparative purposes, reclassifications have been made as of December 31, 2016, in accordance with the following detail:

Reclassifications	Increase/ (Decrease) Th\$
Income statement by nature:	
Revenue from ordinary activities	-246,664
Other expenses, by source	246,664
Cash flow statement:	
Receipts from sales of goods and provision of services	24
Other charges for operating activities	92,410
Payments to suppliers for goods and services	-92,434

Note 3. Equity Attributable To Owners Of The Controller

The capital of the Company is divided into 1,000,000,000 registered shares with no par value and a single series.

The capital as of December 31, 2017 and 2016 corresponds to Th\$ 468,358,402. There are no treasury shares in the portfolio or preferred shares.

The Company manages its capital in order to ensure permanent and expeditious access to financial markets, enabling it to achieve its growth, solvency and profitability objectives.

There have been no changes in capital management objectives or policies in the reported years.

For the year ended on December 31, 2017, the following dividend payments were agreed and made:

- On April 27, 2017, an Ordinary Shareholders' Meeting was held, in which it was resolved to distribute 89.7% of the net profits for 2016, which amounted to Th\$74,289,195 plus Th\$54 corresponding to retained earnings. In consideration of the interim dividend paid in January 2017, which amounted to Th\$21,035,300, distributable income amounted to Th\$45,621,300. This meant a dividend of Ch\$45.6213 per share, which was paid on May 25, 2017.

- In the Board of Directors' ordinary meeting held on December 13, 2017, it was agreed to distribute Th\$21,035,300, on account of earnings for 2017, as an interim dividend. As a result, the Company's dividend number 29 amounts to Ch\$21.0353 per share, paid on January 29, 2018.

The following dividend payments were agreed and made in the 2016 financial year:

- On April 28, 2016, an Ordinary Shareholders' Meeting was held, which approved the distribution of 100% of the net profits obtained by the Company in 2015, plus \$46.686 corresponding to accumulated results. The interim dividend paid in January 2016 in the amount of Th\$20,324,000 was deducted from this distribution. Consequently, distributable income amounted to Th\$42,959,300, corresponding to a dividend of Ch\$42.9593 per share, paid on May 27, 2016.
- In the ordinary Board of Directors' Meeting held on November 29, 2016, it was agreed to distribute Th\$21,035,300, on account of profits for 2016, as interim dividend. As a result, the Company's dividend number 27 amounts to Ch\$21.0353 per share, paid on January 23, 2017.

Minimum dividend provision

In accordance with the policy described in note 2.2 letter J, as of December 31, 2017, the Company has not recognized any provision for the minimum dividend. As of December 31, 2016, a minimum dividend complement of 30% of the profit corresponding to Th\$1,251,458 was recorded.

Accumulated earnings

The amounts recorded for revaluation of land and intangible assets and other first-time adoption adjustments of IFRS are presented in accumulated results and have restrictions for their distribution, since they must first be recognized as realized through the use or sale, in accordance with the provisions of IFRS 1, IAS 16 and Circular Letter No. 456 of June 20, 2008, of the Financial Market Commission. This item also includes the amount corresponding to actuarial gains and losses determined since 2009 as a result of changes in defined benefit plan obligations.

Additionally, as of December 31, 2017 and 2016, changes were made to the calculation parameters of the actuarial gains and losses on severance payments, which generated a record in the accumulated results of Th\$491,566 and Th\$13,537, respectively (see Note 2.2. O).

The balance as of December 31, 2017 and 2016 correspond to Th\$162,398,166 and Th\$158,593,033, respectively.

Other equity interests

The amount recorded in other investments corresponds to the price-level restatement of paid-in capital for 2008, the transition year to IFRS, pursuant to Circular Letter No. 456 of the Financial Market Commission and the effects of business combinations of companies under common control carried out in 2007 and 2008. The balance as of December 31, 2017 and 2016 corresponds to Th\$-37,268,417.

Note 4. Equity Attributable To Non-Controlling Interests

The detail, by company, of the effects arising from the share of third parties in equity and profit or loss as of December 31, 2017 and 2016 is as follows:

Dividends paid to the non-controlling interests of the subsidiaries Essal S.A. and Aguas Andinas S.A. as of December 31, 2017 and 2016 amount to Th\$73,652,902 and Th\$64,945,029, respectively.

Note 5. Other Income And Expenses

Additional disclosures in accordance with IAS 1 relating to non-operating income and expenses are presented below:

* This relates mainly to the earnings (losses) generated as a result of the guarantees associated with the scrapped projects (see Note 15). In 2017, the reversal of a provision for litigation of a Company was also submitted.

Company	% Share		Non controlling interests			
			Equity		Income	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016	31-12-2017	31-12-2016
	%	%	Th\$	Th\$	Th\$	Th\$
Aguas Andinas S.A.	49.89766%	49.89766%	320,657,720	316,429,593	69,667,253	75,133,733
Aguas Cordillera S.A.	0.00997%	0.00997%	20,295	21,198	1,883	3,193
Essal S.A. ⁽¹⁾	46.49350%	46.49350%	50,648,406	52,704,047	3,860,090	4,258,600
Totals			371,326,421	369,154,838	73,529,226	79,395,526

⁽¹⁾ Includes the participation of third parties for the allocation at market value of the assets and liabilities arising from the purchase of Inversiones Iberaguas Ltda. and Essal S.A., at the time of the business combination.

Non-operating income and expenses	31-12-2017 Th\$	31-12-2016 Th\$
Earnings (losses) on sale of non-current assets, not held for sale	2,121,103	20,169,949
Discarded projects*	571,959	-5,395,623
Losses on replacement of property, plant and equipment	-275,905	-416,341
Other earnings (losses)	191,098	236,102
Other earnings (losses)	2,608,255	14,594,087
Bank loans	-4,092,913	-4,666,883
Interest expense, RFC (Promissory notes)	-6,527,947	-6,808,706
Interest expense, Bonds	-18,182,263	-14,865,823
Interest expense, other	-628,391	-555,730
Hedging instrument expenses	-1,522,983	0
Amortization of additional costs related to loan contracts	-161,206	-221,240
Financial costs	-31,115,703	-27,118,382
Interest income	4,804,014	5,027,881
Gain on redemption & extinction of debt	1,280,888	1,483,341
Financial income	6,084,902	6,511,222

Note 6. Financial Statements Of Subsidiary Companies

The summarized information of the financial position statement and comprehensive income statement of each of the subsidiaries included in the consolidated financial statements is as follows:

SUMMARY FINANCIAL INFORMATION OF SUBSIDIARIES (STATEMENT OF FINANCIAL POSITION) AS OF DECEMBER 31, 2017

Subsidiaries 31-12-2017	Current assets Th\$	Non current assets Th\$	Current l iabilities Th\$	Non current liabilities Th\$	Equity Th\$
Aguas Andinas S.A.	108,229,905	1,404,120,371	186,863,408	682,856,092	642,630,776
Aguas Cordillera S.A.	14,540,106	268,599,745	29,796,925	49,784,017	203,558,909
Aguas Manquehue S.A.	4,698,352	88,826,395	15,292,813	24,353,717	53,878,217
Inversiones Iberaguas Ltda.	2,071,039	65,780,301	24,578	0	67,826,762
Empresa de Servicios Sanitarios de Los Lagos S.A.	32,262,114	155,973,380	17,441,531	94,198,693	76,595,270
EcoRiles S.A.	4,718,568	501,160	2,101,177	0	3,118,551
Gestión y Servicios S.A.	6,325,828	780,187	3,687,532	41,863	3,376,620
Análisis Ambientales S.A.	1,838,309	4,614,248	1,700,455	0	4,752,102
Aguas del Maipo S.A.	2,066,321	14,356,295	7,200,920	109,474	9,112,222

SUMMARY FINANCIAL INFORMATION OF SUBSIDIARIES (COMPREHENSIVE INCOME STATEMENT) AS OF DECEMBER 31, 2017

Subsidiaries 31-12-2017	Income of the financial year Th\$	Ordinary income Th\$	Operational expenses Th\$	Other income net (expenses) Th\$
Aguas Andinas S.A.	139,620,280	382,291,216	-202,101,003	-40,569,933
Aguas Cordillera S.A.	18,890,051	52,833,529	-32,748,879	-1,194,599
Aguas Manquehue S.A.	3,193,001	12,401,009	-7,988,554	-1,219,454
Inversiones Iberaguas Ltda.	6,211,069	0	-6,053	6,217,122
Empresa de Servicios Sanitarios de Los Lagos S.A.	12,227,137	54,926,019	-34,775,771	-7,923,111
EcoRiles S.A.	1,680,341	13,389,212	-11,174,166	-534,705
Gestión y Servicios S.A.	614,644	8,363,693	-7,928,958	179,909
Análisis Ambientales S.A.	1,163,257	8,301,209	-6,706,861	-431,091
Aguas del Maipo S.A.	669,743	1,335,159	-655,995	-9,421

SUMMARY FINANCIAL INFORMATION OF SUBSIDIARIES (FINANCIAL SITUATION STATEMENT) AS OF DECEMBER 31, 2016

Subsidiaries 31-12-2016	Current assets Th\$	Non current assets Th\$	Current liabilities Th\$	Non current liabilities Th\$	Equity Th\$
Aguas Andinas S.A.	124,140,445	1,380,836,807	155,966,837	714,853,235	634,157,180
Aguas Cordillera S.A.	44,978,477	263,155,183	46,265,462	49,255,201	212,612,997
Aguas Manquehue S.A.	4,859,500	79,936,629	7,697,070	23,831,041	53,268,018
Inversiones Iberaguas Ltda.	2,305,082	66,033,589	24,386	0	68,314,285
Empresa de Servicios Sanitarios de Los Lagos S.A.	15,425,907	147,548,129	17,710,264	68,171,861	77,091,911
EcoRiles S.A.	5,103,621	425,004	2,380,465	0	3,148,160
Gestión y Servicios S.A.	5,768,832	907,094	3,690,043	40,043	2,945,840
Análisis Ambientales S.A.	2,029,111	5,354,352	2,956,521	0	4,426,942
Aguas del Maipo S.A.	477,419	8,347,776	99,426	82,367	8,643,402

SUMMARY FINANCIAL INFORMATION OF SUBSIDIARIES (COMPREHENSIVE INCOME STATEMENT) AS OF DECEMBER 31, 2016

Subsidiaries 31-12-2016	Income of the financial year Th\$	Ordinary income Th\$	Operational expenses Th\$	Other income net (expenses) Th\$
Aguas Andinas S.A.	150,575,666	369,614,696	-186,373,052	-32,665,978
Aguas Cordillera S.A.	32,025,085	53,429,959	-33,662,534	12,257,660
Aguas Manquehue S.A.	2,347,132	11,488,105	-7,990,314	-1,150,659
Inversiones Iberaguas Ltda.	6,678,409	0	-12,600	6,691,009
Empresa de Servicios Sanitarios de Los Lagos S.A.	13,163,288	53,655,895	-33,044,506	-7,448,101
EcoRiles S.A.	1,722,641	12,726,542	-10,519,495	-484,406
Gestión y Servicios S.A.	-1,253,090	8,569,328	-8,094,804	-1,727,614
Análisis Ambientales S.A.	698,742	7,159,548	-6,167,761	-293,045
Aguas del Maipo S.A.	-441,252	0	-731,325	290,073

Detail of significant subsidiaries

The definition of significant subsidiaries is based on their percentage share of operating income and their share of property, plant and equipment as well as income, for the financial year regarding the consolidated financial statements. The following companies are considered significant subsidiaries:

Name of significant subsidiary	Aguas Andinas S.A.	Aguas Cordillera S.A.	Aguas Manquehue S.A.	Essal S.A.
Tax ID.	61.808.000-5	96.809.310-k	89.221.000-4	95.579.800-5
Country	Chile	Chile	Chile	Chile
Functional currency	Chilean Pesos	Chilean Pesos	Chilean Pesos	Chilean Pesos
Percentage interest in significant subsidiary	50.10234%	99.99003%	100.00000%	53.50650%
Percentage voting power in significant subsidiary	50.10234%	99.99003%	100.00000%	53.50650%
Percentage of consolidated value at December 31, 2017				
Contribution margin	80.82%	9.01%	1.98%	6.54%
Property, plant and equipment	71.64%	8.21%	4.78%	14.51%
Income for the year	81.91%	11.37%	2.28%	3.24%

The subsidiary Aguas Andinas S.A., in the event that it is delinquent or delayed in the payment of any installment of one of the loans in force, will be prohibited from distributing dividends, except for the mandatory minimum.

Note 7. Cash And Cash Equivalent

The composition of the business is as follows:

Cash and cash equivalent	31-12-2016 Th\$	31-12-2017 Th\$
Banks	3,436,811	27,753,853
Fixed-term deposits (Note 8.6)	12,682,088	37,184,605
Mutual funds (Note 8.6)	3,684,309	1,183,548
Totals	19,803,208	66,122,006

The cash equivalent corresponds to financial assets in fixed term deposits and mutual funds with a maturity of less than 90 days from the date of the transaction giving rise to them.

Detail of certain items in the cash flow statement

- **Other charges for operating activities:** These correspond to services attached to the operation of the business, mainly agreements signed with developers.
- **Other payments for operating activities:** Correspond to the payment of monthly taxes.
- **Other outflows by investment activities:** These relate mainly to interest associated with bond issues, which have been capitalized as a result of investments in property, plant and equipment.

There are no legal restrictions preventing the immediate availability of cash and cash equivalents used by the Group.

Note 8. Financial Instruments

8.1 Capital risk management

The Group manages its capital to ensure that the Group companies will continue as an ongoing business by maximizing shareholder profitability through optimizing the debt and capital structure. The Group's overall strategy has not changed since 2009. The Group's capital structure consists of debt, which includes the loans disclosed in point 8.4 and the capital attributable to the equity holders of the parent company, which includes the capital, reserves and retained earnings disclosed in Note 3.

8.2 Significant accounting policies

The detail of significant accounting policies and methods adopted, including the recognition criteria, measurement basis and the basis on which revenues and expenses are recognized, regarding each class of financial assets and financial liabilities, is described in Note 2 letter H, 2 letter L and 2 letter M of these consolidated financial statements.

8.3 Class of financial instruments

Following is a summary of the financial instruments as of December 31, 2017 and 2016:

Class of financial instruments	Currency	Note	31-12-2017 Th\$	31-12-2016 Th\$
Total financial assets			124,176,775	117,453,707
Total commercial debtors and other receivables, current accounts receivable			113,532,427	106,303,061
Commercial debtors and other accounts receivable	CLP	8.5	113,452,193	106,234,129
Commercial debtors and other accounts receivable	USD	8.5	24,567	25,312
Commercial debtors and other accounts receivable	EUR	8.5	55,667	43,620
Information about related companies, current			560,234	1,275,867
Accounts receivable from related parties	CLP	9	560,234	1,275,867
Total financial assets, current			114,092,661	107,578,928
Fees receivable	CLP	8.5	2,276,380	2,082,334
Other financial assets	CLP	8.9	7,807,734	7,792,445
Total non-current financial assets			10,084,114	9,874,779
Total financial liabilities			1,017,364,365	993,088,354
Other financial liabilities, current			63,045,352	43,629,749
Bank loans	CLP	8.4	7,436,617	3,630,278
Bonds	CLP	8.4	40,406,918	13,312,288
Reimbursable financial contributions (Promissory Notes)	CLP	8.4	15,201,817	26,687,183
Trade and other current accounts payable,			115,876,089	112,312,020
Trade and other accounts payable	CLP	8.7	115,179,370	112,198,484
Trade and other accounts payable	USD	8.7	166,687	98,320
Trade and other accounts payable	EUR	8.7	530,032	15,216
Information about related companies, current			34,482,682	28,193,771
Accounts payable to related entities	CLP	9	34,482,682	28,193,771
Total financial liabilities, current			213,404,123	184,135,540
Other non-current financial liabilities			802,978,167	808,003,406
Bank loans	CLP	8.4	88,735,865	94,019,209
Bonds	CLP	8.4	545,691,060	546,341,722
Reimbursable financial contributions	CLP	8.4	168,551,242	167,642,475
Other non-current accounts payable			982,075	949,408
Other accounts payable	CLP	8.7	982,075	949,408
Total non-current financial liabilities			803,960,242	808,952,814

8.4 Disclosures about financial liabilities

Other financial liabilities

Other financial liabilities include bank loans, bonds and reimbursable financial contributions (AFRs), which are valued at amortized cost, which are explained below:

Reimbursable Financial Contributions (RFC)

In accordance with article 42-A of the D. S. MINECON N° 453 of 1989, "Reimbursable Financial

Contributions, for extension and by capacity, constitute an alternative financing option available to the service provider (company that provides water utility services) for the execution of water utility expansion and capacity works that, according to the Law, are of its charge and cost".

They consist of specific amounts of money or works that public health service providers may require those who apply to be included as customers, or request an expansion of service, which according to

current regulations, have defined forms and deadlines for their return.

The repayment of the amounts contributed by clients is basically made through the issuance of 10 - or 15 - year endorsable promissory notes, and in some cases shorter, through repayment in the provision of water utility services.

The detail of the reimbursable financial contributions as of December 31, 2017 and 2016 is as follows:

REIMBURSABLE FINANCIAL CONTRIBUTIONS, CURRENT PORTION

Registration or Identification Number of the Instrument	Re-adjustment index currency	Residual UF	Carrying amount		Actual interest rate of the contract	Effective rate	Placement in Chile or abroad	Issuing company	Debtor Rut	Repayment rate	Secured (Yes/No)
		31-12-2017	31-12-2017 Th\$	31-12-2016 Th\$							
RFC	UF	452,507	12,371,284	18,299,860	3.54%	3.40%	Chile	Aguas Andinas S.A.	61.808.000-5	At maturity	No
RFC	UF	84,060	2,306,972	6,983,609	3.20%	3.10%	Chile	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
RFC	UF	19,193	523,561	1,403,714	3.54%	3.43%	Chile	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
Totals		555,760	15,201,817	26,687,183							

REIMBURSABLE FINANCIAL CONTRIBUTIONS, NON-CURRENT PORTION

Registration or Identification Number of the Instrument	Re-adjustment index currency	Residual UF	Carrying amount		Due date	Actual interest rate of the contract	Effective rate	Issuing company	Debtor Rut	Repayment rate	Secured (Yes/No)
		31-12-2017	31-12-2017 Th\$	31-12-2016 Th\$							
RFC	UF	4,393,764	118,712,970	118,691,514	21-12-2032	3.35%	3.20%	Aguas Andinas S.A.	61.808.000-5	At maturity	No
RFC	UF	863,434	23,465,635	23,492,843	20-12-2032	3.32%	3.20%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
RFC	UF	631,411	17,241,804	16,662,840	20-10-2032	3.20%	3.12%	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
RFC	UF	340,726	9,130,833	8,795,278	11-12-2032	3.57%	3.57%	Essal S.A	96.579.800-5	At maturity	No
Totals		6,229,335	168,551,242	167,642,475							

The detail of bank loans as of December 31, 2017 and 2016 is as follows:

BALANCES OF BANK LOANS, CURRENT FINANCIAL YEAR

Tax ID of the debtor company	61.808.000-5	61.808.000-5	96.809.310-K	96.579.800-5	96.579.800-5
Name of debtor company	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.	Essal S.A.
COUNTRY OF DEBTOR COMPANY	Chile	Chile	Chile	Chile	Chile
RUT lending institution	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7	97.006.000-6
Name of creditor company	Banco de Chile	Banco BCI	Banco BBVA	Banco BCI	Banco de Chile
Currency or adjustment unit	CLP	CLP	CLP	CLP	CLP
Repayment rate	Biannually	At maturity	At maturity	At maturity	At maturity
Effective rate	4.44%	4.32%	4.41%	3.43%	3.58%
Nominal rate	4.44%	4.32%	4.41%	3.43%	3.58%

NOMINAL AMOUNTS

Up to one year	6,938,153	222,679	228,472	44,579	2,734	7,436,617
More than 90 days to one year	6,938,153	222,679	228,472	44,579	2,734	7,436,617
More than 1 year up to 3 years	21,947,457	19,270,304	20,000,000	9,000,000	2,500,000	72,717,761
More than 1 year up to 2 years	13,805,658	0	20,000,000	0	2,500,000	36,305,658
More than 2 years up to 3 years	8,141,799	19,270,304	0	9,000,000	0	36,412,103
More than 3 years up to 5 years	16,018,104	0	0	0	0	16,018,104
More than 3 years up to 4 years	16,018,104	0	0	0	0	16,018,104
Total nominal amounts	44,903,714	19,492,983	20,228,472	9,044,579	2,502,734	96,172,482

BOOK VALUE

Current bank loans	6,938,153	222,679	228,472	44,579	2,734	7,436,617
More than 90 days to one year	6,938,153	222,679	228,472	44,579	2,734	7,436,617
Non-current bank loans	37,965,561	19,270,304	20,000,000	9,000,000	2,500,000	88,735,865
More than 1 year up to 3 years	21,947,457	19,270,304	20,000,000	9,000,000	2,500,000	72,717,761
More than 1 year up to 2 years	13,805,658	0	20,000,000	0	2,500,000	36,305,658
More than 2 years up to 3 years	8,141,799	19,270,304	0	9,000,000	0	36,412,103
More than 3 years up to 5 years	16,018,104	0	0	0	0	16,018,104
More than 3 years up to 4 years	16,018,104	0	0	0	0	16,018,104
Total bank loans	44,903,714	19,492,983	20,228,472	9,044,579	2,502,734	96,172,482

Book value = capital+/- issue on/off - issue costs + accrued interest by effective rate method- paid interest and capital. Nominal value = capital+/- accrued interest at issue rate - capital/interest payments.

BALANCES OF BANK LOANS, PREVIOUS YEAR

Tax ID of the debtor company	61.808.000-5	61.808.000-5	96.809.310-K	96.579.800-5	96.579.800-5	96.579.800-5
Name of debtor company	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.	Essal S.A.	Essal S.A.
COUNTRY OF DEBTOR COMPANY	Chile	Chile	Chile	Chile	Chile	Chile
RUT lending institution	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7	97.004.000-7	97.006.000-6
Name of creditor company	Banco de Chile	Banco BCI	Banco BBVA	Banco de Chile	Banco de Chile	Banco BCI
Currency or adjustment unit	CLP	CLP	CLP	CLP	CLP	CLP
Repayment rate	Biannually	At maturity	At maturity	At maturity	At maturity	At maturity
Effective rate	4.44%	4.32%	4.41%	4.50%	4.75%	4.38%
Nominal rate	4.44%	4.32%	4.41%	4.50%	4.75%	4.38%

NOMINAL AMOUNTS

Up to one year	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
Up to 90 days	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
More than 1 year up to 3 years	20,089,002	0	20,000,000	4,000,000	6,500,000	0	50,589,002
More than 1 year up to 2 years	6,283,344	0	0	0	0	0	6,283,344
More than 2 years up to 3 years	13,805,658	0	20,000,000	4,000,000	6,500,000	0	44,305,658
More than 3 years up to 5 years	24,159,903	19,270,304	0	0	0	0	43,430,207
More than 3 years up to 4 years	8,141,799	19,270,304	0	0	0	0	27,412,103
More than 4 years up to 5 years	16,018,104	0	0	0	0	0	16,018,104
Total nominal amounts	45,154,838	19,557,046	20,303,800	4,021,998	6,537,015	2,074,790	97,649,487

BOOK VALUES

Current bank loans	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
Up to 90 days	905,933	286,742	303,800	21,998	37,015	2,074,790	3,630,278
Non-current bank loans	44,248,905	19,270,304	20,000,000	4,000,000	6,500,000	0	94,019,209
More than 1 year up to 3 years	20,089,002	0	20,000,000	4,000,000	6,500,000	0	50,589,002
More than 1 year up to 2 years	6,283,344	0	0	0	0	0	6,283,344
More than 2 years up to 3 years	13,805,658	0	20,000,000	4,000,000	6,500,000	0	44,305,658
More than 3 years up to 5 years	24,159,903	19,270,304	0	0	0	0	43,430,207
More than 3 years up to 4 years	8,141,799	19,270,304	0	0	0	0	27,412,103
More than 4 years up to 5 years	16,018,104	0	0	0	0	0	16,018,104
Total bank loans	45,154,838	19,557,046	20,303,800	4,021,998	6,537,015	2,074,790	97,649,487

Book value = capital+/- issue on/off - issue costs + accrued interest by effective rate method- paid interest and capital. Nominal value = capital+/- accrued interest at issue rate - capital/interest payments.

The detail of the bond obligations as of December 31 2017 and 2016 is as follows:

TOTAL OBLIGATIONS TO THE PUBLIC, CURRENT FINANCIAL YEAR

Tax ID of the debtor company	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5	96.579.800-5
Name of debtor company	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.	Essal S.A.
Country of debtor company	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	580	630	655	655	712	713	713	778	778	806	777	806	284	870
Series	BAGUA-J	BAGUA-M	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	BAGUA-Z	BAGUA-AA	Besal-B	Besal-C
Due date	01-12-2018	01-04-2031	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-04-2037	01-06-2037	01-02-2038	15-01-2023	15-01-2040	01-06-2028	01-12-2040
Currency or adjustment unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Periodicity of repayment	At maturity	At maturity	At maturity	At maturity	Biannual	At maturity	At maturity	At maturity	At maturity	At maturity	Biannual	Biannual	Biannual	Biannual
Effective rate	4.16%	4.15%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.23%	2.15%	3.29%	6.63%	2.93%
Nominal rate	4.00%	4.20%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	2.40%	3.20%	6.00%	2.80%

NOMINAL AMOUNTS

Up to 1 year	26,886,591	487,351	384,225	145,945	6,028,239	595,185	504,421	464,921	168,122	531,997	293,035	779,888	3,102,941	0	40,372,861
Up to 90 days	0	0	0	0	0	0	0	0	0	531,997	293,035	779,888	3,102,941	0	4,707,861
More than 90 days to one year	26,886,591	487,351	384,225	145,945	6,028,239	595,185	504,421	464,921	168,122	0	0	0	0	0	35,665,000
More than 1 year up to 3 years	0	0	0	0	2,977,571	0	0	0	0	0	10,049,303	0	6,205,882	0	19,232,756
More than 1 year up to 2 years	0	0	0	0	2,977,571	0	0	0	0	0	3,349,768	0	3,102,941	0	9,430,280
More than 2 years up to 3 years	0	0	0	0	0	0	0	0	0	0	6,699,535	0	3,102,941	0	9,802,476
More than 3 years up to 5 years	0	46,896,745	40,197,210	44,216,931	0	61,635,722	53,596,280	53,596,280	61,635,722	42,877,024	16,748,838	53,596,280	26,435,145	26,798,140	528,230,317
More than 3 years up to 4 years	0	0	0	0	0	0	0	0	0	0	6,699,535	0	3,102,941	0	9,802,476
More than 4 years up to 5 years	0	0	0	0	0	0	0	0	0	0	6,699,535	0	3,102,941	0	9,802,476
More than 5 years	0	46,896,745	40,197,210	44,216,931	0	61,635,722	53,596,280	53,596,280	61,635,722	42,877,024	3,349,768	53,596,280	20,229,263	26,798,140	508,625,365
Total Nominal amounts	26,886,591	47,384,096	40,581,435	44,362,876	9,005,810	62,230,907	54,100,701	54,061,201	61,803,844	43,409,021	27,091,176	54,376,168	35,743,968	26,798,140	587,835,934

Consolidated Financial Statements

TOTAL OBLIGATIONS TO THE PUBLIC, CURRENT FINANCIAL YEAR

BOOK VALUES															
Current public obligations	26,846,934	499,483	393,454	159,259	5,994,907	587,450	501,681	464,921	114,930	496,076	309,752	726,472	3,311,599	0	40,406,918
Up to 90 days	0	0	0	0	0	0	0	0	0	496,076	309,752	726,472	3,311,599	0	4,843,899
More than 90 days to one year	26,846,934	499,483	393,454	159,259	5,994,907	587,450	501,681	464,921	114,930	0	0	0	0	0	35,563,019
Non-current public obligations	0	47,103,632	40,390,431	44,463,800	2,977,424	61,461,446	53,508,723	53,596,280	62,706,531	41,891,084	26,846,624	52,506,850	32,167,945	26,070,290	545,691,060
More than 1 year up to 3 years	0	0	0	0	2,977,424	0	0	0	0	0	10,067,484	0	6,027,600	0	19,072,508
More than 1 year up to 2 years	0	0	0	0	2,977,424	0	0	0	0	0	3,355,828	0	3,013,800	0	9,347,052
More than 2 years up to 3 years	0	0	0	0	0	0	0	0	0	0	6,711,656	0	3,013,800	0	9,725,456
More than 3 years up to 5 years	0	47,103,632	40,390,431	44,463,800	0	61,461,446	53,508,723	53,596,280	62,706,531	41,891,084	16,779,140	52,506,850	26,140,345	26,070,290	526,618,552
More than 3 years up to 4 years	0	0	0	0	0	0	0	0	0	0	6,711,656	0	3,013,800	0	9,725,456
More than 4 years up to 5 years	0	0	0	0	0	0	0	0	0	0	6,711,656	0	3,013,800	0	9,725,456
More than 5 years	0	47,103,632	40,390,431	44,463,800	0	61,461,446	53,508,723	53,596,280	62,706,531	41,891,084	3,355,828	52,506,850	20,112,745	26,070,290	507,167,640
Total obligations to the public	26,846,934	47,603,115	40,783,885	44,623,059	8,972,331	62,048,896	54,010,404	54,061,201	62,821,461	42,387,160	27,156,376	53,233,322	35,479,544	26,070,290	586,097,978

Consolidated Financial Statements

TOTAL OBLIGATIONS TO THE PUBLIC, PREVIOUS FINANCIAL YEAR

Tax ID of the debtor company	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5
Name of debtor company	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.
Country of debtor company	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	580	630	655	655	712	713	713	778	778	806	777	806	284
Series	BAGUA-J	BAGUA-M	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	BAGUA-Z	BAGUA-AA	Besal-B
Due date	01-12-2018	01-04-2031	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-04-2037	01-06-2037	01-02-2038	15-01-2023	15-01-2040	01-06-2028
Currency or adjustment unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Periodicity of repayment	At maturity	At maturity	At maturity	At maturity	Biannual	At maturity	At maturity	At maturity	At maturity	At maturity	Biannual	Biannual	Biannual
Effective rate	4.16%	4.15%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.23%	2.15%	3.29%	6.63%
Nominal rate	4.00%	4.20%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	2.40%	3.20%	6.00%

NOMINAL AMOUNTS

Up to 1 year	86,966	479,164	377,771	143,494	5,974,887	585,187	495,948	457,111	165,298	523,060	288,112	766,788	3,223,684	13,567,470
Up to 90 days	0	0	0	0	0	0	0	0	0	523,060	288,112	766,788	0	1,577,960
More than 90 days to one year	86,966	479,164	377,771	143,494	5,974,887	585,187	495,948	457,111	165,298	0	0	0	3,223,684	11,989,510
More than 1 year up to 3 years	26,347,980	0	0	0	8,782,661	0	0	0	0	0	3,293,498	0	6,101,636	44,525,775
More than 1 year up to 2 years	0	0	0	0	5,855,107	0	0	0	0	0	0	0	3,050,818	8,905,925
More than 2 years up to 3 years	26,347,980	0	0	0	2,927,554	0	0	0	0	0	3,293,498	0	3,050,818	35,619,850
More than 3 years up to 5 years	0	46,108,965	39,521,970	43,474,167	0	60,600,354	52,695,960	52,695,960	60,600,354	42,156,768	23,054,483	52,695,960	29,398,689	503,003,630
More than 3 years up to 4 years	0	0	0	0	0	0	0	0	0	0	6,586,995	0	3,050,818	9,637,813
More than 4 years up to 5 years	0	0	0	0	0	0	0	0	0	0	6,586,995	0	3,050,818	9,637,813
More than 5 years	0	46,108,965	39,521,970	43,474,167	0	60,600,354	52,695,960	52,695,960	60,600,354	42,156,768	9,880,493	52,695,960	23,297,053	483,728,004
Total Nominal amounts	26,434,946	46,588,129	39,899,741	43,617,661	14,757,548	61,185,541	53,191,908	53,153,071	60,765,652	42,679,828	26,636,093	53,462,748	38,724,009	561,096,875

Consolidated Financial Statements

TOTAL OBLIGATIONS TO THE PUBLIC, PREVIOUS FINANCIAL YEAR

BOOK VALUES														
Current public obligations	48,567	491,052	386,822	156,553	5,931,501	577,600	493,259	457,111	152,338	467,870	304,639	715,837	3,129,139	13,312,288
Up to 90 days	0	0	0	0	0	0	0	0	0	467,870	304,639	715,837	0	1,488,346
More than 90 days to one year	48,567	491,052	386,822	156,553	5,931,501	577,600	493,259	457,111	152,338	0	0	0	3,129,139	11,823,942
Non-current public obligations	26,311,664	46,321,979	39,719,854	43,727,674	8,774,028	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	26,404,869	51,606,287	34,936,538	546,341,722
More than 1 year up to 3 years	26,311,664	0	0	0	8,774,028	0	0	0	0	0	3,300,609	0	5,994,248	44,380,549
More than 1 year up to 2 years	0	0	0	0	5,849,352	0	0	0	0	0	0	0	2,997,124	8,846,476
More than 2 years up to 3 years	26,311,664	0	0	0	2,924,676	0	0	0	0	0	3,300,609	0	2,997,124	35,534,073
More than 3 years up to 5 years	0	46,321,979	39,719,854	43,727,674	0	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	23,104,260	51,606,287	28,942,290	501,961,173
More than 3 years up to 4 years	0	0	0	0	0	0	0	0	0	0	6,601,217	0	2,997,124	9,598,341
More than 4 years up to 5 years	0	0	0	0	0	0	0	0	0	0	6,601,217	0	2,997,124	9,598,341
More than 5 years	0	46,321,979	39,719,854	43,727,674	0	60,422,174	52,607,020	52,695,960	61,638,393	41,175,282	9,901,826	51,606,287	22,948,042	482,764,491
Total obligations to the public	26,360,231	46,813,031	40,106,676	43,884,227	14,705,529	60,999,774	53,100,279	53,153,071	61,790,731	41,643,152	26,709,508	52,322,124	38,065,677	559,654,010

Consolidated Financial Statements

8.5 Risk management

The main objectives of financial risk management are to ensure that funds are available to meet financial commitments and protect the value of the Group's economic flows, assets and liabilities.

This management is based on identifying the risks, determining the tolerance of each risk, hedging these financial risks and controlling the operations of the hedges established. To achieve the objectives, financial risk management is based on covering all significant exposures, provided that appropriate instruments are in place and the cost is reasonable.

i. Credit risk

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

Inversiones Aguas Metropolitanas S.A. and its water utility subsidiaries have a fragmented market, which implies that the credit risk of a particular client is not significant.

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

Credit risk	31-12-2017 Th\$	31-12-2016 Th\$
Gross exposure per balance sheet for receivables risks	148,930,572	139,695,430
Gross exposure by estimates for receivables risk	-33,121,765	-31,310,035
Net exposure, risk concentrations	115,808,807	108,385,395
Movement in credit risk, accounts receivable	31-12-2017 Th\$	31-12-2016 Th\$
Initial balance	-31,310,035	-32,930,617
Increase in existing provisions	-5,931,800	-4,225,493
Decreases	4,120,070	5,846,075
Total changes	-1,811,730	1,620,582
Final balance	-33,121,765	-31,310,035

In accordance with the Group's policy, consumption debts converted into payment agreements are fully provisioned.

The breakdown by age of the gross debt is as follows:

Age of the gross debt	31-12-2017 Th\$	31-12-2016 Th\$
under three months	112,247,149	105,338,746
between three and six months	3,145,423	3,034,126
between six and eight months	1,617,244	1,360,990
greater than eight months	31,920,756	29,961,568
Totals	148,930,572	139,695,430

In accordance with the provisions of IFRS 7 Financial Instruments, a detail of the overdue gross debt by age is presented:

Overdue gross debt	31-12-2017 Th\$	31-12-2016 Th\$
under three months	11,105,825	11,014,577
between three and six months	1,703,062	1,625,815
between six and eight months	818,105	656,727
Totals	13,626,992	13,297,119

The overdue debt is made up of all those amounts where the counterparty failed to make a payment when it was contractually due. Balances with an age of less than 8 months, in accordance with the Company's policy, are not provisioned.

ii. Liquidity risk

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

Various preventive measures are used to manage liquidity risk, such as:

- Diversify funding sources and instruments.
- Agree with creditors’ maturity profiles that do not concentrate high repayments in one period.

Management monitors the Group’s liquidity reserve forecasts based on expected cash flows.

MATURITY PROFILES (NON DISCOUNTED FLOWS)

Maturity profile	Up to 90 days		From 90 days to 1 year		From 13 months to 3 years		More than 3 years to 5 years		More than 5 years	
	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate
Bank loans	0	0.00%	8,992,193	3.21%	75,967,990	3.27%	16,342,446	3.96%	0	0.00%
Bonds	1,170,462	3.58%	53,009,366	3.99%	53,245,199	2.99%	52,969,275	2.81%	712,981,236	3.77%
AFR	4,451,001	3.72%	11,262,422	3.40%	22,087,054	3.79%	49,013,779	3.98%	133,072,021	3.09%
Commercial and other accounts payable	102,836,672	0.00%	13,039,417	0.00%	0	0.00%	0	0.00%	982,075	0.00%
Totals	108,458,135		86,303,398		151,300,243		118,325,500		847,035,332	

Liquidity risk is periodically monitored in order to perceive, detect and correct deviations in order to minimize possible impacts on results.

iii. Interest rate risk

The Company has a tariff structure that combines fixed and variable rates as detailed below:

Debt instruments	Rate	%
Bank loans	Variable	11.11%
Bonds	Fixed	67.68%
RFC (Promissory notes)	Fixed	21.21%
Total		100.00%

Interest rate sensitization analysis

A rate analysis is performed, with respect to the BAR (Banking Active Rate), assuming that all other variables remain constant. The method consists of measuring the positive or negative change in nominal BARs at the reporting date relative to the average BAR of the last loan fixing.

The analysis is based on historical data with respect to the average daily market price of the BAR of 180 days of the last 3 years at the presentation of the report, with a 95% confidence level.

Company	Nominal debt amount (Th\$)	Variable rate	Points (+/-)	Annual impact on results (Th\$) (+/-)
Inversiones Aguas Metropolitanas S.A. Consolidated	96,172,482	TAB 180 days	88.8	854,103

8.6 Cash equivalents

The breakdown by type of financial instruments in each company is as follows:

Company	Instruments	31-12-2017 Th\$	31-12-2016 Th\$
Inversiones Aguas Metropolitanas S.A.	Mutual funds	962,605	1,183,548
Aguas Andinas S.A.	Term deposit	0	25,015,658
Aguas Andinas S.A.	Mutual funds	1,699,440	0
Aguas Cordillera S.A.	Term deposit	0	8,887,528
Aguas Cordillera S.A.	Mutual funds	245,063	0
Aguas Manquehue S.A.	Term deposit	0	840,410
Aguas del Maipo S.A.	Term deposit	0	90,016
Gestión y Servicios S.A.	Term deposit	0	930,418
Gestión y Servicios S.A.	Mutual funds	395,102	0
EcoRiles S.A.	Term deposit	0	1,420,575
EcoRiles S.A.	Mutual funds	382,099	0
Essal S.A.	Term deposit	12,682,088	0
Totals		16,366,397	38,368,153

The Company and Subsidiaries make investments with portfolio limits of a maximum of 40% of the total per issuing Institution, and limits for instruments corresponding to: mutual funds, 10% of the effective equity of the mutual fund, and for term deposits 10% of the effective equity of the bank.

8.7 Trade and other current and non-current accounts payable

The main items included in this account are as follows:

Trade and other accounts payable	Currency or Adjustment unit	31-12-2017 Th\$	31-12-2016 Th\$
Subcontractors	CLP	35,332,618	32,684,801
Dividends	CLP	32,090,463	34,433,863
Suppliers	CLP	27,349,912	17,844,211
Suppliers	USD	166,687	98,320
Suppliers	EUR	530,032	15,216
Accrued products and services	CLP	14,570,261	22,040,835
Staff	CLP	3,484,221	3,167,231
Documents payable	CLP	1,940,548	1,430,565
Others	CLP	411,347	596,978
Current sub-total		115,876,089	112,312,020
Potable water RFCs (promissory notes)	CLP	727,838	698,095
Suppliers	CLP	183,842	180,917
Various creditors	CLP	70,395	70,396
Non current sub-total		982,075	949,408
Current and non current total		116,858,164	113,261,428

Information regarding trade accounts billed by maturity is as follows:

TRADE ACCOUNTS

CURRENT FINANCIAL YEAR:

Current trade accounts according to term	31-12-2017			
	Goods Th\$	Services Th\$	Others Th\$	Total Th\$
Up to 30 days	5,073,112	12,596,035	532,266	18,201,413
Between 31 and 60 days	132,107	0	0	132,107
Between 61 and 90 days	0	11,330	0	11,330
Between 121 and 365 days	3,642,509	0	0	3,642,509
Totals	8,847,728	12,607,365	532,266	21,987,359

Overdue trade accounts by due date	31-12-2017			
	Goods Th\$	Services Th\$	Others Th\$	Total Th\$
Up to 30 days	68,501	2,477,956	46,012	2,592,469
Between 31 and 60 days	1,861,175	1,101,558	2,863	2,965,596
Between 61 and 90 days	276,955	50,860	14	327,829
Between 121 and 365 days	8,109	14,363	39	22,511
More than 365 days	0	150,849	18	150,867
Totals	2,214,740	3,795,586	48,946	6,059,272

PREVIOUS FINANCIAL YEAR:

Current trade accounts according to term	31-12-2016			
	Goods Th\$	Services Th\$	Others Th\$	Total Th\$
Up to 30 days	2,846,280	9,643,470	27,674	12,517,424
Between 31 and 60 days	174,050	408,025	0	582,075
Totals	3,020,330	10,051,495	27,674	13,099,499

Overdue trade accounts by due date	31-12-2016			
	Goods Th\$	Services Th\$	Others Th\$	Total Th\$
Up to 30 days	78,014	1,769,434	40,833	1,888,281
Between 31 and 60 days	1,597,188	333,270	9,418	1,939,876
Between 61 and 90 days	484,479	95,704	577	580,760
Between 121 and 365 days	134,880	198,384	2,907	336,170
More than 365 days	60	43,364	4,175	47,599
Up to 30 days	3,791	61,771	0	65,562
Totals	2,298,412	2,501,927	57,909	4,858,248

Consolidated Financial Statements

8.8 Fair value of financial instruments

Fair value of financial instruments carried at amortized cost.

The fair values of the main financial assets and liabilities, including those that are not presented at fair value in the consolidated financial position statement, are summarized below:

31-12-2017		
	Amortized cost Th\$	Fair value Th\$
CASH EQUIVALENTS		
Investments held at fair value	16,366,397	16,366,397
Fixed-term deposits, level 1	12,682,088	12,682,088
Mutual funds, level 1	3,684,309	3,684,309
OTHER FINANCIAL LIABILITIES		
Financial liabilities held at amortized cost	866,023,519	914,128,319
Bank debt, level 2	96,172,482	97,493,201
Bonds, level 1	586,097,978	632,882,059
RFC (promissory notes), level 3	183,753,059	183,753,059

Methodology and assumptions used in the calculation of fair value

The fair value of financial assets and liabilities was determined using the following methodology:

a) The amortized cost of term deposits and mutual funds is a good approximation of fair value because they are short-term transactions.

b) The amortized cost of AFR liabilities is a good approximation of fair value, since they are illiquid market operations, the rate applied corresponds to that stated in the regulation (DFL No. 70).

c) The fair value of the bonds was determined based on market price references, since these instruments are traded in the market under standard conditions and with a high degree of liquidity.

d) The fair value of bank debt was determined by discounting the cash flows of each loan (capital and interest disbursements) at an interpolated swap rate corresponding to the remaining term. This term corresponds to the number of days counted between the closing date of the month of the Financial Statements, until the date corresponding to the disbursement of each flow.

Hierarchical recognition of fair value measurements in the Consolidated Financial Statements

- Level 1 corresponds to methodologies for measuring fair value through market shares (unadjusted) in active markets and considering the same valued assets and liabilities.
- Level 2 corresponds to fair value measurement methodologies using market price data, not included in Level 1, that are observable for the valued assets and liabilities, either directly (prices) or indirectly (derived from prices).
- Level 3 corresponds to fair value measurement methodologies using valuation techniques, which include data on valued assets and liabilities that are not based on observable market data.

8.9 Other non-current financial assets

It relates mainly to the acquisition of shares of Sociedad Eléctrica Puntilla S.A. (EPSA) for an amount of Th\$7,790,217 and Th\$7,774,928 as of December 31, 2017 and 2016, respectively (note 2.2, letter h, ii), over which the Group has no control or significant influence. The balances of Th\$17,517 in both financial years correspond to other financial investments.

Associated to this acquisition, an obligation is maintained with the Asociación Sociedad de Canalistas del Maipo, with reference to the commitment not to move the water rights in force at the date of the contract for an amount of Th\$7,294,709 as of December 31, 2017 and 2016.

Note 9. Information To Be
Disclosed About Related
Companies

Balances and transactions with related parties

Transactions between the Company and its Subsidiaries are carried out under market conditions. These transactions have been eliminated in the consolidation process and are not broken down in this note.

Accounts receivable from related parties

Accounts receivable from related parties are originated in Chile, the currency type of the transactions is in Pesos and the maturities are 30 days.

Tax ID of the related party	Name of related party	Nature of the relationship	Nature of the transactions with related parties	Guarantee	31-12-2017 Th\$	31-12-2016 Th\$
77.329.730-4	Suez Inversiones Aguas del Gran Santiago Ltda.	Controller	Laboratory analyses and sampling services	No guarantee	366	0
76.746.454-1	Suez Biofactoría Andina Spa.	Related to the controller	Insurance collection, La Farfana	UF 7,656.06	205,168	0
76.746.454-1	Suez Biofactoría Andina Spa.	Related to the controller	Insurance collection, Trebal	UF 10,377.4	278,096	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Laboratory analyses and sampling services	No guarantee	8,138	3,504
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Laboratory analyses and sampling services	No guarantee	19,485	80,693
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Pipelines Cleaning Contract	No guarantee	0	1,080
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Bidding Rules for Tenders	No guarantee	66	66
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Consultancy performed by support for technical inspection of effluent treatment plants in CMPC Santa Fe. Frutos del Maipo Project	No guarantee	33,628	21,978
59.066.560-6	Suez International	Related to the controller	Discount of down payment for equipment supply, assembly and commissioning of the second stage of the Mapocho sewage treatment plant, module 4	Guarantee of faithful fulfillment of contract for UF218,320	0	1,140,331
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Sales of materials	No guarantee	15,287	28,215
Total					560,234	1,275,867

Consolidated Financial Statements

Inversiones Aguas Metropolitanas S.A. and Subsidiaries
Notes to Consolidated Financial Statements

Accounts payable to related companies

Accounts payable to related companies are originated in Chile, the type of currency of the transactions is in Pesos.

Tax ID of the related party	Name of related party	Nature of the relationship	Nature of the transactions with related parties	Terms	Guarantees	31-12-2017 Th\$	31-12-2016 Th\$
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Hydraulic Efficiency Project	30 days	Guarantee faithful fulfillment of contract, Amount UF: 14,992	0	274,911
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Cleaning service contract for potable water networks (Ice- Pigging)	30 days	Guarantee faithful fulfillment of contract, Amount Th\$26,600	0	107,442
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Construction and expansion of the La Unión sludge line	30 days	Guarantee faithful fulfillment of contract, Amount Th\$47,110	0	23,359
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Río Bueno sludge plant	30 days	No guarantee	0	11,477
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Operation and safety update service for Tranque Pudeto and Gamboa.	30 days	Guarantee faithful fulfillment of contract, Th\$705	0	14,729
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Service and modeling of chañaral plant odor panels.	30 days	No guarantee	0	14,084
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CCO 2.0 Operational Control Center Upgrade Project	30 days	Guarantee faithful fulfillment of contract, Amount \$30,899	1,079,276	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	SCADA Platform	30 days	No guarantee	7,115	20,210
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	San Antonio Arsenic Plant	30 days	Guarantee faithful fulfillment of contract,, Amount o\$24,264	1,786,747	2,210,511
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Chamisero Plant	30 days	Guarantee faithful fulfillment of contract, Amount UF 66,809.74	7,129,098	2,233,069
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Talagante plant expansion	30 days	No guarantee	932,641	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Sharing Payment	30 days	No guarantee	11,131	0
76.746.454-1	Suez Biofactoría Andina Spa.	Related to the controller	Biofactory adaptation plan for the La Farfana treatment plant	30 days	Guarantee faithful fulfillment of contract, Amount UF 1,048,050	3,260,791	0
76.746.454-1	Suez Biofactoría Andina Spa.	Related to the controller	Nitrogen removal and adaptation plan for biofactories of the Mapocho-Trebal treatment plant.	30 days	Guarantee faithful fulfillment of contract, Amount UF 1,048,050	3,718,527	0
65.113.732-2	Corporación Chilena de Investigación del Agua SpA.	Related to the controller	Study on hydraulic infrastructure management models	30 days	No guarantee	184,854	0
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Virtual Platform, Siebel	30 days	No guarantee	113,361	295,079
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Purchase of materials	60 days	Guarantee faithful fulfillment of contract Amount Th\$279,298	815,433	170,957
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Implementation of the geographic information system Essal S.A.	30 days	Guarantee faithful fulfillment of contract Amount UF887	6,579	14,164
76.046.628-K	Asterión S.A.	Related to the controller	Evolutionary maintenance consulting service	30 days	No guarantee	188,612	0
76.046.628-K	Asterión S.A.	Related to the controller	Service contract for process re-engineering and implementation of new customer service information systems	30 days	Guarantee faithful fulfillment of contract for Th\$845,149	142,137	157,544
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Operation and maintenance services, La Farfana Wastewater Treatment Plant	30 days	Securitize strict compliance with the obligations arising from the contract, Amount UF194,249.62	0	3,296,972

Consolidated Financial Statements

Tax ID of the related party	Name of related party	Nature of the relationship	Nature of the transactions with related parties	Terms	Guarantees	31-12-2017 Th\$	31-12-2016 Th\$
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Digester operation, maintenance and rehabilitation services for the Trebal-Mapocho Sewage Treatment Plant	90 days	Guarantee faithful fulfillment of contract for UF357,863	2,563,461	2,363,175
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Biogas Plant Operation Services	30 days	No guarantee	105,347	79,376
96.799.790-0	Servicios y Proyectos Ambientales S.A.	Related to the controller	Environmental monitoring services	30 days	No guarantee	3,377	0
Sin Rut	Aqua Development Network S.A.	Related to the controller	Integrated talent management contract	30 days	No guarantee	277,451	44,165
77.329.730-4	Suez Inversiones Aguas del Gran Santiago Ltda.	Related to the controller	Dividends payable	30 days	No guarantee	11,915,138	12,614,305
96.817.230-1	EPSA Electrica Puntilla S.A.	Related to the controller	Reliquidation for electrical supply	30 days	No guarantee	11,013	9,044
70.009.410-3	Asociación canalistas sociedad del canal del Maipo	Related to the controller	Chamisero Plant, Batuco channel	30 days	No guarantee	10,000	0
65.113.732-2	Corporación Chilena de Investigación del Agua SpA.	Related to the controller	Consultancies and Advisories	30 days	No guarantee	0	69,466
B63152664	Suez España	Related to the controller	Performance management system	30 days	No guarantee	79	0
59.066.560-6	Suez International	Related to the controller	Status of payment for equipment supplies, assembly and commissioning of the second stage of the Mapocho Wastewater Treatment Plant, module 4	30 days	Guarantee faithful fulfillment of contract for UF 218,320	220,514	4,169,732
Total						31,919,222	28,193,771

Consolidated Financial Statements

Transactions with related parties

Transactions with related parties are originated in Chile, and the currency type of the transactions is Pesos.

The materiality criterion for reporting transactions with related parties is for accumulated amounts in excess of Th\$100,000.

Tax ID of the related party	Name of related party	Nature of the relationship	Nature of the transactions with related parties	31-12-2017 Th\$		31-12-2016 Th\$	
				Amount	Effects on Income (Charge) / Credit	Amount	Effects on Income (Charge) / Credit
79.046.628-K	Asterión S.A.	Related to the controller	Service contract for process re-engineering and implementation of new customer service information systems	1,019,235	-1,019,235	799,652	-743,230
Sin Rut	Aqua Development Network	Related to the controller	Integrated talent management contract	1,003,829	-1,003,829	753,429	-753,429
76.080.553-K	Suez Advanced Solutions Chile Ltda.	Related to the controller	Purchase of materials	2,264,623	-2,201,648	2,275,124	-1,594,194
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Ice-Pigging Contract Service	0	0	303,081	-303,081
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Chamisero Plant	6,302,180	-58,306	3,675,000	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	Hydraulic Efficiency Project	20,650	0	179,218	-83,218
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	San Antonio Arsenic Plant	1,710,756	-11,600	3,040,561	0
77.441.870-9	Suez Medioambiente Chile S.A.	Related to the controller	CCO 2.0 Operational Control Center Upgrade Project	3,113,835	-63,670	0	0
59.066.560-6	Suez International	Related to the controller	Equipment supplies, assembly and commissioning of the second stage of the Mapocho sewage treatment plant, module 4	3,631,109	0	22,144,406	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	Digester operation, maintenance and rehabilitation services for the Trebal-Mapocho Sewage Treatment Plant	8,445,350	-5,239,223	12,169,065	-10,853,222
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	Operation and maintenance services of the La Farfana Wastewater Treatment Plant	12,764,170	-10,143,011	17,170,776	-13,513,945
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	Operation and maintenance services for Biogas plant	329,351	-329,351	217,048	-217,048
76.746.454-1	Suez Biofactoría Andina spa.	Related to the controller	Operation and maintenance of water treatment plant, Trebal plant construction works	12,086,671	-9,019,614	0	0
96.817.230-1	EPSA Eléctrica Puntilla S.A.	Common director	Lower flow compensation	443,287	-443,287	141,515	-141,515
65.113.732-2	Corporación Chilena de Investigación del Agua SpA.	Related to the controller	Study on models for the management of resilient urban water infrastructures in relation to hydrological and geological risks, valorization of sludge.	379,828	-246,888	0	0
77.329.730-4	Suez Inversiones Aguas del Gran Santiago Ltda.	Controller	Dividends paid	37,727,636	0	35,818,348	0

Consolidated Financial Statements

Remunerations paid to the directors of Inversiones Aguas Metropolitanas S. A. and Subsidiaries and directors' committees

	31-12-2017 Th\$	31-12-2016 Th\$
Board of directors	803,576	807,396
Directors' committee	108,073	90,726
Total	911,649	898,122

They correspond solely to fees associated with their functions defined and agreed at the Ordinary Shareholders' Meeting.

At the end of 2017, 93 professionals were on the payroll for managers and senior executives of the company and its subsidiaries. Total compensation received in the year was \$9,478 billion, and the compensation for senior executive years of service was \$61 million.

Detail of related companies and transactions with companies related to the Directors and Executives

The Company's management is not aware of any transactions between related parties and directors and/or executives, other than their daily subsistence allowances and compensation.

Note 10. Inventories

The breakdown by class of inventories as of December 31, 2017 and 2016 is as follows:

INVENTORIES CLASSES	31-12-2017 Th\$	31-12-2016 Th\$
Goods	2,645,500	2,423,788
Supplies for production	1,177,531	752,216
Other inventories	102,347	133,941
Totals	3,925,378	3,309,945

The cost of inventories recognized as an expense in the income statement as of December 31, 2017 and 2016 amounts to Th\$11,339,400 y Th\$11,127,313, respectively.

Note 11. Intangible Assets Other Than Capital Gains

The following disclosures are required with respect to the Company's intangible assets, in accordance with IAS 38 Intangible Assets:

	31-12-2017 Th\$	31-12-2016 Th\$
Net intangible assets	227,084,499	227,951,484
Trademarks, net	13,000	13,000
Computer software, net	7,910,586	9,203,521
Other intangible assets, net*	219,160,913	218,734,963
Gross intangible assets	280,804,446	276,075,948
Trademarks, gross	13,000	13,000
Computer software, gross	48,876,011	44,760,678
Other intangible assets, gross *	231,915,435	231,302,270
Intangible assets, accrued amortization	-53,719,947	-48,124,464
Computer programs, accumulated amortization	-40,965,425	-35,557,157
Other intangible assets, accumulated amortization	-12,754,522	-12,567,307

* Corresponds to water rights, easements and others.

MOVEMENTS IN INTANGIBLE ASSETS AS OF DECEMBER 31, 2017

MOVEMENTS IN INTANGIBLE ASSETS	Net trademarks Th\$	Net computer programs Th\$	Other intangible assets, Net Th\$	Total Th\$
Initial balance as of 01-01-2017	13,000	9,203,521	218,734,963	227,951,484
Amortization	0	-5,408,268	-187,215	-5,595,483
Increases (decreases) due to transfers	0	1,836,974	-158	1,836,816
Increases (decreases) due to other changes	0	2,278,359	625,874	2,904,233
Disposals and decommissioning	0	0	-12,551	-12,551
Total changes	0	-1,292,935	425,950	-866,985
Final balance as of 31-12-2017	13,000	7,910,586	219,160,913	227,084,499

MOVEMENTS IN INTANGIBLE ASSETS AS OF DECEMBER 31, 2016

MOVEMENTS IN INTANGIBLE ASSETS	Net trademarks Th\$	Net computer programs Th\$	Other intangible assets, Net Th\$	Total Th\$
Initial balance as of 01-01-2016	13,000	11,875,731	218,638,958	230,527,689
Amortization	0	-5,517,912	-187,215	-5,705,127
Increases (decreases) due to transfers	0	850,639	-36,626	814,013
Increases (decreases) due to other changes	0	1,995,063	581,823	2,576,886
Disposals and decommissioning	0	0	-261,977	-261,977
Total changes	0	-2,672,210	96,005	-2,576,205
Final balance as of 31-12-2016	13,000	9,203,521	218,734,963	227,951,484

Detailed disclosures about intangible assets (gross value)

CURRENT FINANCIAL YEAR: DECEMBER 31, 2017

MOVEMENTS IN INTANGIBLE ASSETS	Gross trademarks Th\$	Gross computer programs Th\$	Other intangible assets, gross Th\$	Total Th\$
Initial balance as of 01-01-2017	13,000	44,760,678	231,302,270	276,075,948
Increases (decreases) due to transfers	0	1,836,974	-158	1,836,816
Increases (decreases) due to other changes	0	2,278,359	625,874	2,904,233
Disposals and decommissioning	0	0	-12,551	-12,551
Total changes	0	4,115,333	613,165	4,728,498
Final balance as of 31-12-2017	13,000	48,876,011	231,915,435	280,804,446

PREVIOUS FINANCIAL YEAR: DECEMBER 31, 2016

MOVEMENTS IN INTANGIBLE ASSETS	Gross trademarks Th\$	Gross computer programs Th\$	Other intangible assets, gross Th\$	Total Th\$
Initial balance as of 01-01-2016	13,000	41,889,777	231,019,050	272,921,827
Increases (decreases) due to transfers	0	880,240	-36,626	843,614
Increases (decreases) due to other changes	0	1,995,063	581,823	2,576,886
Disposals and decommissioning	0	-4,402	-261,977	-266,379
Total changes	0	2,870,901	283,220	3,154,121
Final balance as of 31-12-2016	13,000	44,760,678	231,302,270	276,075,948

Detailed disclosures about intangible assets (accrued amortization)

CURRENT FINANCIAL YEAR: DECEMBER 31, 2017

MOVEMENTS IN INTANGIBLE ASSETS	trademarks, accrued amortization Th\$	Computer programs, accrued amortization Th\$	Other intangible assets, accrued amortization Th\$	Total Th\$
Initial balance as of 01-01-2017	0	-35,557,157	-12,567,307	-48,124,464
amortization	0	-5,408,268	-187,215	-5,595,483
Total changes	0	-5,408,268	-187,215	-5,595,483
Final balance as of 31-12-2017	0	-40,965,425	-12,754,522	-53,719,947

PREVIOUS FINANCIAL YEAR: DECEMBER 31, 2016

MOVEMENTS IN INTANGIBLE ASSETS	trademarks, accrued amortization Th\$	Computer programs, accrued amortization Th\$	Other intangible assets, accrued amortization Th\$	Total Th\$
Initial balance as of 01-01-2016	0	-30,014,046	-12,380,092	-42,394,138
Amortization	0	-5,517,913	-187,215	-5,705,128
Increases (decreases) due to transfers	0	-29,600	0	-29,600
Disposals and decommissioning	0	4,402	0	4,402
Total changes	0	-5,543,111	-187,215	-5,730,326
Final balance as of 31-12-2016	0	-35,557,157	-12,567,307	-48,124,464

Detail of significant individual intangible assets (others):

Water rights and easements are the main intangible assets of indefinite service life and their breakdown by company is as follows:

COMPANY	31-12-2017			31-12-2016		
	Water rights Th\$	Easements Th\$	Others Th\$	Water rights Th\$	Easements Th\$	Others Th\$
Aguas Andinas S.A.	76,364,281	8,407,422	4,761,309	76,262,225	8,296,216	4,949,427
Aguas Cordillera S.A.	92,732,686	7,761,932	0	92,702,860	7,761,746	0
Aguas Manquehue S.A.	21,954,837	866,673	0	21,814,071	744,190	0
Essal S.A.	5,609,125	1,095,557	0	5,509,828	1,087,305	0
Aguas del Maipo S.A.	13,700	0	0	13,700	0	0
Ecoriles S.A.	13,700	0	0	13,700	0	0
Gestión y Servicios S.A.	13,700	0	0	13,700	0	0
Análisis Ambientales S.A.	13,700	0	0	13,700	0	0
Total	196,715,729	18,131,584	4,761,309	196,343,784	17,889,457	4,949,427

Consolidated Financial Statements

Intangible assets with indefinite service lives

Both water rights and easements are rights held by the Company for which it is not possible to establish a finite service life, that is, the terms of the economic benefits associated with these assets are indefinite. Both assets constitute legal rights that will not extinguish and are not subject to restrictions.

Commitments for the acquisition of intangible assets

The intangible asset acquisition commitments for 2018 relate to water rights, easements and computer programs necessary for the normal operation of the Group companies and, in particular, for the new works under development or prior stages of study, as well as the expansion of the concession areas, which are presented below:

COMPANY	Th\$
Aguas Andinas S.A.	1,529,470
Aguas Cordillera S.A.	10,000
Aguas Manquehue S.A.	50,000
Essal S.A.	310,000
Total	1,899,470

Note 12. Capital Gains

The detail of the capital gains on the various Cash Generating Units (CGUs) or groups thereof to which they are assigned as of December 31, 2017 and 2016 is as follows:

RUT	Company	31-12-2017 Th\$	31-12-2016 Th\$
61.808.000-5	Aguas Andinas S.A.	271,348,419	271,348,419
96.809.310-k	Aguas Cordillera S.A.	33,823,049	33,823,049
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	343,332	343,332
96.897.320-7	Inversiones Iberaguas Ltda.	2,066,631	2,066,631
Total		307,581,431	307,581,431

Note 13. Property, Plant And Equipment

PROPERTY, PLANT AND EQUIPMENT	Net values		Gross values		Accrued depreciation	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016	31-12-2017	31-12-2016
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	160,461,335	160,070,637	160,461,335	160,070,637	0	0
Buildings	79,601,087	74,440,293	111,011,034	103,580,338	-31,409,947	-29,140,045
Machinery	120,339,611	99,319,683	363,890,587	318,823,106	-243,550,976	-219,503,423
Transport Equipment	1,338,100	1,885,570	5,912,615	6,341,474	-4,574,515	-4,455,904
Equipment and accessories	1,320,029	706,186	6,030,116	5,297,680	-4,710,087	-4,591,494
Computer equipment	3,660,235	2,660,578	13,927,703	11,410,302	-10,267,468	-8,749,724
Lease rights improvements	64,266	61,285	597,279	611,414	-533,013	-550,129
Construction in progress	156,563,062	180,506,784	156,563,062	180,506,784	0	0
Complementary works	22,349,067	21,252,123	43,248,022	40,632,428	-20,898,955	-19,380,305
Production Facilities	167,598,083	162,939,794	316,220,864	305,539,500	-148,622,781	-142,599,706
Potable water networks	174,661,097	163,124,828	492,846,317	474,364,900	-318,185,220	-311,240,072
Sewerage networks	246,165,604	247,188,146	519,580,232	508,150,937	-273,414,628	-260,962,791
Wastewater treatment plants	169,331,810	143,756,791	228,440,366	197,861,144	-59,108,556	-54,104,353
Other Facilities	48,103,767	36,448,254	150,469,536	131,523,642	-102,365,769	-95,075,388
Non-operating assets	230,781	239,851	2,023,017	2,187,881	-1,792,236	-1,948,030
Totals	1,351,787,934	1,294,600,803	2,571,222,085	2,446,902,167	-1,219,434,151	-1,152,301,364

Inversiones Aguas Metropolitanas S.A. and Subsidiaries
Notes to Consolidated Financial Statements

Information on the main investments of the Group companies is presented in the following table:

PROPERTY, PLANT AND EQUIPMENT, NET	31-12-2017 Th\$	Aguas Andinas S.A %	Aguas Cordillera S.A %	Aguas Manquehue S.A %	Essal S.A %	Others %
Land	160,461,335	75%	13%	1%	11%	0%
Buildings	79,601,087	75%	4%	2%	17%	3%
Machinery	120,339,611	80%	5%	2%	11%	2%
Transport equipment	1,338,100	88%	0%	0%	9%	3%
Equipment and accessories	1,320,029	67%	1%	0%	12%	20%
Computer equipment	3,660,235	87%	0%	0%	11%	2%
Lease rights improvements	64,266	9%	0%	0%	0%	91%
Construction in progress	156,563,062	57%	11%	12%	15%	4%
Complementary works	22,349,067	81%	4%	3%	11%	1%
Production Facilities	167,598,083	64%	15%	13%	8%	0%
Potable water networks	174,661,097	68%	17%	2%	13%	0%
Sewerage networks	246,165,604	83%	2%	4%	11%	0%
Wastewater treatment plants	169,331,810	93%	0%	0%	6%	0%
Other Facilities	48,103,767	75%	7%	6%	11%	2%
Non-operating assets	230,781	32%	68%	0%	0%	0%
Totals	1,351,787,934	75%	8%	5%	11%	1%

In accordance with IAS 16 paragraph 79 (d), the Group presents information regarding the fair value of its main assets:

CLASSES OF ASSETS	Cost	Fair value
	31-12-2017	
	Th\$	Th\$
Buildings	79,601,087	114,676,687
Complementary works	22,349,067	36,941,486
Production Facilities	167,598,083	281,365,270
Potable water networks	174,661,097	408,471,886
Sewerage networks	246,165,604	425,156,518
Wastewater treatment plants	169,331,810	186,999,132
Other Facilities	48,103,767	48,899,019
Machines and equipment	120,339,611	136,909,773
Totals	1,028,150,126	1,639,419,771

Consolidated Financial Statements

Reconciliation of changes in property, plant and equipment by class

As stated in IAS 16 paragraph 73, information is provided for each class of property, plant and equipment of the company.

MOVEMENTS OF PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2017 (NET)

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (decreases) due to transfers from constructions in progress Th\$	Increases (decreases) due to other changes Th\$	Disposals and decommissioning Th\$	Total changes Th\$	Final balance Th\$
Land	160,070,637	0	3,785	641,797	-254,884	390,698	160,461,335
Buildings	74,440,293	-2,172,183	8,178,116	-805,590	-39,549	5,160,794	79,601,087
Machinery	99,319,683	-24,663,898	34,940,644	10,925,891	-182,709	21,019,928	120,339,611
Transport Equipment	1,885,570	-507,105	107,734	35,620	-183,719	-547,470	1,338,100
Equipment and accessories	706,186	-176,375	431,694	358,524	0	613,843	1,320,029
Computer equipment	2,660,578	-1,529,569	1,174,846	1,354,380	0	999,657	3,660,235
Lease rights improvements	61,285	-29,654	32,239	396	0	2,981	64,266
Construction in progress	180,506,784	0	-114,682,738	90,797,576	-58,560	-23,943,722	156,563,062
Complementary works	21,252,123	-1,535,090	2,351,518	282,036	-1,520	1,096,944	22,349,067
Production facilities	162,939,794	-6,029,543	9,821,279	866,553	0	4,658,289	167,598,083
Potable water networks	163,124,828	-7,164,493	7,189,676	11,511,813	-727	11,536,269	174,661,097
Sewerage networks	247,188,146	-12,445,369	3,849,660	7,573,167	0	-1,022,542	246,165,604
Wastewater treatment plants	143,756,791	-5,041,328	28,827,826	1,837,109	-48,588	25,575,019	169,331,810
Other Facilities	36,448,254	-7,502,170	15,936,914	3,221,057	-288	11,655,513	48,103,767
Non-operating assets	239,851	-9,070	0	0	0	-9,070	230,781
Property, plant and equipment classes, net	1,294,600,803	-68,805,847	-1,836,807	128,600,329	-770,544	57,187,131	1,351,787,934

Consolidated Financial Statements

MOVEMENTS OF PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2016 (NET VALUE)

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (decreases) due to transfers from constructions in progress Th\$	Increases (decreases) due to other changes Th\$	Disposals and decommissioning Th\$	Total changes Th\$	Final balance Th\$
Land	160,423,927	0	39,568	-374,897	-17,961	-353,290	160,070,637
Buildings	74,367,058	-1,996,991	1,216,496	906,270	-52,540	73,235	74,440,293
Machinery	103,877,227	-21,106,408	15,233,248	1,519,751	-204,135	-4,557,544	99,319,683
Transport Equipment	2,140,112	-544,319	61,542	245,023	-16,788	-254,542	1,885,570
Equipment and accessories	688,124	-114,232	45,651	86,646	-3	18,062	706,186
Computer equipment	2,487,704	-1,294,088	250,610	1,216,474	-122	172,874	2,660,578
Lease rights improvements	83,068	-27,893	1,356	4,754	0	-21,783	61,285
Construction in progress	144,232,818	0	-47,756,099	85,246,536	-1,216,471	36,273,966	180,506,784
Complementary works	21,048,281	-1,453,845	908,308	749,626	-247	203,842	21,252,123
Production Facilities	149,021,755	-5,722,133	15,733,702	4,040,989	-134,519	13,918,039	162,939,794
Potable water networks	155,110,210	-6,771,912	6,963,502	7,823,028	0	8,014,618	163,124,828
Sewerage networks	250,020,266	-11,901,067	2,463,372	6,605,575	0	-2,832,120	247,188,146
Wastewater treatment plants	147,687,828	-4,450,160	120,471	557,909	-159,257	-3,931,037	143,756,791
Other Facilities	36,724,335	-5,919,380	3,853,169	1,790,281	-151	-276,081	36,448,254
Non-operating assets	241,199	-9,228	21,475	-13,595	0	-1,348	239,851
Property, plant and equipment classes, net	1,248,153,912	-61,311,656	-843,629	110,404,370	-1,802,194	46,446,891	1,294,600,803

Consolidated Financial Statements

DETAILED DISCLOSURES ABOUT PROPERTY, PLANT AND EQUIPMENT (GROSS VALUE)
CURRENT FINANCIAL YEAR: DECEMBER 31, 2017

CONCEPT	Initial balance Th\$	Increases (decreases) due to transfers from constructions in progress Th\$	Increases (decreases) due to other changes Th\$	Disposals and decommissioning Th\$	Total changes Th\$	Final balance Th\$
Land	160,070,637	3,785	641,797	-254,884	390,698	160,461,335
Buildings	103,580,338	8,178,116	-667,990	-79,430	7,430,696	111,011,034
Machinery	318,823,106	34,940,644	10,927,824	-800,987	45,067,481	363,890,587
Transport Equipment	6,341,474	107,734	48,432	-585,025	-428,859	5,912,615
Equipment and accessories	5,297,680	431,694	358,524	-57,782	732,436	6,030,116
Computer equipment	11,410,302	1,174,846	1,354,941	-12,386	2,517,401	13,927,703
Lease rights improvements	611,414	32,239	396	-46,770	-14,135	597,279
Construction in progress	180,506,784	-114,682,738	90,797,576	-58,560	-23,943,722	156,563,062
Complementary works	40,632,428	2,351,518	282,036	-17,960	2,615,594	43,248,022
Production Facilities	305,539,500	9,821,279	860,085	0	10,681,364	316,220,864
Potable water networks	474,364,900	7,189,676	11,510,182	-218,441	18,481,417	492,846,317
Sewerage networks	508,150,937	3,849,660	7,579,635	0	11,429,295	519,580,232
Wastewater treatment plants	197,861,144	28,827,826	1,836,148	-84,752	30,579,222	228,440,366
Other Facilities	131,523,642	15,936,914	3,070,743	-61,763	18,945,894	150,469,536
Non-operating assets	2,187,881	0	0	-164,864	-164,864	2,023,017
Property, plant and equipment classes, gross	2,446,902,167	-1,836,807	128,600,329	-2,443,604	124,319,918	2,571,222,085

Consolidated Financial Statements

PREVIOUS FINANCIAL YEAR: DECEMBER 31, 2016

CONCEPT	Initial balance Th\$	Increases (decreases) due to transfers from constructions in progress Th\$	Increases (decreases) due to other changes Th\$	Disposals and decommissioning Th\$	Total changes Th\$	Final balance Th\$
Land	160,423,927	39,568	-374,897	-17,961	-353,290	160,070,637
Buildings	101,522,741	1,216,496	906,270	-65,169	2,057,597	103,580,338
Machinery	303,933,280	15,233,248	1,506,349	-1,849,771	14,889,826	318,823,106
Transport Equipment	6,455,054	61,542	258,134	-433,256	-113,580	6,341,474
Equipment and accessories	5,176,598	45,651	86,674	-11,243	121,082	5,297,680
Computer equipment	10,186,447	250,610	1,216,459	-243,214	1,223,855	11,410,302
Lease rights improvements	605,304	1,356	4,754	0	6,110	611,414
Construction in progress	144,232,818	-47,756,099	85,246,536	-1,216,471	36,273,966	180,506,784
Complementary works	38,974,876	908,308	749,625	-381	1,657,552	40,632,428
Production Facilities	286,207,959	15,733,702	4,024,156	-426,317	19,331,541	305,539,500
Potable water networks	459,581,460	6,963,502	7,819,938	0	14,783,440	474,364,900
Sewerage networks	499,081,889	2,463,372	6,605,676	0	9,069,048	508,150,937
Wastewater treatment plants	197,838,500	120,471	557,045	-654,872	22,644	197,861,144
Other Facilities	125,917,608	3,853,169	1,784,431	-31,566	5,606,034	131,523,642
Non-operating assets	2,180,001	21,475	-13,595	0	7,880	2,187,881
Property, plant and equipment classes, gross	2,342,318,462	-843,629	110,377,555	-4,950,221	104,583,705	2,446,902,167

Consolidated Financial Statements

DETAILED DISCLOSURES ABOUT PROPERTY, PLANT AND EQUIPMENT (ACCUMULATED DEPRECIATION)
CURRENT FINANCIAL YEAR: DECEMBER 31, 2017

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (decreases) due to other changes Th\$	Disposals and decommissioning Th\$	Total changes Th\$	Final balance Th\$
Land	-29,140,045	-2,172,183	-137,600	39,881	-2,269,902	-31,409,947
Buildings	-219,503,423	-24,663,898	-1,933	618,278	-24,047,553	-243,550,976
Machinery	-4,455,904	-507,105	-12,812	401,306	-118,611	-4,574,515
Transport Equipment	-4,591,494	-176,375	0	57,782	-118,593	-4,710,087
Equipment and accessories	-8,749,724	-1,529,569	-561	12,386	-1,517,744	-10,267,468
Computer equipment	-550,129	-29,654	0	46,770	17,116	-533,013
Lease rights improvements	-19,380,305	-1,535,090	0	16,440	-1,518,650	-20,898,955
Construction in progress	-142,599,706	-6,029,543	6,468	0	-6,023,075	-148,622,781
Complementary works	-311,240,072	-7,164,493	1,631	217,714	-6,945,148	-318,185,220
Production Facilities	-260,962,791	-12,445,369	-6,468	0	-12,451,837	-273,414,628
Potable water networks	-54,104,353	-5,041,328	961	36,164	-5,004,203	-59,108,556
Sewerage networks	-95,075,388	-7,502,170	150,314	61,475	-7,290,381	-102,365,769
Wastewater treatment plants	-1,948,030	-9,070	0	164,864	155,794	-1,792,236
Property, plant and equipment classes, gross	-1,152,301,364	-68,805,847	0	1,673,060	-67,132,787	-1,219,434,151

Consolidated Financial Statements

PREVIOUS FINANCIAL YEAR: DECEMBER 31, 2016

CONCEPT	Initial balance Th\$	Depreciation Th\$	Increases (decreases) due to other changes Th\$	Disposals and decommissioning Th\$	Total changes Th\$	Final balance Th\$
Land	-27,155,683	-1,996,991	0	12,629	-1,984,362	-29,140,045
Buildings	-200,056,053	-21,106,407	13,402	1,645,635	-19,447,370	-219,503,423
Machinery	-4,314,942	-544,319	-13,111	416,468	-140,962	-4,455,904
Transport Equipment	-4,488,474	-114,232	-28	11,240	-103,020	-4,591,494
Equipment and accessories	-7,698,743	-1,294,088	15	243,092	-1,050,981	-8,749,724
Computer equipment	-522,236	-27,893	0	0	-27,893	-550,129
Lease rights improvements	-17,926,595	-1,453,845	1	134	-1,453,710	-19,380,305
Construction in progress	-137,186,204	-5,722,133	16,833	291,798	-5,413,502	-142,599,706
Complementary works	-304,471,250	-6,771,912	3,090	0	-6,768,822	-311,240,072
Production Facilities	-249,061,623	-11,901,067	-101	0	-11,901,168	-260,962,791
Potable water networks	-50,150,672	-4,450,160	864	495,615	-3,953,681	-54,104,353
Sewerage networks	-89,193,273	-5,919,380	5,850	31,415	-5,882,115	-95,075,388
Wastewater treatment plants	-1,938,802	-9,228	0	0	-9,228	-1,948,030
Property, plant and equipment classes, accumulated depreciation	-1,094,164,550	-61,311,655	26,815	3,148,026	-58,136,814	-1,152,301,364

Consolidated Financial Statements

Commitments for the acquisition of property, plant and equipment

The detail, by each consolidated Group company, of the amounts of future commitments to acquire property, plant and equipment for 2018 is as follows:

COMPANY	Th\$
Aguas Andinas S.A.	120,233,227
Aguas Cordillera S.A.	6,931,411
Aguas Manquehue S.A.	5,104,407
Essal S.A.	15,394,073
EcoRiles S.A.	77,128
Gestión y Servicios S.A.	35,000
Análisis Ambientales S.A.	163,200
Total	147,938,446

Temporarily idle elements of property, plant and equipment:

COMPANY	Gross value Th\$	Accumulated depreciation Th\$	Net value Th\$
Aguas Andinas S.A.	1,748,685	-1,674,326	74,359
Aguas Cordillera S.A.	274,332	-117,910	156,422
Total	2,023,017	-1,792,236	230,781

Note 14. Impairment Of Assets

Disclosures about impairment of assets per cash-generating unit

Each Company is defined as a Cash Generating Unit (CGU) as a whole, since each one individually is capable of generating future economic benefits and represents the smallest group of assets that generate independent cash flows. In accordance with the standard, the Company assesses, at each financial statement closing date, whether there is any indication of impairment of an asset. If such an indication exists, the Company shall estimate the recoverable amount of the asset. Assets with an indefinite service life and appreciation shall be tested for impairment at least at the end of the financial year or whenever there is evidence of impairment.

For intangible assets with indefinite service lives, water rights, a valuation study is carried out at market prices, which are compared with the values assigned as deemed cost at the date of adoption of IFRS standards.

For the lower values, the calculation of their value in use is carried out, considering the different companies as CGUs, using recent estimates of medium-term budgets, determining the different parameters according to widely used models in the market. The parameters are established through valid information for risk-free rates and which are specific to the relevant market, the service life of each company's own assets and the usual revenue growth rates for companies, taking into account population growth and changes in consumption over the years.

The Company and Subsidiaries perform annual impairment tests on intangible assets of indefinite service lives and lower value of investments.

As of December 31, 2017 and 2016, impairment tests were performed based on estimates and projections available to the Group. These estimates indicated that the profits attributable to the investments with lower associated values individually exceed their consolidated carrying amount in all cases, and the intangible assets with indefinite service lives were evaluated, resulting in a higher value than that recorded in the books.

Note 15. Provisions And Contingent Liabilities

A. Provisions

The breakdown of this account as of December 31, 2017 and 2016 is as follows:

CLASSES OF PROVISIONS	31-12-2017 Th\$	31-12-2016 Th\$
Provision for legal claims*	2,603,819	2,628,225
Other provisions, current	2,603,819	2,628,225
Other provisions, non current	1,301,105	1,277,574
Provisions, non current	1,301,105	1,277,574

* In accordance with the policy established by the Company's subsidiaries, regarding the treatment of the documents associated as collateral with the projects awarded to the Group companies, a charge to income was recognized for those cases in which the collateral is expected to be executed by the Company's customers.

The movement in current provisions for the year is as follows:

LEGAL CLAIMS	31-12-2017 Th\$	31-12-2016 Th\$
Initial provisions balance	2,628,225	547,288
Increase in existing provisions	302,543	2,561,407
Provision used	-161,112	-448,719
Other increase (decrease)	-165,837	-31,751
Changes in provisions, totals	-24,406	2,080,937
Totals	2,603,819	2,628,225

The description of the provisions included in this account is as follows:

1. LEGAL CLAIMS

The Company records the provision for court judgments in which it is highly likely that the result will be unfavorable to the Company and Subsidiaries.

The detail of the legal claims provisions that could affect the Company is as follows:

a) **Nature of the class of provision:** The Superintendence of Sanitation Services (SISS) has imposed fines on Aguas Andinas S.A. and its Subsidiaries due mainly to non-compliance with instructions and violation of the continuity and quality of service provided by the Company. The total of the claims filed in 2016 amounted to Th\$946,650, of which Th\$795,062 were paid prior to initiating the claims process.

Expected calendar of provision class outputs: Undetermined.

Uncertainties about the timing and amount of a provision class: It is considered that the Company did not incur the infringements and therefore it is estimated that the claims will be accepted.

b) **Nature of provision class:** The Superintendence of Sanitation Services initiated a sanction procedure against Aguas Andinas S.A. in relation to sewage overflows due to sewage collection obstruction in the municipalities of El Bosque and San Bernardo, which is currently under discussion.

Expected schedule of provision class outputs: Undetermined.

Uncertainties about the timing and amount of a provision class: The procedure initiated, fines Aguas Andinas for an amount of 301 UTA. An appeal for a reversal was made against this decision and has not been ruled on.

c) **Nature of provision class:** The Superintendence of Sanitation Services initiated two sanction procedures against Aguas Andinas S.A., regarding alleged breaches of Law 18.902, Article 11, letters a) b) and c), this due to of the potable water service interruptions caused by the rupture of the main pipeline in the municipality of Macul.

Expected schedule of provision class outputs: Undetermined.

Uncertainties about the timing and amount of a provision class: The fine procedure initiated against Aguas Andinas determines a readjusted amount of 101 UTA. The fine was paid prior to the claim.

Ruling was passed that reduced the fine to 81 UTA. The appraisal of the costs of the proceedings and personal costs regulation are pending.

- d) Nature of provision class:** The Metropolitan COREMA applied a fine of 500 UTM by Resolution No. 177/2004 of May 28, 2004 for alleged breach of the Environmental Qualification Resolution of the La Farfana Wastewater Treatment Plant.

Expected calendar of provision class outputs: Undetermined.

Uncertainties about the timing and amount of a provision class: 10% of the fine was paid in order to initiate the claim in court. An expert report issued by the Court is pending. The file is filed in the court archive. There is a medium chance that the claim will be accepted.

- e) Nature of provision class:** CONAMA applied a fine of 300 UTM by Resolution No. 069/2005 of February 17, 2005, for alleged infraction for bad smells coming from the La Farfana Wastewater Treatment Plant due to the removal of sludge from the drying field.

Expected calendar of provision class outputs: Undetermined.

Uncertainties about the timing and amount of a provision class: 10% of the fine was paid in order to initiate the claim in court; there is a low probability that the claim will be accepted. Notification of the first instance ruling is currently pending, which rejected the company's claim.

- f) Nature of provision class:** CONAMA applied a fine of 500 UTM for alleged non-compliance with RCA 458/01.

Expected calendar of provision class outputs: Undetermined.

Uncertainties about the timing and amount of a provision class:

10% of the fine was consigned in cash, prior to filing claims in court. A final ruling was issued rejecting the claim; Aguas Andinas S.A. filed an appeal against the ruling, which was accepted in all its parts overturning the fine. The defendant filed an appeal, which was accepted, so the outstanding amount must be consigned.

- g) Nature of provision class:** The Water utility Authority has applied administrative sanctions to the subsidiary Essal S.A.; a legal claim is in process of being filed by the Company.

Expected calendar of provision class outputs: Undetermined.

Uncertainties about the timing and amount of a provision class:

The legal claims corresponding to penalties imposed by the Chilean Treasury amount to Th\$63,369.

2. OTHER PROVISIONS, NON-CURRENT

This basically corresponds to the transaction dated on July 10, 2007, signed at the Notary Public's office of Mrs. María Gloria Acharan Toledo, between Aguas Cordillera S.A. and developers, in which it is assumed that in the event that in the future Aguas Cordillera S.A. withdraws and sells the land transferred to it, it must pay at least U.F. 52,273.29. Said amount will be added to the existing debt receivable with the developers.

B. Contingent liabilities

1. Aguas Andinas S.A. was sued in an ordinary lawsuit for damages for the damages allegedly suffered by Mining Company, for the installation of the company's infrastructure on land in which the plaintiff allegedly owns mining claims, causing the mining company an alleged damage by preventing the extraction of minerals. The

amount claimed amounts to Th\$1,093,564. The counterclaim was rejected in its entirety and Aguas Andinas was ordered to pay the sum of Th\$ 185,538. An appeal was filed and the appeal to the plaintiff was accepted.

2. On June 9, 2016 and as a result of a ruptured potable water main pipeline that affected the commune of Providencia, Aguas Andinas S.A. compensated the damages caused to third parties. In response to this emergency, the Company is being monitored and notified of the initiation of the sanctioning process by the Superintendence of Sanitation Services. The Company filed its discharges, pending ruling by the authority.
3. The Company was sued by the National Consumer Service regarding the supply interruptions that occurred in February and April 2017. The lawsuit seeks to have the court set fines and compensation for each of the users affected by the service interruption.
4. Aguas Andinas was sued by the Municipality of Providencia, regarding to the damages caused by the Failure of the Potable Water Main pipeline on June 9, 2016. The lawsuit filed in the 22nd Civil Court of Santiago, contemplates the payment of municipal fees for the execution of works carried out in the repair of affected roads as a result of flooding.

The Company and its Subsidiaries are party to other small claims lawsuits. It is considered that they will not have a material adverse effect on the financial statements of the respective companies.

Note 16. Guarantees And Restrictions

1. DIRECT GUARANTEES

Policies and guarantee letters of credit have been granted in favor of various institutions, among the main ones is the Superintendence of Sanitation Services; to guarantee the conditions for the provision of services and development programs of the concession areas of the company, SERVIU Metropolitano to guarantee replacement of pavements and to other institutions, for the sum of Th\$40,556,790 and Th\$33,458,982 as of December 31, 2017 and 2016, respectively.

The breakdown of the main guarantees exceeding Th\$10,000 is as follows:

Creditor of the Guarantee	Debtor name	Type of guarantee	31-12-2017 Th\$	31-12-2016 Th\$
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Andinas S.A.	Banking L/C	8,762,875	6,066,080
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Andinas S.A.	Banking L/C	7,608,765	7,507,300
Superintendencia de Servicios Sanitarios	Aguas Andinas S.A.	Banking L/C	6,932,974	6,457,521
Dirección de Obras Hidráulica	Aguas Andinas S.A.	Banking L/C	1,125,773	652,933
Municipalidad de La Florida	Aguas Andinas S.A.	Banking L/C	448,788	441,250
Constructora San Francisco	Aguas Andinas S.A.	Banking L/C	175,126	20,156
Dirección Regional de Vialidad	Aguas Andinas S.A.	Banking L/C	169,418	53,592
Municipalidad de Providencia	Aguas Andinas S.A.	Banking L/C	110,301	108,448
Municipalidad de La Reina	Aguas Andinas S.A.	Banking L/C	66,995	0
Comité Innovación Chile	Aguas Andinas S.A.	Banking L/C	64,634	0
Ruta del Maipo	Aguas Andinas S.A.	Banking L/C	53,596	0
CGE Distribución	Aguas Andinas S.A.	Banking L/C	53,349	0
Municipalidad de Peñalolen	Aguas Andinas S.A.	Banking L/C	43,516	42,785
Municipalidad de La Pintana	Aguas Andinas S.A.	Banking L/C	31,440	31,440
Municipalidad de Santiago	Aguas Andinas S.A.	Banking L/C	24,922	24,504
Municipalidad de Macul	Aguas Andinas S.A.	Banking L/C	18,812	18,496
Superintendencia de Servicios Sanitarios	Aguas Cordillera S.A.	Banking L/C	1,235,769	1,204,472
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Cordillera S.A.	Banking L/C	925,327	909,783

Creditor of the Guarantee	Debtor name	Type of guarantee	31-12-2017 Th\$	31-12-2016 Th\$
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Cordillera S.A.	Banking L/C	624,557	724,569
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Cordillera S.A.	Banking L/C	398,810	392,111
Sembcorp Utilities (Chile) S.A.	Aguas Cordillera S.A.	Banking L/C	305,231	300,103
Municipalidad de Las Condes	Aguas Cordillera S.A.	Banking L/C	173,000	173,790
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Banking L/C	99,448	17,126
Municipalidad de Vitacura	Aguas Cordillera S.A.	Banking L/C	53,596	52,696
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Manquehue S.A.	Banking L/C	1,418,460	1,193,440
Superintendencia de Servicios Sanitarios	Aguas Manquehue S.A.	Banking L/C	1,025,538	987,786
Municipalidad de Vitacura	Aguas Manquehue S.A.	Banking L/C	10,719	10,538
Superintendencia de Servicios Sanitarios	Essal S.A.	Banking L/C	2,667,164	2,287,664
Director de Obras Hidráulicas	Essal S.A.	Banking L/C	2,193,208	1,123,446
Servicio de Vivienda y Urbanismo	Essal S.A.	Banking L/C	276,616	146,231
Municipalidad de Paillaco	Essal S.A.	Banking L/C	221,538	0
Director de Vialidad	Essal S.A.	Banking L/C	127,046	15,809
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Banking L/C	86,962	76,212
Sociedad Concesionaria de Los Lagos	Essal S.A.	Banking L/C	26,798	0
Surlat Industria	EcoRiles S.A.	Banking L/C	13,394	13,169
Servicio de Vivienda y Urbanismo	Gestión y Servicios S.A.	Banking L/C	2,187,564	1,613,391
Superintendencia del Medio Ambiente	Anam S.A.	Banking L/C	34,298	13,174
CMPC PULP S.A.	Anam S.A.	Banking L/C	17,606	0
Corporación Nacional del Cobre	Anam S.A.	Banking L/C	17,405	17,113
Aguas del Valle	Anam S.A.	Banking L/C	13,399	0
Esval S.A.	Anam S.A.	Banking L/C	13,399	0
Total			39,858,136	32,697,128

2. RESTRICTIONS DUE TO BOND ISSUING

a) Aguas Andinas S.A.

The Company maintains restrictions and obligations arising from bond issues made in the domestic market and these are as follows:

1. To send to the Bonds Holders' representative a copy of both the quarterly and annual consolidated financial statements, as well as those of the Subsidiary Corporations registered with the Financial Market Commission, audited within the same time period in which they must be delivered to the Financial Market Commission, and of any public information provided to the Financial Market Commission.
2. To record in its accounting books the provisions arising from adverse contingencies that, in the opinion of the Company's management, must be reflected in the Company's financial statements and/or those of its subsidiaries.
3. Maintain insurance that reasonably protects its operational assets, including its headquarters, buildings, plants, furniture and office equipment and vehicles, in accordance with the Company's usual practices for industries of the nature of the Company.
4. The Company undertakes to ensure that transactions with its Subsidiaries or other related parties are carried out under conditions of equity similar to those prevailing in the market.
5. To maintain at the end of each quarter of the Issuer's Financial Statements, a Debt Level no higher than 1.5 times. Notwithstanding the aforementioned, the aforementioned limit will be adjusted according to the quotient between the Consumer Price Index of the month in which the Debt Level is calculated and the December 2009 Consumer Price Index. However, the aforementioned limit will be set up to a maximum level of 2 times.

For these purposes, the Debt Level will be defined as the ratio between

Payable Liabilities and Total Net Worth. Issuer's Payable Liabilities shall be defined as the sum of the Total Current Liabilities and Total Non-Current Liabilities accounts in its Consolidated Financial Statements.

For the purposes of determining the aforementioned index, the amount of all guarantees, simple or joint and several bonds or other guarantees, personal or real, that the Issuer or its subsidiaries have granted to guarantee third-party obligations, are included in the payable liabilities, except for: (i) those granted by the Issuer or its Subsidiaries for obligations of other Issuer's Subsidiaries, (ii) those granted by Issuer's Subsidiaries for obligations of the Issuer, and (iii) those granted to public bodies to guarantee compliance with water utility legislation and the execution of works in public spaces.

For the foregoing purposes, Total Net Equity shall correspond to the amount resulting from the difference between the Total Assets Accounts and the sum of the Total Current Liabilities and Total Non-Current Liabilities Accounts in the Issuer's Consolidated Financial Statements.

As of December 31, 2017, the aforementioned accounts are as follows (Th\$):

The leverage as of December 31, 2017 is: 1.59 times.

Total current liabilities	237,111,903
Total non-current liabilities	866,468,756
Total NIIF liabilities	1,103,580,659
Guarantees with third parties (*)	609,330
Total liabilities payable	1,104,189,989
Total assets	1,796,880,136
Total current liabilities	-237,111,903
Total non-current liabilities	-866,468,756
Total net equity	693,299,477

* Amount of all guarantees, simple and joint and bonds, co-signed bonds or other guarantees, personal or real, that the Company or its Subsidiaries have granted to guarantee third-party obligations, with the exception of: (i) those granted by the Issuer or its Subsidiaries for obligations of other Issuer's Subsidiaries; (ii) those granted by Issuer's Subsidiaries for obligations of the Issuer; and (iii) those granted to government bodies to guarantee compliance with water utility legislation and the execution of works in public spaces.

As of December 31, 2017, the variation in the limit of the debt level is as follows:

Base CPI 2009			Covenant	
31-12-2009	31-12-2017	Accumulated inflation	Base	Límit
90.28	116.46	29.00%	1.5	1.93

services granted by the S. I. S. S.). For the Greater Santiago), except for contributions or transfers of essential assets to Subsidiaries.

The Company complies with all the requirements established in the bond contracts as of December 31, 2017 and 2016.

b) Empresa de Servicios Sanitarios de los Lagos S.A. (Essal S.A.)

The Company maintains restrictions and obligations arising from bond issuing made in the domestic market and are as follows:

1. A copy of the financial statements, both quarterly and annual, audited within the same period in which they must be submitted to the Financial Market Commission, and of any public information provided to the Commission.
2. To record in its accounting books, the provisions arising from adverse contingencies that, in the opinion of the Company's

management, must be reflected in its financial statements.

3. Maintain insurance that reasonably protect its assets, in accordance with the usual practices for industries of the Company's nature.
4. The Company undertakes to ensure that its transactions with related parties are carried out under conditions of equity similar to those prevailing in the market.
5. To maintain a leverage no higher than 1.29 times, measured on the basis of balance sheet figures, defined as the ratio between payable liability and equity.

Beginning in 2010, the above limit will be adjusted according to the quotient between the Consumer Price Index for the month in which the leverage is calculated and the Consumer Price Index of December 2009. The above limit will be adjusted up to a maximum level of 2 times (Indebtmnt=Payable Liabilities/Total Net Worth). As of December 31, 2017, the leverage is 1.29 and 1.66 times for the BESSALC and BESSALB series, respectively.

6. To maintain an Ebitda/Financial Expenses ratio of not less than 3.5 times as of December 31, 2017, the ratio indicated amounts to 7.4 times.
7. Not to sell, assign or transfer essential assets.

The Company complies with all the requirements established in the bond contracts as of December 31, 2017 and 2016.

3. RESTRICTIONS DUE TO BANK LOANS

a) Aguas Andinas S.A.

The Company has obligations and restrictions due to having obtained loans with several domestic banks, these obligations and restrictions are detailed hereinafter:

1. A leverage of no higher than one and a half times, measured on the basis of the figures in its consolidated balance sheets. Notwithstanding the foregoing, the above limit shall be adjusted in accordance with the quotient between the Consumer Price Index for the month in which the leverage is calculated and the consumer price index for December 2009. The above limit will be adjusted up to a maximum of two times, for the financial year ended on December 31, 2017, the variation in the limit of the leverage amounts to 1.93 times. For these purposes, the leverage will be defined as the ratio between payable liabilities and total net equity. As of December 31, 2017, the leverage was 1.59 times.
2. Prohibition on the disposal or loss of title to essential assets, except for contributions or transfers of essential assets to Subsidiary Companies.
3. Quarterly and annual, audited within a period not exceeding five days of delivery to the Financial Market Commission.
4. To record in its accounting books the provisions arising from adverse contingencies that, in the opinion of the Company's management, must be reflected in its financial statements.
5. Maintain insurance that reasonably protects its assets, including its headquarters, buildings, plants, inventory, furniture and office equipment and vehicles, in accordance with the Company's usual practices for nature industries.
6. Send a certificate issued by the Company's CEO, stating compliance

with the obligations of the loan agreement.

7. Prohibition to distribute dividends, except for the mandatory minimum if there is a situation of default or delay in the payment of any installment of the loan.
8. Maintain a hedging ratio of financial expenses equal to or greater than 3 times, measured on the basis of the figures in its consolidated and individual balance sheets, defined as the ratio between operating income plus depreciation for the year and amortization of intangible assets divided by financial expenses.
9. Prohibition to liquidate or dissolve the Company, to liquidate its operations or businesses that constitute its business; or to enter into any act or contract tending to the merger or consolidation, except in the case of a merger with its current Subsidiaries.
10. It is obligated to ensure that transactions with its Subsidiaries or other related parties are carried out under conditions of equity similar to those prevailing in the market.

b) Aguas Cordillera S.A.

The Company has obligations and restrictions due to having obtained a loan from a national bank, these obligations and restrictions are detailed hereinafter:

1. A leverage of no higher than one and a half times, measured on the basis of the figures in its consolidated balance sheets. Notwithstanding the foregoing, the above limit shall be adjusted in accordance with the quotient between the Consumer Price Index for the month in which the leverage is calculated and the consumer price index for December 2009. The above limit will be adjusted up to a maximum of two times. For these purposes, the leverage will be defined as the ratio between payable liabilities and total equity. As of December 31, 2017, the leverage was 0.58 times.
2. Maintain a hedging ratio of financial expenses equal to or

greater than 3 times, measured on the basis of the figures in its consolidated annual balance sheets, defined as the ratio between operating income plus depreciation for the financial year and amortization of intangible assets divided by financial expenses. As of December 31, 2017, interest expense hedging amounted to 18.92 times.

3. To send to the bank a copy of the debtor's annual consolidated financial statements within a period of no more than thirty days of their delivery to the Financial Market Commission.
4. Send a certificate issued by the Company's CEO, stating compliance with the obligations of the loan agreement.
5. Maintain all its rights, licenses, permits, trademarks, franchises, concessions or relevant parts in full force and effect.
6. Maintain insurance that reasonably protects its assets, including its headquarters, buildings, plants, inventory, furniture and office equipment and vehicles, in accordance with the Company's usual practices for nature industries.
7. It is obligated to ensure that transactions with its Subsidiaries or other related parties are carried out under conditions of equity similar to those prevailing in the market.

c) Essal S.A.

The Subsidiary maintains obligations for borrowing from domestic banks, which have no committed financial ratios or associated restrictions.

As of December 31, 2017, the water utility subsidiaries comply with all the requirements established in the loan agreements with their creditor banks, as well as with the provisions established by the DFL. No. 382, General Law of Sanitation Services, 1988, as well as its Regulations (D. S. MOP N°1199/2004, published in November 2005).

4. GUARANTEES OBTAINED FROM THIRD PARTIES

As of December 31, 2017 and 2016, the Company has received guarantee documents for an amount of Th\$26,219,928 and Th\$50,472,285, respectively, which are mainly originated by construction contracts with construction companies to guarantee the faithful fulfillment of the contract. In addition, there are other

warranties for service contracts and procurement of materials that guarantee the timely delivery of said materials.

Details of the most important bank guarantees received as of December 31, 2017 are summarized hereinafter:

Contractor or supplier	31-12-2017 Th\$	Due date
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	13,904,056	30-07-2018
Suez Medioambiente Chile S.A.	1,805,422	13-12-2018
Suez Medioambiente Chile S.A.	1,790,377	02-01-2018
Ingeniería y Construcción Sigdo Koppers S.A.	1,292,559	26-01-2018
Suez Medioambiente Chile S.A.	827,785	30-05-2022
Autopista Costanera Norte S.A.	669,954	10-01-2018
Suez Medioambiente Chile S.A.	655,696	02-04-2018
Constructora El Trebol Ltda.	496,784	29-01-2018
Compañía de Petróleos de Chile Copec S.A.	450,606	15-03-2018
Inmobiliaria y Comercial Quilicura Ltda.	375,174	28-10-2020
Suez Medioambiente Chile S.A.	367,337	02-04-2018
I C M S.A.	319,272	13-08-2018
Claro Vicuña Valenzuela S.A.	301,399	05-02-2019
Costanera Center S.A.	286,124	30-03-2018
Suez Medioambiente Chile S.A.	284,541	03-07-2018
Constructora Olbertz Ltda.	191,712	30-05-2018
Suez Advanced Solutions Chile Ltda.	178,743	15-06-2018
I C M S.A.	158,305	13-08-2018
Chilena de Revisiones Técnicas S.P.A.	133,991	11-02-2018
Artbase Ingeniería Construcción y Servicios Ltda.	130,766	16-04-2019
BAPA S.A.	108,676	11-04-2018
EULEN Chile S.A.	107,193	21-06-2018
Luxagua Ingeniería Ltda.	107,193	30-08-2018
Inmobiliaria y Constructora Nueva Pacifico Sur Ltda.	107,193	18-11-2018
Sociedad de Tercerización de Servicios Provider Latin America Ltda.	103,761	01-01-2018
Level 3 Chile S.A.	100,359	30-11-2019
Total	25,254,978	

Note 17. Ordinary Revenue

The detail of the ordinary revenues recorded by the Group companies is as follows:

ORDINARY REVENUE CLASS	31-12-2017 Th\$	31-12-2016 Th\$
Ordinary revenue		
Sale of goods	6,719,378	7,528,118
Provision of services	500,593,807	484,670,450
Insurance returns	2,223,220	46,566
Totals	509,536,405	492,245,134

Note 18. Leases

Disclosures about operating leases as a lessee

Under this concept are presented leases of machinery, digital lines, some facilities where commercial agencies operate and mainly leasing of transportation services.

FUTURE MINIMUM NON-CANCELLABLE FUTURE LEASE PAYMENTS, LESSORS	31-12-2017 Th\$	31-12-2016 Th\$
Minimum future non-cancellable lease payments, up to one year, lessors	2,831,275	2,829,953
Minimum future non-cancellable lease payments over one year and less than five years, lessors	5,979,441	5,336,808
Total future minimum non-cancellable lease payments	8,810,716	8,166,761
Minimum lease payments under operating leases	3,395,853	3,489,385
Total lease and sublease payments recognized in the income statement	3,395,853	3,489,385

Significant operating lease agreements

The most significant operating leases relate to the lease of vehicles. For these cases, contracts range from 18 to 96 months. Lease services are paid monthly upon submission and approval of payment statements.

Contract termination: The Company may terminate leasing contracts in advance in the event of serious breach of any of the conditions and obligations contained in the administrative rules and technical specifications, when this occurs, the company will be entitled to enforce the guarantee for the faithful, complete and timely fulfillment of the contract, as compensation for damages.

Disclosures about operating leases as lessors

The Company has contracts of this type where it acts as lessor, who mainly means parts of operational premises, mostly with telecommunications companies, which have automatic renewal from 1 to 5 years, however, the Company has the power to give notice of termination between 30, 60, 90 and 180 days lieu time according to the contract.

MINIMUM FUTURE NON-CANCELABLE LEASE PAYMENTS, LESSORS	31-12-2017 Th\$	31-12-2016 Th\$
Future minimum non-cancellable future lease payments, up to one year, lessors	200,065	388,096
Amount of contingent leases recognized in the income statement	565,184	819,737
Totals	765,249	1,207,833

Significant operating lease agreements of the lessor

Income from these items is not material to the Company.

Note 19. Employee Benefits

At consolidated level, the Company has 2,107 employees, 93 of whom are senior managers and executives. The number of workers covered by collective bargaining agreements and individual employment contracts, with special compensation clauses, is 1,724 and 23 respectively. Meanwhile, 360 workers are governed by the Labor Code.

The collective bargaining agreement in force for Aguas Andinas S. A.'s workers' and workers' unions' No. 1 and 2 was signed on July 31, 2014, and is valid for four years.

The collective bargaining agreement in force with Union N° 3 Professionals And technicians of Aguas Andinas S.A. was signed on September 24, 2015 and is valid until July 31, 2018.

The collective bargaining agreements in force for Aguas Cordillera S. A., and Aguas Manquehue S. A. personnel, were signed on December 1, 2014 and December 23, 2014 for Unions No. 1,2 and the Workers' and Supervisors' Union, respectively, and are all valid for four years.

The collective bargaining agreements in force for Anam S.A. and EcoRiles S.A. were signed in December 2015 and April 2017, respectively. The duration of both contracts is three years. Workers of these Subsidiaries are governed by the rules established in articles 159, 160 and 161 of the Labor Code, for which reason no indemnity provision for years of service is recorded.

The collective bargaining agreement in force with the Unions of the subsidiary Essal S. A. was signed on December 31, 2016 and expires on December 31, 2019.

Policies on defined benefit plans

Workers who are not part of the collective bargaining agreements of Aguas Andinas S. A. and its subsidiaries are governed by the rules established in articles 159,160 and 161 of the Labor Code, for which reason, no indemnity provision is recorded for years of service.

For those workers who recorded compensation at current value up to the year 2002 (includes compensation under any event, recognized at that date), the actuarial calculation is applied, as well as the advances granted on account of this compensation.

For employees who are part of, or were treated in the same way as the collective bargaining agreements in force at the date of the consolidated financial statements, the actuarial value calculation for severance payment is applied.

Accounting policies on the recognition of earnings and losses in defined benefit plans

The severance payment obligation, which is expected to accrue to workers retiring in Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., and Essal S.A., is recorded at actuarial value, determined using the projected unit of credit method.

Actuarial earnings and losses on severance payments arising from changes in estimates of turnover, mortality, salary increases or discount rates are recorded in accordance with the revised IAS 19 in other comprehensive income, directly affecting Shareholders' Equity, which is subsequently reclassified to Accumulated Income. This procedure commenced in 2013 due to the entry into force of the revised IAS 19. Until 2012, all changes in estimates and parameters used determined a direct effect on income for the year.

Actuarial assumptions

Years of service: In Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. y Essal S.A., it is assumed that workers will remain in these companies until they reach the legal retirement age (women up to 60 years of age and men up to 65 years of age). In the subsidiary Essal S. A. there is a limit of 6 months compensation and it is paid to people who retire or die.

Participants in each plan: Workers who are part of union agreements or assimilated into trade unions (indicated above) and workers with individual contracts with indemnity clauses under any event. Workers who are part of the calculation of actuarial indemnity per company are as follows: Aguas Andinas S. A.: 893; Aguas Cordillera S. A.: 98; Aguas Manquehue S. A.: 14; Essal S. A.: 324 and Gestión y Servicios S. A.: 1.

Mortality: The RV-2014 mortality tables of the Financial Market Commission are used.

Employee turnover, disability and early retirement rates: According to the Group's statistical experience, the turnover used for 2017 is 6.2%, while for 2016 it was 5.9% for target workers. Neither incapacities nor premature retirements have been considered due to the infrequent nature of these events.

Discount rate: For 2017 and 2016, the rates used were 4.8% and 4.7%, respectively, corresponding to risk-free rates, and the expected inflation estimate for the long term.

Inflation rate: To make the long-term estimates, in 2017 and 2016 the estimated long-term inflation rate reported by the Central Bank of Chile was used, which amounts to 3.0%.

Rate of salary increase: The rates used for 2017 are 5.7% and 5.4% for 2016.

Defined benefit plans overview

In addition to the benefits indicated in note 2.2, letter O, the following are indicated:

In the event of the death of the worker, his compensation shall be paid to his immediate family members in accordance with article 60 of the Labor Code.

In the event that the employee retires from the Company pursuant to article 159, number 2, 4 or 5, number 1 letter a) or number 6 of article 160 of the Labor Code, the accumulated amount will be paid as compensation, up to July 31, 2002 in Aguas Andinas S. A. and December 31, 2002 in Aguas Cordillera S. A., adjusted quarterly by the variation in the Consumer Price Index, provided that this variation is positive.

Workers of Aguas Andinas S. A. and its Subsidiaries, who are not part of their collective bargaining agreements, are governed by their individual employment contracts. Insofar as for the non-water utility subsidiaries, Gestión y Servicios S. A., EcoRiles S. A., Anam S. A. and Aguas del Maipo S. A. what is indicated in the labor code applies, unless individual contracts indicate something different.

The compensation provision is presented by deducting the advances granted to employees.

Changes in actuarial provisions as of December 31, 2017 and 2016, which include changes in provisions, are as follows:

PROVISIONS FOR EMPLOYEE BENEFITS	31-12-2017 Th\$	31-12-2016 Th\$
Changes in actuarial provision		
Beginning balance	17,285,712	15,621,082
Cost of services	1,294,819	1,983,269
Interest cost	711,341	667,802
Actuarial (earnings) or losses	-1,340,799	-58,684
Benefits paid	-2,085,158	-1,984,428
Special Seniority Compensation	206,637	0
Provision for termination benefits	173,024	1,056,671
Sub-totals	16,245,576	17,285,712
Profit sharing and bonuses	4,614,741	4,166,857
Totals	20,860,317	21,452,569

In the statement of financial position, these balances are shown under the following headings:

PROVISIONS FOR EMPLOYEE BENEFITS	31-12-2017 Th\$	31-12-2016 Th\$
Provisions for employee benefits, current	5,531,516	5,419,742
Provisions for employee benefits, non-current	15,328,801	16,032,827
Totals	20,860,317	21,452,569

Expected payment flows

The collective bargaining agreement of Aguas Andinas S. A. states in its seventeenth clause that workers who voluntarily resign in order to retire due to old age, will have a term of 120 days from the date they reach the legal retirement age to resign.

Aguas Cordillera S. A.'s collective bargaining agreements with Aguas Manquehue S. A. indicate that workers who voluntarily resign due to their legal retirement age will be paid compensation.

During the 2015-2017 period the Company offered a program that encourages the voluntary retirement of our employees who are close to reaching the legal retirement age.

In accordance with the aforementioned defined benefit plans, the cash flows for the current year are as follows:

Company	Number of employees	Expected payment flow	Year
Aguas Andinas S.A.	13	890,410	2018
Essal S.A.	4	29,211	2018
Totals	17	919,621	

Projected liabilities as of December 31, 2018

For the calculation of projected liabilities for severance payments at actuarial value, as of December 2018, in accordance with IAS 19, the actuarial assumptions in force as of December 31, 2017 already reported in this note, the legal bonus has been increased in accordance with the minimum wage increase established in January of this year.

The summary by company code is as follows:

COMPANY	Number of employees	Services cost Th\$	Interest cost Th\$
Aguas Andinas S.A.	893	1,848,814	154,723
Aguas Cordillera S.A.	98	221,521	21,980
Aguas Manquehue S.A.	14	32,591	2,690
Essal S.A.	324	63,966	16,689
Gestión y Servicios S.A.	1	844	75
Totals	1,331	2,167,736	196,157

Sensitivity of assumptions

Based on the actuarial calculation as of December 31, 2017, the main assumptions have been sensitized, determining the following impacts:

CONCEPT	Base	Plus 0,5% Th\$	Minus 0,5% Th\$
Discount rate	4.8%	-576,051	626,552
Turnover rate	6.2%	-603,067	655,111
Rate of salary increases	5.7%	551,113	-512,321

Disclosure of benefits upon termination of the contractual relationship

Compensation for termination of employment is governed by the Labor Code, except for those special clauses in the respective collective bargaining agreements or individual contracts.

Profit sharing and bonuses

This corresponds to the Company's obligation to its employees for participation certificates to be paid in February and March of the following year. The accrued share payable to employees, stipulated in the contracts in force, is carried forward during February on the basis of the situation for the immediately preceding business year. As of December 31, 2017 and 2016, the amounts are Th\$4,614,741 and Th\$4,166,857, respectively. In addition, advances on this payment are made in the months of March, June, September and December of each calendar year.

Its annual amount will depend on the profits generated by each company in the Group.

Personnel expenses

Personnel expenses as of December 31, 2017 and 2016 are as follows:

PERSONNEL EXPENSES	31-12-2017 Th\$	31-12-2016 Th\$
Wages and salaries	-34,774,133	-32,753,190
Defined benefits	-15,528,033	-14,452,018
Termination compensation	-3,478,845	-4,798,825
Other staff costs	-2,149,199	-2,054,810
Totals	-55,930,210	-54,058,843

Note 20. Exchange Rate Difference Effect

The detail of exchange differences is as follows:

ACCOUNT	Currency	31-12-2017 Th\$	31-12-2016 Th\$
Commercial debtors and other accounts receivable	EUR	271	-800
Commercial debtors and other accounts receivable	USD	-580	-1,710
Total variation by assets		-309	-2,510
Commercial accounts payable and other accounts payable	EUR	-9,651	-13,647
Commercial accounts payable and other accounts payable	USD	16,867	-4,098
Other financial liabilities	EUR	0	-279
Other financial liabilities	USD	0	-44
Total variation by liabilities		7,216	-18,068
Earnings (losses) on exchange rate differences		6,907	-20,578

Note 21. Other Expenses By Nature

Information on other expenses by nature is as follows:

OTHER EXPENSES BY NATURE	31-12-2017 Th\$	31-12-2016 Th\$
Operation of treatment plants	-25,635,865	-24,355,201
Services	-15,172,668	-17,313,594
Network maintenance and repairs	-14,933,319	-11,166,078
Commercial Services	-12,764,364	-12,453,660
Costs for work requested by third parties	-11,335,985	-11,636,031
Maintenance of facilities and equipment	-7,360,079	-6,907,689
Leases	-7,232,339	-6,243,958
General expenses	-6,757,282	-6,549,976
Removal of waste and sludge	-6,683,156	-5,699,899
Contributions, patents, insurance and rights	-6,313,318	-5,766,515
Others	-7,101,831	-6,300,005
Totals	-121,290,206	-114,392,606

Note 22. Income By Readjustment Units

The breakdown of income by units of readjustment for the financial years ended on December 31, 2017 and 2016 is as follows:

ACCOUNT	31-12-2017 Th\$	31-12-2016 Th\$
Accounts receivable from related parties	467,148	182,409
Current tax assets	428,882	412,326
Commercial debtors and other accounts receivable	90,479	104,888
Total variation by asset	986,509	699,623
Other financial liabilities	-12,760,363	-20,683,219
Trade accounts payable and other accounts payable	-179,372	-182,778
Accounts payable to related parties	-209	-429
Other non-financial liabilities	6,232	5,334
Total variation by liabilities	-12,933,712	-20,861,092
Earnings (losses) by readjustment units	-11,947,203	-20,161,469

Note 23. Capitalized Financing Costs

The detail of capitalized financing costs as of December 31, 2017 and 2016 is as follows:

DISCLOSURES ABOUT CAPITALIZED INTEREST COSTS

CAPITALIZED INTEREST COSTS, PROPERTY, PLANT AND EQUIPMENT		31-12-2017	31-12-2016
Capitalized interest cost rate for capitalized interest, property, plant and equipment	%	7.13	7.64
Amount of capitalized interest costs, property, plant and equipment	Th\$	2,201,924	5,669,924

Note 24. Income Tax And Deferred Taxes

As established in IAS 12, the net position of the deferred tax assets and liabilities, determined by each individual company and presented in the consolidated financial position statement by adding each position, is as follows.

FINANCIAL POSITION STATEMENTS	31-12-2017 Th\$	31-12-2016 Th\$
Deferred tax assets	20,200,593	20,231,924
Deferred tax liabilities	-38,089,361	-38,419,238
Net position of deferred taxes	-17,888,768	-18,187,314

The net position presented originates from a variety of temporary and permanent differences that at the consolidated level can be presented under the following headings:

DISCLOSURES ABOUT DEFERRED TAX ASSETS

DEFERRED TAX ASSETS	31-12-2017 Th\$	31-12-2016 Th\$
Water rights (amortization)	477,561	463,085
Provision for doubtful accounts receivable	8,942,877	8,317,255
Holiday provision	664,148	588,013
Litigation	703,031	706,416
Compensation for seniority	3,596,050	3,888,756
Other provisions	102,682	134,392
Variation in monetary correction and asset depreciation	69,610,568	69,612,573
Deferred income	1,969,571	1,969,571
Tranque La Dehesa Transaction	378,223	371,870
Amortization	107	43,332
Others	1,169,860	1,352,025
Deferred tax assets	87,614,678	87,447,288

DISCLOSURES ABOUT DEFERRED TAX LIABILITIES

DEFERRED TAX LIABILITIES	31-12-2017 Th\$	31-12-2016 Th\$
Depreciation of fixed assets	24,057,186	22,995,484
Amortization	823,221	649,538
Investment expenditure of related companies	387,431	387,431
Land revaluations	22,661,991	22,669,870
Revaluations of water rights	45,611,780	45,611,780
Fair value of the assets for Essal S.A. purchase	11,961,837	13,305,193
Others	0	15,306
Deferred tax liabilities	105,503,446	105,634,602
Net position of deferred taxes	-17,888,768	-18,187,314

On 29 September 2014, Law No. 20,780 was published, which establishes a permanent change in the tax rate of the first category tax, therefore in accordance with IAS 12, it was necessary to revalue the deferred taxes, adjusting them to the new rates according to the year of reversal, increasing them from 20% to 21% in 2014, 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% in 2018 and forward.

MOVEMENTS OF DEFERRED TAX ASSETS

MOVEMENTS IN ASSETS DUE TO DEFERRED TAX	31-12-2017 Th\$	31-12-2016 Th\$
Deferred tax assets, initial balance	87,447,288	82,720,173
Increases (decreases) in assets due to deferred tax	-456,227	1,502,835
Increases (decreases) due to monetary correction variation and asset depreciation	-2,005	3,404,274
Increases (decreases) in provisions for doubtful accounts receivable	625,622	-179,994
Changes in assets due to deferred tax	167,390	4,727,115
Changes in assets due to deferred tax, total	87,614,678	87,447,288

MOVEMENTS OF DEFERRED TAX LIABILITIES

MOVEMENTS IN LIABILITIES DUE TO DEFERRED TAX	31-12-2017 Th\$	31-12-2016 Th\$
Deferred tax liabilities, initial balance	105,634,602	106,215,385
Increases (decreases) in liabilities due to deferred tax	1,212,200	683,552
Increases (decreases) in acquisitions through business combinations	-1,343,356	-1,264,335
Changes in liabilities due to deferred tax	-131,156	-580,783
Changes in liabilities due to deferred tax, total	105,503,446	105,634,602

INCOME TAX EXPENSES

INCOME (EXPENSE) FROM CURRENT AND DEFERRED INCOME TAXES	31-12-2017 Th\$	31-12-2016 Th\$
Current tax expense	-46,695,067	-48,974,228
Adjustment to prior year tax expense	-297,129	290,150
Current income tax expense	-46,992,196	-48,684,078
Profit for tax loss	88,133	0
Deferred income (expense) from taxes relating to the creation and reversal of temporary differences	660,562	5,323,743
Flat tax expense (rejected expenses)	-135,477	-93,967
Income (expense) from other taxes	613,218	5,229,776
Income tax expense	-46,378,978	-43,454,302

NUMERICAL RECONCILIATION BETWEEN INCOME (EXPENSE) DUE
TO TAXES AND THE RESULT OF MULTIPLYING THE BOOK EARNINGS
BY THE APPLICABLE TAX RATE (S)

	31-12-2017 Th\$	31-12-2016 Th\$
Tax expenses using the legal rate	-48,099,863	-47,313,366
Permanent difference for monetary correction for tax assets and liabilities	2,442,565	3,339,958
Permanent difference for tax loss benefit	88,133	0
Permanent difference for rejected expenditure	-135,477	-93,967
Permanent difference from prior years' income taxes	-297,129	290,150
Other permanent differences	-377,207	322,923
Adjustments to tax expense using legal rate	1,720,885	3,859,064
Tax expense using effective rate	-46,378,978	-43,454,302

RECONCILIATION OF LEGAL TAX RATE WITH EFFECTIVE TAX RATE

	31-12-2017	31-12-2016
Legal tax rate	25.50%	24.00%
Permanent difference for monetary correction for tax assets and liabilities	-1.29%	-1.69%
Permanent difference for tax loss benefit	-0.05%	0.00%
Permanent difference for rejected expenditure	0.07%	0.05%
Permanent difference from prior years' income taxes	0.16%	-0.15%
Other permanent differences	0.20%	-0.17%
Effective tax rate	24.59%	22.04%

Note 25. Earnings Per Share

Basic earnings per share are calculated as the ratio of the profit (loss) attributable to holders of equity instruments of the Parent Company to the weighted average number of ordinary shares outstanding during the said financial year.

EARNINGS PER SHARE		31-12-2017	31-12-2016
Earnings attributable to holders of equity instruments of the controller	Th\$	68,718,709	74,289,195
Results available for common shareholders, basic	Th\$	68,718,709	74,289,195
Weighted average number of shares, basic		1,000,000,000	1,000,000,000
Earnings per share	\$	68,719	74,289

Disclosure of diluted earnings (loss) per share

The Company has not carried out any type of dilutive effect transaction involving diluted earnings per share other than basic earnings per share.

Note 26. Business Segments

EThe Group discloses segment information in accordance with IFRS No. 8, “Operating Segments”, which sets forth the reporting standards for operating segments and related disclosures for products and services. Operating segments are defined as components of a company for which there is separate financial information that is regularly used by management to make decisions, allocate resources and evaluate performance.

The Group manages and measures the performance of its operations by business segment. Internally reported operating segments are as follows:

- Operations related to water utility (water) services.
- Non-water utility (non-water) operations.

Description of the types of products and services which provide ordinary revenue from each reporting segment

In the Water segment, only water utility services that allow the delivery of products and services for production, distribution of potable water along with the collection and treatment of wastewater are involved. This segment includes the subsidiaries Aguas Andinas S. A., Aguas Cordillera S. A., Aguas Manquehue S. A. and Essal S. A. through Iberaguas Ltda.

The Non-Water segment includes services related to environmental analysis, industrial waste treatment, comprehensive engineering services, such as the sale of products related to sanitary services and energy projects. The subsidiaries included are EcoRiles S. A., Anam S. A., Gestión y Servicios S. A. and Aguas del Maipo S. A.

GENERAL INFORMATION ON INCOME, ASSETS, LIABILITIES AND EQUITY

TOTALS ON GENERAL INFORMATION ON INCOME	31-12-2017		31-12-2016	
	Water Th\$	Non Water Th\$	Water Th\$	Non Water Th\$
Revenue from ordinary activities from external customers	484,300,578	25,239,999	469,116,410	23,133,234
Income from ordinary activities between segments	989,298	4,314,127	782,634	4,074,938
Raw materials and consumables used	-25,086,612	-10,043,948	-23,152,734	-10,503,558
Employee benefit expenses	-48,419,753	-7,230,674	-46,968,101	-6,711,269
Operating expenses	-118,800,873	-6,657,188	-111,898,151	-6,332,311
Depreciation and amortization	-73,722,846	-699,021	-66,318,416	-719,000
Other earnings and expenses	2,306,663	329,304	16,728,956	-2,131,435
Financial income	5,928,429	224,228	6,366,834	223,193
Financial costs	-31,125,774	-86,145	-27,106,024	-127,580
Result for readjustment and exchange rate differences	-11,958,387	21,474	-20,198,764	21,064
Income tax expense	-45,056,455	-1,284,170	-43,242,225	-200,236
Segment earnings	139,354,268	4,127,986	154,110,419	727,040
Segment earnings attributable to controlling company owners	135,492,295	4,127,986	149,848,626	727,040
Segment earnings (losses) attributable to non-controlling interests	3,861,973	0	4,261,793	0
TOTALS ON GENERAL INFORMATION ON ASSETS, LIABILITIES AND EQUITY	31-12-2017		31-12-2016	
	Water Th\$	Non Water Th\$	Water Th\$	Non Water Th\$
Current assets	142,790,325	14,731,411	172,864,658	13,158,165
Non-current assets	1,626,875,139	20,251,891	1,575,986,816	15,034,226
Total assets	1,769,665,464	34,983,302	1,748,851,474	28,192,391
Current liabilities	230,408,065	14,472,469	208,250,144	8,905,636
Non-current liabilities	866,317,420	151,337	872,883,250	122,410
Equity attributable to owners of the controller	622,271,278	20,359,496	614,992,835	19,164,345
Non-controlling interests	50,668,701	0	52,725,245	0
Total equity and liabilities	1,769,665,464	34,983,302	1,748,851,474	28,192,391

Significant items of segment revenues and expenses

Water and Non-Water Segment

Significant items of ordinary income and expenses are mainly those related to segment activity. On the other hand, there are also significant amounts regarding depreciation, personnel and other miscellaneous expenses, within which outsourced services are relevant.

Income

The Company's revenues derive mainly from the regulated services corresponding to: production and distribution of drinking water, collection, treatment and disposal of wastewater and other regulated services (which include revenues related to service interruptions and reactivation charges, monitoring of liquid industrial waste discharge and base charges).

Detail of significant revenue items

Water segment

Significant items of ordinary revenue are mainly those related to the potable water and wastewater business activity, i.e. revenues from the sale of water, over consumption, variable charge, fixed charge, sewerage service, and collector pipeline use and wastewater treatment. It is also possible to identify revenue from the sale of fixed assets.

Tariffs

The most important factor that determines the income of the Company's operations and its financial position is the rates set for its regulated sales and services. As regulated companies, Aguas Andinas and its water utility subsidiaries are controlled by the SISS and their tariffs are set in accordance with the Law of Tariffs of the Sanitation Services D. F. L. No. 70 of 1988.

Tariff levels are reviewed every five years and, during this period, are subject to additional readjustments linked to an indexation polynomial, if the cumulative variation since the previous adjustment is 3.0% or higher, according to calculations based on various inflation indexes.

Specifically, the readjustments are applied according to a formula that includes the Consumer Price Index, the Wholesale Price Index of Imported Industrial Goods and the Wholesale Price Index of National Industrial Goods, all measured by the National Statistics Institute of Chile. In addition, the tariffs are subject to readjustment to reflect additional services previously authorized by the SISS.

During 2015, the tariff negotiation processes for 2015-2020 were concluded, the decrees that set tariffs during the five-year period mentioned for Aguas Andinas S. A., Aguas Cordillera S. A. and Aguas Manquehue S. A., correspond to numbers 152-2015; 83-2015; 139-2015; respectively.

As for the subsidiary Essal S. A., the rates in force for the period 2016-2021 were approved by Decree No. 143 dated August 25, 2016, published in the Official Gazette on January 21, 2017.

Non-water segment

Significant items of ordinary revenues are mainly those related to the segment's activity and are intimately related to each subsidiary's main activity, which involves the sale of materials to third parties, revenues from operating a liquid industrial waste treatment plant, revenues from services and analysis of drinking water and wastewater, and sales of biogas.

Detail of significant expenses items

Water segment

Significant expenses items are mainly those related to wages, electrical energy, Operation of the Wastewater Treatment Plant, depreciation of real estate and movable assets, interest expense, income tax expense.

Non-water segment

Significant expense items are primarily those related to compensation, cost of materials for sale and income tax expense.

Detail of the explanation of measurements of income, assets, liabilities and equity of each segment

The measurement applicable to the segments corresponds to the grouping of those subsidiaries that are directly related to the segment. The accounting criteria correspond to the recording of those economic events in which rights and obligations arise in the same sense that they arise between economic relationships with third parties. Specifically, these records will generate balances, committed in an asset and liability account according to the spirit of the transaction in each related company according to the segment in which it participates. These accounts, called accounts receivable or payable to related companies, must be netted when consolidating financial statements in accordance with the consolidation rules explained in IAS 27.

There are no differences in the nature of the income measurement, since according to the standard, there are no accounting policies that express different cost allocation criteria or similar.

There are no differences in the nature of the measurement of assets and liabilities since there are no accounting policies that reflect different allocation criteria.

RECONCILIATION OF REVENUE FROM ORDINARY ACTIVITIES	31-12-2017 Th\$	31-12-2016 Th\$
Revenue from ordinary activities of the segments	514,844,002	497,107,216
Elimination of corporate headquarters accounts with segments	-4,173	-4,510
Elimination of ordinary activities between segments	-5,303,424	-4,857,572
Revenue from ordinary activities	509,536,405	492,245,134

EARNINGS RECONCILIATION	31-12-2017 Th\$	31-12-2016 Th\$
Consolidation of total earnings (losses) of the segments	143,482,254	154,837,459
Elimination of corporate headquarters accounts with segments	-70,901,572	-76,286,471
Consolidation of Elimination of Intersegment earnings (Losses)	-3,861,973	-4,261,793
Consolidation of earnings (losses)	68,718,709	74,289,195

SEGMENT ASSETS, LIABILITIES AND EQUITY RECONCILIATIONS	31-12-2017 Th\$	31-12-2016 Th\$
Reconciliation of assets		
Consolidation of segment total assets	1,804,648,766	1,777,043,865
Corporate headquarters accounts with segments	272,490,849	272,643,238
Elimination of intersegment accounts	-7,768,630	-5,224,729
Total assets	2,069,370,985	2,044,462,374

Reconciliation of liabilities		
Consolidation of total liabilities if the segments	1,111,349,291	1,090,161,440
Corporate headquarters accounts with segments	975,754	687,807
Elimination of intersegment accounts	-7,768,632	-5,224,729
Total liabilities	1,104,556,413	1,085,624,518

Reconciliation of equity		
Consolidation of total equity of the segments	642,630,775	634,157,180
Elimination of corporate headquarters accounts with segments	-49,142,624	-44,474,162
Equity attributable to the owners of the controller	593,488,151	589,683,018

Main clients' information

MAIN WATER SEGMENT CLIENTS

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

MAIN NON-WATER SEGMENT CLIENTS

- Papeles Cordillera S.A.
- EME Serv. Generales Ltda.
- Inmobiliaria Constructora Nueva Pacífico
- Cartulinas CMPC S.A.
- Watt's S.A.
- Soprole S.A.
- Cervecera CCU Chile Ltda.
- Constructora Pérez y Gómez Ltda
- Metrogas S.A.
- Cooperativa Agrícola y Lechera La Unión

SEGMENT PRODUCT TYPES, WATER – NON-WATER

Water segment

The types of products and services for the water segment are:

- Potable water production and distribution.
- Wastewater collection and treatment.

Segment formed by Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., Essal S.A. and Iberaguas Ltda.

Non-water segment

The types of products and services for the non-water segment are:

- Outsourcing service in industrial waste treatment plant operations and treatment of excessive organic load (subsidiary EcoRiles S.A.).
- Physical, chemical and biological analysis on water, air and solids (subsidiary Anam S.A.).
- Comprehensive engineering services and sale of products such as pipes, valves, taps and other related products (subsidiary Gestión y Servicios S.A.).
- Energy projects (subsidiary Aguas del Maipo S.A.).

Note 27. Environment

Disclosures about disbursements related to the environment

According to Circular No. 1901 of October 30, 2008 of the Financial Market Commission, information regarding disbursements related to the environment is disclosed as follows.

Following is a detail of the investments related to the environment:

AGUAS ANDINAS S.A.

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Expansion and Improvements WWTP Curacaví	1,709,635	8,542
Expansion and Improvements WWTP Other Localities	57,130	2,886
Expansion and Improvements WWTP Paine	2,536	29,943
Expansion and Improvements WWTP Pomaire	0	22,742
Expansion and Improvements WWTP San José de Maipo	2,145	24,040
Expansion and Improvements WWTP Talagante	1,358,967	53,815
Expansion and Improvements WWTP Valdivia de Paine	0	34,996
Improvement and renovation of equipment and purification facilities	1,162,682	1,150,811
La Farfana Plant	3,567,160	3,397,612
Mapocho - Trebal Plant	9,381,667	40,514,557
External platform for sludge management and disposal El Rital	17,403	294,296
Totals	17,259,325	45,534,240

AGUAS MANQUEHUE S.A.

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Improvement and renovation of equipment and purification facilities	60,863	91,427
Totals	60,863	91,427

AGUAS DEL MAIPO S.A.

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Biogás purification plant	6.121.864	0
Totals	6.121.864	0

ESSAL S.A.

PROJECT NAME	31-12-2017 Th\$	31-12-2016 Th\$
Improvement of disposal infrastructure	149,612	318,325
Improvement of the EDAR system	285,144	542,240
Renovation of treatment and disposal equipment	104,899	36,579
Totals	539,655	897,144

PROJECTED INVESTMENT IN THE ENVIRONMENT FOR 2018:

COMPANY	Th\$
Aguas Andinas S.A.	31,786,690
Aguas Manquehue S.A.	168,059
Essal S.A.	430,725
Total	32,385,474

Indication whether the disimbursement is part of the cost of an asset or was reflected as an expense, disimbursements for the financial year

All the above-mentioned projects are part of the construction cost of the respective works.

Certain or estimated date on which future disbursements will be made, financial year disbursements

Projected disbursements that are expected to be made during 2018.

Subsidiaries are companies that are affected by disbursements related to the environment, i.e. compliance with ordinances, laws regarding industrial processes and facilities and any other that may directly or indirectly affect the protection of the environment.

Note 28. Events Occurring After The Date Of The Financial Position Statement

In January 2018 Aguas Andinas concluded an early collective bargaining process with the unions of employees, workers and professions N°1, 2 and 3. The agreement implies the signing of a new collective agreement that replaces the instrument currently in force which expires in July. The agreement was signed on January 29, 2018 and is valid for three years.

At the date of issuance of these consolidated financial statements, the Company’s Management and Subsidiaries are not aware of any subsequent events affecting the financial situation as of December 31, 2017.

Earnings Release

Financial year ended on December 31, 2017

1. SUMMARY OF THE 2017 FINANCIAL YEAR

- The Company's revenues amounted to CLP Th\$509,536,405, which was CLP Th\$17,291,271 (3.5%) higher than in 2016. This increase was mainly explained by higher volumes supplied together with the tariff indexations registered during 2016 and 2017.
- Non-regulated subsidiaries increased their revenues 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 in the La Farfana plant.
- Costs amounted to CLP Th\$212,145,320, an increase of 5.1%, mainly due to higher activity in network maintenance amounting to CLP Th\$3,767,241, higher electricity costs amounting to CLP Th\$2,240,197, higher personnel costs amounting to CLP Th\$1,926,398, an increase by CLP Th\$1,706,306 in the allowance for doubtful accounts, higher operating cost of sewage plants amounting to CLP Th\$1,280,664 and higher costs amounting to CLP Th\$1,018,933 due to increases in requests for modification of sanitary infrastructure. This is partially offset by lower activity in work requested by customers amounting to

CLP Th\$1,318,979 and lower costs in chemical inputs amounting to CLP Th\$577,806.

- The EBITDA for the period reached CLP Th\$297,391,085, an increase of 2.4% compared to the same period of the previous year.
- The financial result presented a loss of CLP Th\$36,971,097, resulting in a lower loss of CLP Th\$3,818,110 when compared to the previous year, mainly as a result of a lower revaluation of the readjustable debt in Unidades de Fomento.
- Other earnings of CLP Th\$2,608,255 were obtained, lower by CLP Th\$11,985,832 than in 2016, mainly due to the subsidiary Aguas Cordillera selling in 2016 a large area of land in the district of Vitacura.
- Income tax expense at the closing of the 2017 financial year was CLP Th\$46,378,978, which is CLP Th\$2,924,676 higher than the previous year. This variation was mainly explained by the change in the tax rate from 24% to 25.5%, due to the Tax Reform.
- Net income as of December 31, 2017 amounted to CLP Th\$68,718,709, which is CLP Th\$5,570,486 (7.5%) lower than that obtained at the closing of the 2016 financial.

2. RESULTS

2.1 ACCUMULATED RESULTS

INCOME STATEMENT (CLP\$ Thousands)	Dec. 17	Dec. 16	% Var.	2017 - 2016
Ordinary Income	509,536,405	492,245,134	3,5%	17,291,271
Operating Costs and Expenses	(212,145,320)	(201,894,208)	5,1%	(10,251,112)
EBITDA	297,391,085	290,350,926	2,4%	7,040,159
Depreciation and Amortization	(74,401,330)	(67,016,783)	11,0%	(7,384,547)
Operating Income	222,989,755	223,334,143	(0,2%)	(344,388)
Other Earnings	2,608,255	14,594,087	>200%	(11,985,832)
Financial Income*	(36,971,097)	(40,789,207)	(9,4%)	3,818,110
Tax Expense	(46,378,978)	(43,454,302)	6,7%	(2,924,676)
Net Income	68,718,709	74,289,195	(7,5%)	(5,570,486)

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

2.2 INCOME ANALYSIS

INCOME STATEMENT (CLP\$ Thousands)	Dec. 17		Dec. 16		Variation	
	Sales CLP Th\$	Share	Sales CLP Th\$	Share	CLP Th\$	%
Potable Water	195,090,811	38.3%	190,399,865	38.7%	4,690,946	2.5%
Sewage	240,399,095	47.2%	235,458,940	47.8%	4,940,155	2.1%
Other Regulated Income	18,408,224	3.6%	17,161,349	3.5%	1,246,875	7.3%
Non Regulated Income	55,638,275	10.9%	49,224,980	10.0%	6,413,295	13.0%
Total	509,536,405	100.0%	492,245,134	100.0%	17,291,271	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
Interconnection*	123,751	123,379	0.3%	372

CLIENTS	Dec. 17	Dec. 16	% Var.	Difference
Potable Water	2,259,245	2,213,869	2.0%	45,376
Sewage Collection	2,205,940	2,160,473	2.1%	45,467

* Interconnections include the 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 represented an increase of CLP Th\$4,690,946 when compared to the previous financial 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 together with higher revenues for fixed charge to clients.

b. Non Regulated Income

Non-regulated revenues increased by CLP Th\$6,413,295 at the end of 2017 when compared to the previous year. This variation was explained by:

1. Sanitation Services

An increase of CLP Th\$4,125,159 mainly due to higher revenues associated with changes in the water utility infrastructure requested by third parties along with insurance refunds.

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 registered biogas sales for the Methanization Plant located in 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. EXPENSES ANALYSIS

a) Raw Materials and Consumables Used

As of December 31, 2017, costs of raw materials and consumables amounted to CLP Th\$34,924,904, which is CLP Th\$1,482,145 higher than the previous year. The increase was mainly due to higher electricity costs for CLP Th\$2,315,717, due to higher production of potable water from groundwater sources and higher re-liquidation tariffs, offset by lower cost of chemical inputs for CLP Th\$577,806.

b) Expenses for Employee Benefits

As of December 31, 2017, employee benefits expenses amounted to CLP Th\$55,930,210, which is CLP Th\$1,871,367 higher than the previous year, generated by higher remuneration and bonuses associated with readjustments based on CPI, together with a larger staff.

c) Depreciation and Amortization

As of December 31, 2017, depreciation and amortization amounted to CLP Th\$74,401,330, which is higher by CLP Th\$7,384,547 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\$121,290,206, which is CLP Th\$6,897,600 higher than that obtained in 2016, mainly explained by higher network maintenance activity of CLP Th\$3,767,241, higher allowance for uncollectible accounts for CLP Th\$1,706,306, higher operating cost of sewage plants for CLP Th\$1,280,664 associated mainly with the variation of the UF and higher costs for transfers of water utility infrastructure for CLP Th\$1,018,933. This is partially offset by lower activity in work requested by clients for CLP Th\$1,318,979.

2.4. FINANCIAL INCOME AND OTHER INCOME ANALYSIS

a) Other Earnings

As of December 31, 2017, other earnings were obtained for CLP Th\$2,608,255, which is CLP Th\$11,985,832 lower than the amount obtained in 2016, mainly due to the sale of a large area of land in the district of Vitacura by the subsidiary Aguas Cordillera in 2016.

b) Financial Income

As of December 31, 2017, an interest income of CLP Th\$6,084,902 was obtained, which is CLP Th\$426,320 lower than that obtained in 2016, mainly due to lower interest income as a result of the lower temporary cash surpluses.

c) Financial Expenses

As of December 31, 2017, financial expenses amounted to CLP Th\$31,115,703, which meant an increase of CLP Th\$3,997,321 when compared to those obtained in 2016. This was mainly explained by lower financial capitalization and the impact of inflation insurance, partially offset by lower interest in bonds and banks.

d) Results from Indexation Units

At the end of the 2017 financial year, losses of CLP Th\$11,947,203 were recorded, resulting in a lower expenditure of CLP Th\$8,214,266, 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\$46,378,978, which is CLP Th\$2,924,676 higher than 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\$68,718,709, which is CLP Th\$5,570,486 (7.5%) lower than 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 from readjustment units.

The revenues of this segment showed a decrease of 9.6% compared to the previous year, mainly due to:

- An increase in external revenues, mainly associated with higher tariffs and higher volumes supplied.
- An increase in costs of 5.7% is mainly due to higher activity in network maintenance, higher cost of electricity, higher provision for doubtful accounts, higher personnel costs, higher costs associated with water utility infrastructure modifications and higher operating cost of Sewage plants, associated with the variation of the UF.
- An increase in the cost of depreciation and amortization, mainly due to new assets such as the fourth module of the Trebal-Mapocho Sewage Treatment Plant.

• A decrease in other earnings is mainly due to the fact that in 2016 Aguas Cordillera sold a large area of land in the district of Vitacura.

• An improvement in 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 taxes combined with the change in tax rate from 24.0% to 25.5% due to the Tax Reform.

3.2 ACCUMULATED RESULTS, NON WATER SEGMENT

INCOME STATEMENT (CLP TH\$)	Dec. 17	Dec. 16	% Var.	2017 - 2016
External Revenues	25,239,999	23,133,234	9.1%	2,106,765
Revenue Between Segments	4,314,127	4,074,938	5.9%	239,189
Operating Costs and Expenses	(23,931,810)	(23,547,138)	1.6%	(384,672)
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 from readjustment units.

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

- An increase in external revenue 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 biogas sales from the Methanization Plant located in La Farfana plant.
- An increase in inter-segment revenues mainly due to the higher activity due to EcoRiles' excess activity due to load.

- An increase in costs, which corresponds to a higher activity in Anam and EcoRiles, offset by a decrease in activity in Gestión y Servicios.

- An increase in other earnings which was mainly explained by a recovery of part of the guarantee notes issued by Gestión y Servicios and which had been provisioned in 2016 because they were more than 4 years old. Additionally, asset sales were recorded.

- A higher income tax expense at the closing of the 2017 financial year, mainly due to an increase in the income before taxes together with an increase in the tax rate from 24.0% to 25.5%.

4. QUARTERLY RESULTS

INCOME STATEMENT (CLP TH\$)	4Q17	4Q16	% Var.	4Q17 – 4Q16
Ordinary Revenue	134,895,585	131,554,538	2.5%	3,341,047
Operating Costs and Expenses	-54,759,696	-53,571,269	2.2%	(1,188,427)
EBITDA	80,135,889	77,983,269	2.8%	2,152,620
Depreciation and Amortization	-19,283,465	-16,936,134	13.9%	(2,347,331)
Operating Income	60,852,424	61,047,135	(0.3%)	(194,711)
Other Earnings	848,740	14,842,255	(94.3%)	(13,993,515)
Financial Results*	-9,798,809	-8,412,002	16.5%	(1,386,807)
Tax Expense	-12,743,182	-15,284,731	(16.6%)	2,541,549
Net Income	18,939,781	25,396,251	(25.4%)	(6,456,470)

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

4.1 REVENUE ANALYSIS

a) Operational Revenue

Ordinary revenue for the fourth quarter of 2017 amounted to CLP Th\$134,895,585, which is CLP Th\$3,341,047 (2.5%) higher than that obtained in the same quarter of the previous financial year. This variation was mainly explained by the sale of biogas from Aguas del Maipo, the increased number of agreements with developers, insurance refunds and higher revenue 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, costs of raw materials and consumables reached CLP Th\$9,820,538, higher by CLP Th\$1,171,835 than in the same quarter of 2016. The increase was mainly due to higher cost of electric energy mounting to CLP Th\$1,641,596, due to higher production of potable water from groundwater sources and higher re-liquidation tariffs, partially offset by lower cost of chemical inputs for CLP Th\$288,223.

b) Personnel Expenses

During the fourth quarter of 2017, personnel expenses reached CLP Th\$15,124,101, which was CLP Th\$66,129 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\$19,283,465, which is CLP Th\$2,347,331 higher than in the same quarter of 2016, associated with new investments included in the period.

d) Other Expenses

During the fourth quarter of 2017, other expenses amounted to CLP Th\$29,815,057, which is CLP Th\$49,537 lower than in the same quarter of the year.

4.3 FINANCIAL INCOME AND OTHER EARNINGS ANALYSIS

a) Financial Income

Financial income for the fourth quarter of 2017 reached CLP Th\$1,170,736, which is CLP Th\$173,464 lower than in the same quarter of 2016, mainly due to lower interest rates.

b) Financial Expenses

Financial expenses for the fourth quarter of 2017 reached CLP Th\$8,671,209, which is CLP Th\$2,085,318 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 of CLP Th\$2,301,806 were recorded, a figure that decreased by CLP Th\$861,427 when compared to the same period in 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 closure of the fourth quarter of 2017 was CLP Th\$12,743,182, lower by CLP Th\$2,541,549 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\$18,939,781, which is CLP Th\$6,456,470 (25.4%) lower than in the same quarter of 2016.

5. BALANCE SHEET

ASSETS	Dec. 17	Dec. 16	
	CLP Th\$	CLP Th\$	% Var.
Current assets	151,737,073	183,335,457	(17.2%)
Non-current assets	1,917,633,912	1,861,126,917	3.0%
Total assets	2,069,370,985	2,044,462,374	1.2%
LIABILITIES AND EQUITY			
Current liabilities	237,819,145	212,350,061	12.0%
Non-current liabilities	866,737,268	873,274,457	(0.7%)
Total liabilities	1,104,556,413	1,085,624,518	1.7%
Equity attributable to the controller	593,488,151	589,683,018	0.6%
Minority Interest	371,326,421	369,154,838	0.6%
Total Shareholders' Equity	964,814,572	958,837,856	0.6%
Total Liabilities and Shareholders' Equity	2,069,370,985	2,044,462,374	1.2%

5.1 ASSET ANALYSIS

Inversiones Aguas Metropolitanas' consolidated assets as of December 31, 2017 displayed an increase of 1.2% when compared to December 31, 2016, changing from CLP Th\$2,044,462,374 to CLP Th\$2,069,370,985.

Current assets decreased by CLP Th\$31,598,384, mainly due to the decrease in cash and cash equivalents amounting to CLP Th\$46,318,798, mainly due to the sale of a large surface area in the Vitacura district by the subsidiary Aguas Cordillera in 2016. This is partially offset by trade and other receivables amounting to CLP Th\$7,229,366 mainly explained by the increase in regulated sales, together with recoverable taxes for CLP Th\$6,556,177.

Non-current assets increased by CLP Th\$56,506,995 mainly explained by the net increase in plant and equipment properties amounting to CLP Th\$57,187,131, associated with the investments made in the year.

The main investment works are shown in the following table:

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

5.2 LIABILITY AND EQUITY ANALYSIS

The current liabilities as of December 2017 increased by CLP Th\$18,931,895 when compared to December 2016.

Current liabilities increased by CLP Th\$25,469,084. 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 displayed a decrease of CLP Th\$6,537,187 (0.7%), which corresponds mainly to a decrease in bank loans of CLP Th\$5,283,345.

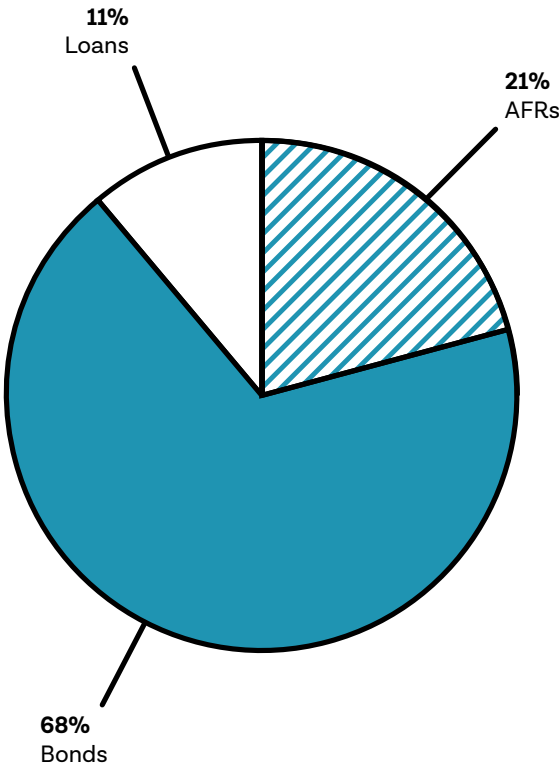
Total equity increased by CLP Th\$5,976,716 and net equity attributable to the controller increased by CLP Th\$3,805,133.

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

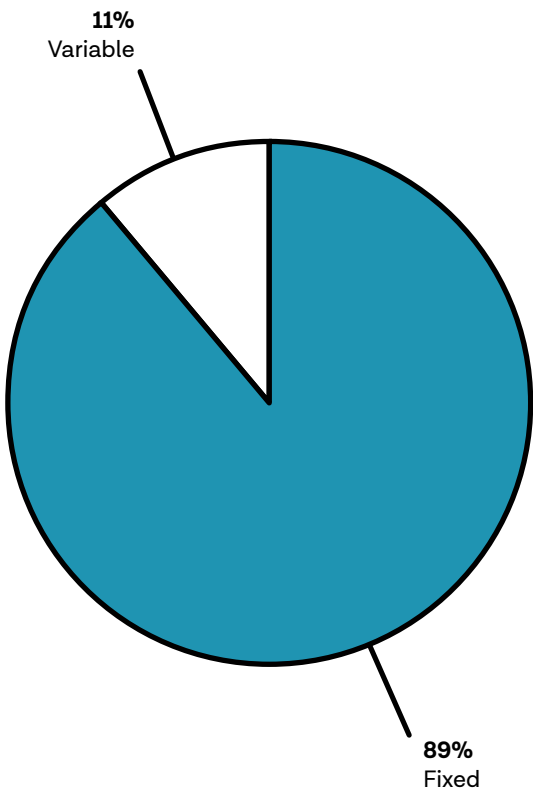
CAPITAL CLP TH\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	More than 5 years
Promissory Notes	\$	181,902,132	15,309,206	20,764,356	44,137,532	101,691,038
Bonds	\$	580,156,234	35,856,224	19,232,757	19,604,953	505,462,300
Bank Loans	\$	95,019,210	6,283,345	72,717,761	16,018,104	0
Totals		857,077,576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

5.3 FINANCIAL LIABILITIES STRUCTURE

Financial Instruments



Interest Type



6. CASH FLOW

CASH FLOW STATEMENT (CLP TH\$)	Dec. 17	Dec. 16	% Var.
Operating activities	209,351,533	232,773,738	(10.1%)
Investment activities	(113,828,958)	(93,203,205)	22.1%
Financing activities	(141,841,373)	(107,639,669)	31.8%
Net flow for the period	(46,318,798)	31,930,864	(245.1%)
Closing cash balance	19,803,208	66,122,006	(70.1%)

The flow from operating activities decreased by CLP Th\$21,012,652 when compared to December 2017 and December 2016.

The main variations were as follows:

- Increase in payment to suppliers of CLP Th\$23,422,205, mainly associated with higher payments to suppliers of water utility infrastructure transfers and leases.
- An increase of CLP Th\$9,054,587 in income taxes paid, which is explained by the change in the PPM for the 2017 financial year (including payment for income associated with the sale of a large surface area in the Vitacura district which was owned by the subsidiary Aguas Cordillera), plus an increase in sales.
- Increase in employee benefit payments of CLP Th\$3,929,177, when compared to the previous year, generated by higher remuneration and bonuses associated with readjustments by CPI, together with a larger staff.
- Increase in premium and benefit payments, annuities and other obligations arising from policies underwritten by CLP Th\$2,836,308, associated with the payment of fire insurance for 24 months.

- Increase in revenue due to financial interest of CLP Th\$1,245,986.

These variations were partially offset by the following item:

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

The disbursement for investment activities decreased by CLP Th\$20,625,753, mainly due to the completion of the construction of the fourth module of the Mapocho-Trebal sewage treatment plant and the sale of Isla Lo Mata land by Aguas Cordillera during 2016.

Financing activities generated a net negative cash flow of CLP Th\$34,201,704, this is due to higher loan payments amounting to CLP Th\$40,236,337, partially offset by the placement of Series C bonds by Essal in the fourth quarter of the year, for a total of CLP Th\$1 million.

7. FINANCIAL RATIOS

LIQUIDITY		Dec. 17	Dec. 16
Current Liquidity	times	0.64	0.86
Acid Test Ratio	times	0.08	0.31
LEVERAGE			
Total Leverage	times	1.14	1.13
Current Leverage	times	0.22	0.20
Long-term Leverage	times	0.78	0.80
Interest Coverage Ratio	times	7.06	8.27
EARNINGS			
ROE	%	11.62	12.70
ROA	%	3.34	3.71
Earnings Per Share	\$	68.72	74.29
Dividend Yield (*)	%	5.71	6.55

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 \$1,167.9, while as of December 2016 it amounted to \$966.1.

As of December 2017, current liquidity decreased by 25.6% due to a decrease in current assets of CLP Th\$31,598.384 (17.3%), mainly explained by the sale of a large land area in the district of Vitacura in 2016, and an increase in current liabilities of CLP Th\$25,469,084, as a result of the reclassification of the Series J Bond due to its maturity in 2018.

Total leverage decreased by 1.1%, as a result of an increase in the liability of CLP Th\$18,931,895, mainly due to the payment of interim dividends in the first quarter of 2017, offset by an increase in total equity of CLP Th\$5,976,716, explained by the earnings generated in 2017, offset by the distribution of dividends for the 2016 financial year.

The annualized return on equity attributable to the controller displayed a decrease of 8.5%, due to an increase in the average equity of CLP Th\$6,430,904 and a decrease in the income for the financial year of CLP Th\$5,570,486.

8. OTHER INFORMATION

a) Tariffs

The most important factor determining our operating income and financial situation is the tariffs set for our sales and regulated services. As a water utility company we are regulated by the S.I.S.S.S. and our tariffs are set in accordance with the Sanitary Services Rates Law. D.F.L. N°70 de 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 based on various inflation indexes. Specifically, the readjustments are applied based on a formula that includes the Consumer Price Index, the Imported Goods Price Index of the Manufacturing Sector 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	-
Group 2	-
Group 3	-
Chinquihue	May 2017
Los Alerces	-

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

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

b) Market Risk

Our company displays a favorable situation in terms of risk, which is mainly due to the specific characteristics of the water utility sector. Our business is seasonal and operating results may vary from quarter to quarter. The highest levels of demand and income are recorded during the summer months (December to March) and the lowest levels of demand and income during the winter months (June to September). In general, the demand for water is higher 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 depends to a large extent on the climatic conditions that develop in the 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 it 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 that could be generated by adverse weather conditions for our operations. In the current period, drought persists since 2010, which means that contingency plans such as the purchase of raw water, intensive use of wells, leasing and purchase of water rights, among others, are being applied. All this in order to reduce the impact of the drought and to provide our services normally, both in terms of quality and continuity.

c) Market Analysis

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

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

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

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

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

d) Capital investment

One of the variables that has the greatest impact on our results of operations and financial situation 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 becomes effective. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to maintaining certain quality and service coverage standards. The above-mentioned investment plan is subject to review every five years and may require amendments when certain significant events occur.

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

Aguas Andinas S.A.

Greater Santiago Area: December 23, 2015

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

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: December 21, 2015

Aguas Manquehue S.A.

Santa María and Los Trapenses: December 23, 2014

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

Alto Lampa: November 22, 2013

Essal S.A.

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

Non-committed investments. Non-committed investments are those that are not contemplated in the investment plan and that we make voluntarily in order to ensure the quality of our services and replace obsolete assets. These, in general, 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 subtracted from the interest expense and included in the financed construction work up to the total amount of such interest, applying the respective rate to the disbursements made at the date of submission of the financial statements. Accordingly, the Financial Costs associated with our capital investment plan affects the amount of interest expense recorded in the income statements, and these financial expenses are recorded together with the work in progress under "Property, Plant and Equipment" in our financial statements.

e) Financial Aspects

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

Interest Rate Risk: As of December 31, 2017, the interest rate risk held by Inversiones Aguas Metropolitanas S. A. is made up of 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 repayable financial contributions (23.9%), while variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2016, the interest rate risk held by Inversiones Aguas Metropolitanas S. A. consisted of 88.5% fixed rate and 11.5% 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 consisted of loans with domestic banks.

The Company maintains a policy of interest rate monitoring and managing, which, with the purpose of optimizing the cost of financing, 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: Feller Rate assigned us a first class level 1 rating and Fitch Ratings assigned us a first class level 2 rating.

Aguas Andinas S.A. and Subsidiaries

GENERAL INFORMATION

Name	
Aguas Andinas S.A.	
Type of company	
Open joint stock	
Registry in Register of Securities	
N° 0346	
Legal address	
Avenida Presidente Balmaceda N° 1398, Santiago Chile	
Telephone	Fax
(56-2) 688 1000	(56-2) 569 2777
TIN	
61.808.000-5	
P.O. Box	
1537 Santiago	
Line of business	
Catchment, purification, distribution of potable water and disposal of wastewater	
Service telephone	
(56-2) 731 2482	
Website	
www.aguasandinas.cl	
Capital subscribed and paid	
Th\$155,567,354	
External auditors	
Ernst & Young	
TIN	
61.808.000 - 5	

LEGAL INCORPORATION OF THE COMPANY

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

LEGAL ASPECTS

The Company is registered in the Register of the Superintendence of Securities and Insurance (from now on known as “Financial Market Commission”) under No. 346 in accordance with Act No. 18.777. As a sanitation company, it is regulated by the Superintendence of Water Services, in accordance with Act No. 18.902 of 1989 and Decrees with Force of Law No. 382 and No. 70, both enacted in 1988.

CORPORATE PURPOSE

The Company’s corporate purpose is the rendering of sanitation services which considers the building and operation of public services aimed at producing and distributing potable water as well as collecting and disposing wastewater, within the concession area distributed in the Greater Santiago, peripheral locations and in the De los Ríos y De los Lagos Region, except the city of Valdivia. To provide clients with a comprehensive service, the Company has non-sanitation subsidiaries rendering diverse services such as liquid industrial waste treatment, trade of materials and technical analysis.

DIRECTORS’ COMMITTEE

Chairman
Guillermo Pickering de la Fuente
Vice Chairman
Herman Chadwick Piñera
Principal Directors
Fernando Samaniego Sangroniz
Rodrigo Manubens Moltedo
Ricardo Escobar Calderon
Pedro Sierra Bosch
Laureano Cano Iniesta
Alternate Directors
Sonia Tschorne Berestesky
Loreto Silva Rojas
Rodrigo Terré Fontbona
Christophe Cros
Chief Executive Officer
Narciso Berberana Sáenz
Percentage of Parent Company participation
50.10234%
Proportion that represents the investment in the assets of the Parent Company: The investment in the company represents the proportion of 52.31%
CORPORATE MANAGERS:
Planning, Engineering and Systems
Jorge Cabot Ple

Resilience and Finance
Iván Yarur Sairafi
Sustainability and Develpment Director
Sandra Andreu Pezareix
Operations and Circular Economy
Manuel Baurier Trias
Legal Affairs
Camilo Larraín Sánchez
Service Management
Eugenio Rodriguez Mingo
Social Legitimacy, Communications and Institutional Relations Director
Gonzalo Valenzuela Medina
Construction
Alberto Julián Blanco Marengo
Customer Services
José Sáez Albornoz
Organization, People and Work Enviroment Director
Javier Irazábal Beltrán

RELATIONSHIP WITH THE PARENT COMPANY

During 2017 there was only an office lease contract with Inversiones Aguas Metropolitana S.A. for facilities in the corporate building of Aguas Andinas S.A., which was paid monthly. We hope to maintain similar commercial relationships in the future.

1. PREPARATION BASIS AND ACCOUNTING POLICIES

1.1 PREPARATION BASIS

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

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

Functional and presentation currency

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

New accounting pronouncements

The rules and interpretations, as well as the improvements and changes to IFRS, which have been issued to enter into effect on the date of issue of these financial statements, are summarized below

The Company has applied these rules and concluded that they did not have an impact on the financial statements.

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

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

NEW STANDARDS	Date of enforcement
IFRS 9, Financial instruments, recognition and measurement	Annual periods beginning on or after January 1 2018
IFRS 15, Revenue from contact with customers	Annual periods beginning on or after January 1 2018
IFRIC 22, Foreign currency transactions and advance consideration	Annual periods beginning on or after January 1 2018
IFRS 16, Leases	Annual periods beginning on or after January 1 2019
IFRIC 23, Uncertainty over Income Tax Treatment	Annual periods beginning on or after January 1 2019
IFRS 17, Insurance contracts	Annual periods beginning on or after January 1 2021

UPGRADES AND MODIFICATIONS	Date of enforcement
IFRS 1, First-time Adoption of IFRS	Annual periods beginning on or after January 1 2018
IFRS 2, Share-based payments	Annual periods beginning on or after January 1 2018
IFRS 4, Insurance contracts	Annual periods beginning on or after January 1 2018
IAS 28, Investment in associates and joint ventures	Annual periods beginning on or after January 1 2018
IAS 40, Investment property	Annual periods beginning on or after January 1 2018
IFRS 3, Business combinations	Annual periods beginning on or after January 1 2019
IFRS 9, Financial instruments	Annual periods beginning on or after January 1 2019
IFRS 11, Joint arrangements	Annual periods beginning on or after January 1 2019
IAS 12, Income taxes	Annual periods beginning on or after January 1 2019
IAS 23, Borrowing costs	Annual periods beginning on or after January 1 2019
IAS 28, Investment in associates and joint ventures	Annual periods beginning on or after January 1 2019
IFRS 10, Consolidated financial statements	Pending

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

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

IFRS 9, “Financial Instruments” of which the final version was issued in July

2014. Establishes the principles for financial reporting of financial assets and also financial liabilities in such a way, that useful and relevant information for assessing the amounts, timing and uncertainty of an entity’s future cash flows is displayed to users of financial statements.

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

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

As of December 31, 2017, the Company evaluated the credit loss policy of its commercial debtors (described in Note 1 letter H), concluding that this policy implicitly considers an expected loss model, as this standard requires. This assessment is based on available and sustainable credit risk information. In accordance with the aforementioned, the model for determining impairment losses associated with credit risk will not be modified, and there will be no effects on the preparation and submission of the Company’s financial statements.

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

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

The Company measures its sales income at fair value. Invoicing is based on actual consumption or work performed on the service receivable, net of returns, trade discounts and rebates, so that revenue is recognized when transferred to the customer and recovery is considered probable, associated costs and possible discounts for erroneous collections can be estimated reliably. The Company considers that the entry into force of this Standard has no effect on the recognition of revenues from customer contracts.

Responsibility for the information and calculations

The corporate Director’s Committee is responsible for the information contained in these consolidated financial statements, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) have been applied. The Director’s Committee approved the following consolidated financial statements in the meeting held on March 28, 2018.

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

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

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

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

1.2 ACCOUNTING POLICIES

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

A. BASES FOR CONSOLIDATION

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

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

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

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

B. OPERATIVE SEGMENTS

IFRS 8 sets the standards for reporting operative segments and releasing products and services. Operative segments are defined as components of an entity for which separate financial information is allocated and regularly reviewed by Management for making decisions on the assignment of resources to the subsidiaries and evaluating their performance.

The Group manages and measures the performance of its operations by business segment. The operative segments reported internally are:

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

C. Intangible assets other than goodwill

The Company recognizes an intangible asset as being identifiable as long as it proves to be likely to bring about future economic benefits that will flow to the entity and its cost can be reliably valued.

R.U.T	Nombre Sociedad	Directo %	Indirecto %	Total 2017 %	Directo %	Indirecto %	Total 2016 %
96.809.310-K	Aguas Cordillera S.A.	99.990300	0.000000	99.990300	99.990300	0.000000	99.990300
89.221.000-4	Aguas Manquehue S.A.	0.000400	99.999600	100.000000	0.000400	99.999600	100.000000
96.967.550-1	Análisis Ambientales S.A.	99.000000	1.000000	100.000000	99.000000	1.000000	100.000000
96.945.210-3	Ecoriles S.A.	99.038500	0.961500	100.000000	99.038500	0.961500	100.000000
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	2.506500	51.000000	53.506500	2.506500	51.000000	53.506500
96.828.120-8	Gestión y Servicios S.A.	97.847800	2.152200	100.000000	97.847800	2.152200	100.000000
96.897.320-7	Inversiones Iberaguas Ltda.	99.999998	0.000002	100.000000	99.999998	0.000002	100.000000
76.190.084-6	Aguas del Maipo S.A.	82.649996	17.350004	100.000000	82.649996	17.350004	100.000000

i. Intangible assets acquired separately:

Intangible assets acquired separately are shown at cost subtracting accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives. Estimated useful lives and the amortization method are checked at the closing of each status statement, including the effect of any change in the estimate thereon.

ii. Amortization method for intangible assets:**Intangible assets with defined useful lives**

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

Software

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

Intangible assets with indefinite useful lives

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

Determination of useful life

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

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

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

D. GOODWILL

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

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

In the event the definitive goodwill is recorded in the financial statements for the year following the share acquisition, the items of the previous year shown for comparison purposes are modified to incorporate the value of the acquired assets and liabilities and the definitive goodwill from the share acquisition date.

Goodwill generated prior to the date of our transition to IFRS, i.e. January 1, 2008, is maintained at the net value registered at that date, whereas goodwill subsequently generated is registered using the acquisition method.

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

E. PROPERTY, PLANT AND EQUIPMENT

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

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

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

The depreciation method applied by the Company reflects how the assets are expected to be used by the entity over the period in which they generate profit. The Company therefore uses the straight-line depreciation method over the technical useful life, based on technical studies prepared by independent experts (specialized external companies). The residual value and useful life of assets are checked and adjusted if necessary at each closing of the Statement of Financial Position.

When the value of an asset is higher than its estimated recoverable amount, it is immediately reduced to the amount recoverable.

Useful lives

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

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

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

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

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

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

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

Fixed asset sales policy

The results of fixed asset sales are calculated by comparing the income received with the book value and are registered in the Consolidated Statement of Comprehensive Results.

F. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

The Group revises the book values of its tangible and intangible assets with a defined useful life at each closing date of the Consolidated Statement of Financial Position to see whether there is any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been sustained. When it is not possible to estimate the recoverable value of an asset in particular, the Group estimates the fair value of the Cash Generating Unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested annually for impairment or when there are indications that the asset might have sustained impairment before the end of the period.

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

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

G. LEASES

i. Financial leases

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

ii. Operative leases

Operative lease payments are recognized as a straight-line expense over the term of the lease, except when another systematic basis is more representative for reflecting the time pattern in which the economic benefits of the leased asset are consumed. Contingent leases are shown as expenses over the period in which they are incurred.

Should lease incentives be received in order to agree an operative lease, such incentives are recognized as a liability. The accumulated benefit of incentives is shown on a straight-line basis as a deduction from the leasing expense, except when another systematic basis is more representative for reflecting the temporary pattern in which the economic benefits of the leased asset are consumed.

iii. Implicit leases

The Company and subsidiaries review their contracts to check for the possible existence of implicit leases in accordance with IFRIC 4.

H. FINANCIAL ASSETS

The acquisitions and disposals of financial instruments are recognized on the date of trading, i.e. the date on which the Group commits to acquire or sell the asset. Investments are written down when the rights to receive cash flows from the investments have been transferred and the Group has substantially passed all the risks and benefits deriving from ownership.

Financial assets are classified in the following categories:

- Financial assets at fair value with changes in results.
- Investments held to maturity.
- Loans and accounts receivable.
- Financial assets available for sale.

The classification depends on the nature and purpose of the financial assets and is determined at the time of their initial recognition.

Aguas Andinas S.A. and its subsidiaries invest in low-risk instruments that meet the classification standards established in their investment policies. The mutual funds invested in must therefore have an AAfm rating / M1 (quotas with very high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Term deposits and repurchase agreements are instruments classified as N-1 (instruments with the highest capacity for paying capital and interests under the agreed terms and maturities).

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

i. Effective interest rate method

The effective interest rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and equals the Net Present Value (NPV) with its nominal value.

ii. Financial assets at fair value with changes in results

Financial assets are shown at fair value through results when the asset is held for trading or is designated as at fair value with changes in results.

Financial assets at fair value with changes in results are valued at fair value and any resulting loss or gain is recognized in the results. The net loss or gain recognized in the results includes any dividend or interest received over the financial asset.

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

iii. Loans and accounts receivable.

Trade debtors, loans and other accounts receivable are non-derivative financial assets payable in fixed or determinable periods, not traded on an active market and classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest rate method less any loss for impairment, except for short-term accounts receivable, where the recognition of interest is immaterial.

Trade debtors and other accounts receivable.

Trade debtors are the billing of water consumption, sewage services, sewage treatment and other services and the accrued revenue from

consumption between the date of the last meter reading (following an established monthly routine) and the financial statement closing date. These are recorded at net value from the estimate of bad debts or debts unlikely to be recovered.

The trade debtor policy is subject to the credit policy, which sets the payment conditions and also the different scenarios for reaching agreements with overdue customers.

Policy for impairment of commercial debtors and other accounts receivable.

The Company evaluates impairments affecting its financial assets on a periodical basis. The amount is recognized as bad debt provisions. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in “other expenses.” When an account receivable is not recoverable, it is recorded against provisions for accounts receivable.

Estimates are based on the following historic information: considering recovery statistics, which indicate that eighth months after billing the possibility of recovery is marginal, i.e. the probability of recovering of the amount billed is minimal.

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

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

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

A 100% provision is made for overdue notes receivable.

I. INVENTORIES

Materials, spare parts and inputs are valued at acquisition cost, which does not exceed their net realization value. The costing method is the weighted average cost. Inventories that have not turned over during the previous 12 months are valued on an annual basis and are recorded at market value, if less.

J. DIVIDEND POLICY

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

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

K. FOREIGN CURRENCY TRANSACTIONS

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

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

Foreign currency transactions are converted to the functional currency using the exchange rates as of the transaction date. Foreign currency gains and losses resulting from the liquidation of these transactions and their conversion at the closing exchange rates for monetary assets and liabilities denominated in foreign currency are shown in the consolidated statement of comprehensive results.

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

L. FINANCIAL LIABILITIES

Loans, bonds payable and similar documents are at first shown at their fair net value for the costs incurred in the transaction. They are then shown at amortized cost, using the effective interest rate, except for transactions for which hedging contracts have been signed, which have been valued as described in the following section.

M. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The employment of derivative financial instruments by Aguas Andinas S.A. and Subsidiaries follows the Group's financial risk management policies, which establish the guidelines for use.

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

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

Changes in the fair value are recorded directly in the results, except when a derivative has been designated as a hedge accounting instrument and meets all of the conditions established by the IFRS to apply hedge accounting.

The treatment of hedge operations with derivative instruments is the following:

Hedges of fair value. Changes in the market value of derivative financial instruments designated as hedges, as well as the items hedged, are recorded as credit or charge to the financial results in the respective result accounts.

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

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

Financial instruments are presented at their fair value at the closing of each period. In the case of derivatives not traded in organized markets, the Group uses assumptions based on the market conditions on that date for valuation.

Effectiveness. Hedging is considered to be highly effective when the changes in fair value or cash flows of the underlying item directly attributable to the hedged risk are offset by changes in the fair value or cash flow of the hedge instrument, with effectiveness ranging from 80% to 125%.

Implicit derivative. The Group also evaluates the existence of derivatives implicit in contracts and financial instruments to determine whether their characteristics and risks are closely related to the main contract, provided that the combination is not being recorded at fair value. If they are not closely related, they are recorded separately, with the value variations being taken directly from the consolidated statement of results.

N. PROVISIONS AND CONTINGENT LIABILITIES

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

The provisions are quantified considering the best information available on the matter and its consequences and is reviewed at each accounting closing. The provisions made are used to cover the specific risks for which they were originally recognized, their full or partial revision being required when such risks disappear or decrease.

Contingent liabilities are possible obligations arising from past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the Group makes no provision for these concepts; if there were any, as is required in the same regulation.

O. EMPLOYEE BENEFITS

The obligation of seniority benefits that are estimated to accrue to employees who retire in Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., are shown at the actuarial value determined using the projected credit unit method. Actuarial gains and losses on indemnities deriving from changes in the estimates or changes in the turnover rates, mortality, wage increases or discount rate are determined in accordance with IAS 19, in other comprehensive results, thus directly affecting the Equity, which is then re-classified into accumulated earnings.

Aguas Andinas S.A.

Seniority benefits in Aguas Andinas S.A. are governed by the Labor Code, except for the amount of the indemnity in any event accumulated to July 31, 2002 and the termination benefit of 1.45 monthly wages, excluding voluntary resignation, without any amount or age limit, for workers subject to current collective bargaining agreements and those to whom this benefit was extended via their individual contract of employment. The amount in any event

accumulated to that date is adjusted quarterly in line with the changes in the consumer price index. The mentioned collective bargaining agreement also states that workers who retire from Aguas Andinas S.A. within 120 days of the date they reach the legal retirement age can have access to the benefits under the collective bargaining contract and continue to accrue this benefit after July 2002.

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

Seniority compensation in Aguas Cordillera S.A. and Aguas Manquehue S.A. is governed by the Labor Code, except the amount of the indemnity in any event accumulated to December 31, 2002 and the termination benefit of 1 monthly wage without any amount or age limit for workers covered by current collective bargaining agreements and for those to whom this benefit was extended via their individual contract of employment. The amount in any event accumulated to that date is adjusted quarterly in line with the changes in the consumer price index. The mentioned collective bargaining agreement also states that workers who retire from Aguas Cordillera S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.

ESSAL S.A.

Compensations to workers who take part of or have been incorporated to the current collective bargaining agreement at the date of the financial statements are calculated at their actuarial value only in the case of retirement and death. In those cases there is a payment limit of six months. In other cases, the rules of the Labor Code are applicable, that is, they have no right to compensation except in the case of dismissal, with a limit of 11 months.

The monies in advance given to personnel charged against these funds are shown deducting current obligations. They shall be charged in the final adjustment, adjusted, as provided for in the mentioned agreements.

This kind of benefit is not applicable in the other Subsidiaries.

P. INCOME TAX AND DEFERRED TAXES

The charge for income tax is the sum of income tax payable and variations in deferred tax assets and liabilities.

Income tax payable is determined on the basis of the tax result for the period. The income tax to be paid by the Group is calculated using tax rates approved or in the process of being approved, on the closing date of the statement of financial position.

Deferred taxes are recognized on the basis of differences between the book values of assets and liabilities contained in the financial statements and the corresponding tax figures used in the calculation of the tax result, and are recorded using the balance-sheet liability method. Deferred tax liabilities are recorded for all taxable timing differences, and deferred tax assets are recognized for all deductible timing differences as long as future tax benefits are likely to offset such differences. Deferred tax assets or liabilities are not recognized if timing differences arise from the reduced value or initial recognition (except in a combination of businesses) of other assets and liabilities in a transaction that does not affect the tax or the financial results.

The book value of deferred tax assets is revised on the closing date of each financial position statement and is reduced until sufficient tax results to allow the recovery of all or part of the asset are no longer available.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect at the time of settling the liability or realizing the asset, based on the tax rates that have been approved or are about to be approved at the closing of the statement of financial position. The measurement of deferred assets and liabilities reflects the possible tax consequences of the way in which Group expects to recover or settle the book values of its assets and liabilities to the date of report.

Deferred tax assets and liabilities are offset when there is a legal right to offset tax assets against tax liabilities related to the same entity and tax authority.

Q. ORDINARY INCOME

Policy for accounting for ordinary income.

Income arising from any normal operation and other events at the fair value of the payment received or receivable is recorded taking into account the terms of payment, rebates and credit notes, and provided that the amount of income can be measured reliably.

Policy for recognizing ordinary income from sales of goods

Income from sales of goods is recognized once the risk and significant advantages resulting from the ownership of the goods have been transferred. The Company is no longer bound to the asset sold. The amount of income can be reliably measured. The company is likely to receive the economic benefits associated with the sale and the costs incurred in the transaction can also be reliably measured.

Policy for booking ordinary income from sales of services

Income from sales of services is measured at fair value. Billing is carried out on the basis of actual consumption or work carried out on the consideration receivable, net returns, trade discounts and rebates, so the income is recorded when it is transferred to the client and recovery is considered probable. In addition, the associated costs and possible discounts for erroneous billings can be reliably estimated.

The water utilities' services area is divided into billing groups that determine dates for meter readings and subsequent billing. This process is carried out in a calendar month. This means that at the end of each month there is unread consumption, and therefore, not billed.

For those billing groups that have the information about the consumption effectively read, the application of the corresponding tariff would be in order.

For those cases where the whole meter reading consumption is not available for the Company, a better estimation of those incomes pending of billing will be carried out on the basis of data from the

previous month valued at the current tariff, considering for both cases (billing or estimation) the normal or overconsumption tariff.

The transfer of risks and benefits varies according to the corporate business. For Water Utilities, the provision of services and any related charge are based on the actual consumption and a monthly provision is made for unbilled consumption, based on the previous billing. For Anam S.A., EcoRiles S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A., invoicing and the possible are based on the work carried out.

Method used for determining the service termination statement

The provision of the sanitation services is confirmed by metering the consumption, in accordance with the relevant legislation, whereas non-water utility subsidiaries do so once the services and/or respective reports have been completed.

Income under agreements with property developers is recorded as ordinary income provided that it complies with the conditions of each contract to ensure that the related economic benefits will flow to the Company.

R. EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio between the earnings (loss) attributable to the holders of Net Equity of the Controller and the average weighted number of common shares in circulation during the periods ending December 31, 2017 and 2016.

During the financial years ending December 31, 2017 and 2016, the Group has carried out no operation with a potential diluting effect that supposes that diluted earnings per share are any different to basic earnings per share.

S. ENVIRONMENTAL INFORMATION

Environmental assets are those constantly used in the business of the Company and subsidiaries. Their main objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of any future

contamination as a result of the operations conducted by Aguas Andinas S.A. and its subsidiaries.

These assets, like any other asset, are valued at cost. The Company and its subsidiaries amortize these items on a straight-line basis as a function of the estimated remaining years of useful lives for the different items.

T. CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow statements record the cash movements during the period, which include Value Added Tax (VAT), determined by the direct method under the following criteria:

Cash and cash equivalents: Inflows and outflows of cash and equivalent financial assets. They are understood as being easily-liquidated short-term investments with a low value variation risk (maximum unrestricted term of 3 months from investment date).

Operation activities: Common activities in a regular business operation by the Company and its Subsidiaries, as well as other activities that have not been classified as investment or financing.

Investment activities: Acquisition, disposal or use by other means of long-term assets and other investments that have not been included in cash and cash equivalents.

Financing activities: Activities that produce changes in the amount and composition of the net equity and liabilities that are not part of the ordinary activities.

U. CONSTRUCTION CONTRACTS

For construction contracts, the Group uses the "percentage-of-completion method" for booking revenues and expenses referring to a contract being fulfilled. By this method, the revenues under the contract are compared with the related costs incurred according to the degree of progress achieved, which results in the amount of the ordinary revenue, expenses and earnings attributable to the completed portion of the contract.

Contract costs are recognized when incurred. When the result of a construction contract can be reliably estimated, and the contract is likely to be profitable, contract revenues are recognized over the term of the contract. When the contract costs are likely to exceed the total revenues, the expected loss is immediately recognized as an expense incurred in the financial year. When the result of a construction contract cannot be estimated reliably enough, contract revenues are recognized only to the limit of the contract costs incurred that are likely to be recovered.

The Group shows the gross amount due by customers for the work of all the contracts in progress as an asset for which the costs incurred plus recognized profits (less booked losses) exceed the partial invoicing. Partial invoicing unpaid by customers and the withholdings are included in "Trade debtors and other accounts receivable".

The Group shows the gross amount due to customers for the work of all contracts in progress as a liability for which the partial invoicing exceeds the costs incurred plus recognized profits (less recognized losses).

V. CAPITALIZED FINANCING COSTS

Policy on interest-bearing loans:

Loan costs directly attributable to the acquisition, construction or production of assets that meet the conditions for their qualification are capitalized, forming part of the cost of such assets.

Policy on interest-cost capitalization:

Interests paid or accrued on debt used to finance qualified assets are capitalized, as stipulated in IAS 23, which states that when the Entity acquires debt to finance investments, the interest on that debt should be deducted from the financial expense and incorporated to the construction project being financed up to the total amount of such interests, applying the respective rate to the disbursements to the financial statement submission date.

W. RECLASSIFICATIONS

For comparison purposes, certain reclassifications have been made as of December 31, 2016, according to the following detail:

RECLASSIFICATIONS	Increase/ (Decrease)
Income statement by nature	
Revenues for ordinary activities	-246,664
Other expenses, by nature	246,664
Statement of cash flow	
Collections from the sale of goods and services	24
Other expenses related to operation activities	92,410
Payments to suppliers for the supply of goods and services	-92,434

CONSOLIDATED FINANCIAL POSITION STATEMENT

ASSETS	2017 Th\$	2016 Th\$
Current assets	150,618,761	182,071,355
Non-current assets	1,646,261,375	1,589,747,781
Total Assets	1,796,880,136	1,691,197,848

LIABILITIES	2017 M\$	2016 M\$
Current liabilities	237,111,903	211,931,051
Non-current liabilities	866,468,756	873,005,660
Equity	642,630,776	634,157,180
Minority interest	50,668,701	52,725,245
Total Liabilities and Equity	1,796,880,136	1,691,197,848

COMPREHENSIVE INCOME STATEMENTS

	2017 Th\$	2016 Th\$
Regular revenues	509,540,577	492,002,980
Operating expenses	-285,329,778	-267,499,304
Financial result	-25,059,261	-20,643,577
Other not related to the operation	-9,328,660	-5,580,178
Income tax	-46,340,625	-43,442,462
Minority interest	-3,861,973	-4,261,793
Earnings of the financial year	139,620,280	150,575,666

ESTADO DE FLUJO DE EFECTIVO DIRECTO

	2017 Th\$	2016 Th\$
Net cash flows from operation activities	213,469,168	234,098,851
Net cash flows from investment activities	-113,828,958	-93,180,602
Net cash flows from financing activities	111,446,006	101,104,531
Net cash increase (decrease) and equivalent to cash	-46,068,103	31,922,914
Initial balance of cash and equivalent to cash	64,876,443	32,953,529
Final balance of cash and equivalent to cash	18,808,340	64,876,443

FINANCIAL POSITION STATEMENTS

As at december 31 2017

	Aguas Andinas S.A. y Filiales		Aguas Cordillera S.A. y Filiales		Aguas Manquehue S.A		Iberaguas Ltda. y Filial		Essal S.A.	
ASSETS	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$
Current assets	150,618,761	182,071,355	18,111,056	48,898,587	4,698,352	4,859,500	31,844,702	15,182,067	31,844,702	15,166,065
Non-current assets	1,646,261,375	1,589,747,781	303,296,984	289,572,852	88,826,395	79,936,629	183,107,507	174,524,684	156,390,794	147,807,971
Total Assets	1,796,880,136	1,771,819,136	321,408,040	338,471,439	93,524,747	84,796,129	214,952,209	189,706,751	188,235,496	162,974,036
LIABILITIES										
Current liabilities	237,111,903	211,931,051	43,711,165	52,771,971	15,292,813	7,697,070	15,395,072	15,445,568	17,441,588	17,710,264
Non-current liabilities	866,468,756	873,005,660	74,137,734	73,086,242	24,353,717	23,831,041	94,198,693	68,171,860	94,198,693	68,171,861
Equity	642,630,776	634,157,180	203,558,909	212,612,997	53,878,217	53,268,018	67,826,762	68,314,285	76,595,215	77,091,911
Minority Interests	50,668,701	52,725,245	232	229	-	-	37,531,682	37,775,038	-	-
Total Liabilities and Equity	1,796,880,136	1,771,819,136	321,408,040	338,471,439	93,524,747	84,796,129	214,952,209	189,706,751	188,235,496	162,974,036
INCOME STATEMENTS										
Regular revenues	509,540,577	492,002,980	63,924,489	63,521,557	12,401,009	11,488,105	54,926,019	53,655,895	54,926,019	53,655,895
Operating cost	(285,329,778)	(267,499,304)	(39,427,384)	(40,256,341)	(7,988,554)	(7,990,314)	(34,781,825)	(33,057,106)	(34,775,772)	(33,044,505)
Financial result	(25,059,261)	(20,643,577)	(818,611)	(919,553)	(63,052)	(64,831)	(2,972,488)	(2,695,516)	(2,972,488)	(2,695,516)
Others not related to the operation	(9,328,660)	(5,580,178)	616,105	17,600,783	(243,448)	(680,928)	(781,254)	(945,654)	(781,033)	(945,421)
Income tax	(46,340,625)	(43,442,462)	(5,404,534)	(7,921,350)	(912,954)	(404,901)	(4,188,086)	(3,829,202)	(4,169,588)	(3,807,165)
Minority Interest	(3,861,973)	(4,261,793)	(14)	(10)	-	-	(5,991,297)	(6,450,011)	-	-
Earnings attributable to owners of the controller	139,620,280	150,575,666	18,890,051	32,025,086	3,193,001	2,347,131	6,211,069	6,678,406	12,227,137	13,163,288
CASH FLOW STATEMENT										
Net cash flows from operation activities	213,469,168	234,098,851	10,620,784	22,689,705	3,431,084	5,613,526	19,030,053	20,716,884	18,224,918	20,750,809
Net cash flows from investment activities	(113,828,958)	(93,180,602)	(9,981,002)	13,091,106	(4,630,611)	(8,952,312)	(14,156,895)	(13,577,658)	(14,156,895)	(13,577,658)
Net cash flows from financing activities	111,446,006	101,104,531	(34,608,187)	(9,882,384)	522,049	1,370,440	7,645,458	(8,444,542)	8,466,594	(8,488,139)
Net cash increase (decrease) and equivalent to cash	(46,068,103)	31,922,914	(33,968,405)	25,898,427	(677,478)	(1,968,346)	12,518,616	(1,305,316)	12,534,617	(1,314,988)
Initial balance of cash and equivalent to cash	64,876,443	32,953,529	34,944,556	9,046,129	1,305,933	3,274,279	229,405	1,534,721	213,404	1,528,392
Final balance of cash and equivalent to cash	18,808,340	64,876,443	976,151	34,944,556	628,455	1,305,933	12,748,021	229,405	12,748,021	213,404

Earnings Release

FINANCIAL POSITION STATEMENTS

As at december 31 2017

	Ecoriles S.A		Aguas del Maipo S.A		Gestión y Servicios S.A		Análisis Ambientales S.A	
ASSETS	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$	2017 M\$	2016 M\$
Current assets	4,718,568	5,103,621	2,066,320	477,419	6,325,828	5,768,832	1,838,309	2,029,111
Non-current assets	501,160	425,004	14,356,294	8,348,898	780,187	907,094	4,614,248	5,354,352
Total Assets	5,219,728	5,528,625	16,422,614	8,826,317	7,106,015	6,675,926	6,452,557	7,383,463
LIABILITIES								
Current liabilities	2,101,177	2,380,465	7,200,918	99,426	3,687,532	3,690,043	1,700,455	2,956,521
Non-current liabilities	-	-	109,473	82,367	41,863	40,043		
Equity	3,118,551	3,148,160	9,112,222	8,643,402	3,376,620	2,945,840	4,752,102	4,426,942
Minority Interests			-	-				
Total Liabilities and Equity	5,219,728	5,528,625	16,422,613	8,825,195	7,106,015	6,675,926	6,452,557	7,383,463
INCOME STATEMENTS								
Regular revenues	13,389,212	12,726,542	1,335,159	-	8,363,693	8,569,328	8,301,209	7,159,549
Operating cost	(11,176,764)	(10,522,650)	(655,995)	(731,324)	(7,928,958)	(8,094,804)	(6,706,861)	(6,167,761)
Financial result	14,105	42,883	156,080	153,645	30,533	14,446	(62,637)	(115,362)
Others not related to the operation	4,895	7,015	4,857	172,081	339,270	(2,295,062)	4,357	8,750
Income tax	(551,107)	(531,150)	(170,358)	(35,653)	(189,894)	553,002	(372,811)	(186,434)
Minority Interest			-	-				
Earnings attributable to owners of the controller	1,680,341	1,722,640	669,743	(441,251)	614,644	(1,253,090)	1,163,257	698,742
CASH FLOW STATEMENT								
Net cash flows from operation activities	1,054,308	1,457,506	604,804	(636,020)	403,826	1,063,565	2,102,735	1,537,032
Net cash flows from investment activities	(416,297)	(101,739)	(3,484,590)	153,645	2,062,476	(104,489)	(300,158)	(541,891)
Net cash flows from financing activities	(1,722,641)	(1,450,000)	2,797,500	(450,000)	(2,720,000)	(500,000)	(1,766,742)	(1,058,000)
Net cash increase (decrease) and equivalent to cash	(1,084,630)	(94,233)	(82,286)	(932,375)	(253,698)	459,076	35,835	(62,859)
Initial balance of cash and equivalent to cash	1,467,751	1,561,984	95,703	1,028,078	961,747	502,671	4,238	67,098
Final balance of cash and equivalent to cash	383,121	1,467,751	13,417	95,703	708,049	961,747	40,073	4,239