



PRESS RELEASE

**Semester ended
June 30 2014**

1. Highlights

- The Company's first semester 2014 results were positively influenced by the start-up of the Mapocho Sewage Treatment Plant, the start of operations of potable water supply safety works and the absence of the negative effects generated by the water stoppages that occurred in the summer of 2013. Those interruptions resulted from summer rains and landslides into the Maipo River that increased the turbidity of the channel to extreme levels, preventing the production of water.
- At the end of the first semester of 2014, revenues amounted to Ch\$221,774 million, an increase of Ch\$19,393 (9.6%) compared to the same semester of 2013. This increase was primarily due to higher sales volumes and increased tariffs associated with the start-up of the Mapocho Sewage Treatment Plant and the increase in tariffs associated with the start-up of the security operations to ensure the provision of drinking water. The Mapocho Sewage Treatment Plant concluded the Sanitation Plan of the Metropolitan Region of Santiago and has allowed for 100% treatment of sewage.
- Costs increased 3.6%% due to an increase in the benefits given to employees for \$1,611 million associated to consumer price index adjustments and an increase of CH\$854 million in the insolvency provision. In addition to this, there were increased structural costs and higher external operating costs of sewage treatment plants due to the start-up of the Mapocho Treatment Plant. All of this was partially compensated by higher expenses registered in the same period in 2013 due to the operational contingency of the events that took place last summer (Ch\$3,483 million). As a result, consolidated EBITDA for the period amounted to CH\$139,482, increasing 13.5% in respect of the same semester in the previous year.
- The financial result for the period reached Ch\$(30,070) million, Ch\$19,227 million lower than the previous year, as a result of higher debt revaluation in UF.
- Net income as of June 30, 2014, reached Ch\$31,766 million, Ch\$412 million (1.3%) higher than the previous year.

2. Operating Results

Income Statement (Ch\$ millions)	June 14	June 13	% Var.	2014 - 2013
Revenues	221,774	202,381	9.6%	19,393
Operating Costs & Expenses	(82,292)	(79,461)	3.6%	(2,831)
EBITDA	139,482	122,920	13.5%	16,562
D&A	(31,600)	(32,176)	(1.8%)	576
Operating Income (EBIT)	107,882	90,744	18.9%	17,138
Financial Result*	(30,070)	(10,843)	177.3%	(19,227)
Net Income	31,766	31,354	1.3%	412

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

2.1. Revenue Analysis

	June 14		June 13		Variation	
	Sales Ch\$ millions	% of Rev.	Sales Ch\$ millions	% of Rev.	Ch\$ millions	%
Water	92.943	41,9%	84,663	41.8%	8,280	9.8%
Sewage	104.550	47,1%	93,320	46.1%	11,230	12.0%
Other Regulated	3.494	1,6%	2,951	1.5%	543	18.4%
Other Non-regulated	20.787	9,4%	21,447	10.6%	-660	-3.0%
Total	221.774	100,0%	202,381	100.0%	19,393	9.6%

Sales Volume (Th. m³)	June 14	June 13	% Var.	Difference
Potable Water	297,289	286,162	3.9%	11,127
Sewage Collection	285,094	276,976	2.9%	8,118
Sewage Treatment & Disposal	248,101	241,048	2.9%	7,053
Interconnections *	64,168	63,104	1.7%	1,064
Customers	June 14	June 13	% Var.	Difference
Potable Water	2,070,091	2,009,979	3.0%	60,112
Sewage Collection	2,018,794	1,969,975	2.5%	48,819

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

Regulated Businesses

1. Potable Water

Potable water revenues during the first semester of 2014 totaled Ch\$92,943 million, an increase of Ch\$8,280 million compared to the same semester last year. The increased revenue is due in part to increased sales volume of water billed during the first semester of 2014, which was 3.9% higher than during the same semester last year. Also, revenues increased in this segment due to higher average tariff as a result of tariff indexation, which took place in September 2013, a tariff increase related to new infrastructure projects that came online in March 2014, and a tariff increase due to an adjustment of inflation in April 2014. The latter is applied when the accumulated variation to inflation since the last adjustment is 3.0% or higher.

2. Sewage

Revenues from sewage services in the first semester of 2014 totaled Ch\$104.550 million, 12.0% higher compared to the Ch\$93,320 million registered in the same period of the previous year. The increase of Ch\$11.230 million is explained by:

- Sewage Collection
 - Higher sewage collection revenue of Ch\$2,493 million (Ch\$47,744 million in the first semester of 2014 compared to Ch\$45,251 million in the first semester of 2013), mainly as a result of a 8.1 million m³ increase in sales volumes and higher average tariffs due to the polynomial tariff adjustment at the end of September 2013 and beginning of April 2014 that was applied to incorporate the inflation that was accrued during the period of the existing tariffs. The latter is applied when there is a variation in accumulated inflation since the last adjustment of 3.0% or higher.
- Sewage Treatment
 - Higher sewage treatment revenues of Ch\$7,105 million (Ch\$45,327 million in the first semester of 2014, compared to Ch\$38,222 million in the first semester of 2013), mainly as a result of higher average tariffs due to the completion of the Mapocho Sewage Treatment Plant and the polynomial tariff adjustment at the end of September 2013 and beginning of April, as well as an increase in sales volumes of 7.1 million m³.
- Interconnection
 - Higher revenues from sewage interconnection services of Ch\$1,632 million (Ch\$11,478 million in the first semester of 2014 compared to Ch\$9,846 million in the first semester of 2013), mainly due to a higher average rate and higher sales of 1.0 million m³.

3. Other Regulated Revenue

Revenues of other regulated businesses increased Ch\$543 million mainly due to higher revenues from fixed/baseline charges of Ch\$422 million due to the higher number of customers.

Other Non-Regulated Revenue

Revenues of non-regulated businesses decreased Ch\$660 million during the first semester of 2014 compared to the same period of 2013, due mainly to:

1. Sanitation Services

Revenues in this segment decreased by Ch\$992 million mainly due lower revenues coming from sanitary infrastructure modification due to road works or real estate projects.

2. Non-Sanitation Services

Revenues in this segment increased Ch\$332 million mainly due to increased services provided by Análisis Ambientales S.A and a higher level of activity for EcoRiles S.A.

(Ch\$ millions)	June 14	June 13	Var. %
Gestión y Servicios S.A.	3,963	4,773	-17.0%
EcoRiles S.A.	6,432	5,564	15.6%
Anam S.A.	1,212	954	27.0%
Aguas del Maipo S.A.	182	157	15.8%
Non-regulated, non-sanitation products	11,789	11,448	3.0%

2.2. Cost Analysis

Cost of Sales

As of June 30, 2014, costs of raw materials and supplies totaled Ch\$13,806 million, a decrease of Ch\$52 million, compared to the same period of the previous year. This decrease is a result of lower cost of sales for Gestión y Servicios offset by greater consumption of chemical supplies both by the EcoRiles affiliate and by the associated regulated companies, whose increased production volume also required greater consumption of chemical supplies.

Personnel Expenses

At the end of the first semester of 2014, personnel expenses totaled Ch\$21,562 million, an increase of Ch\$1,611 million compared to the same period of the previous year, mainly due to higher personnel compensation linked to inflation adjustments.

Depreciation and Amortization

As of June 30, 2014, depreciation and amortization amounted to Ch\$31,600 million, Ch\$576 million lower than in the same semester of 2013. This decrease is mainly due to the end of the useful lives of certain fixed assets.

Other Expenses

At the end of the first semester of 2014, other expenses amounted to Ch\$46,923 million, Ch\$1,271 million higher than the same semester of 2013. This increase is a result of higher costs of network maintenance of Ch\$590 million; an increase in the provision for insolvency of Ch\$854 million; and increased costs for non-regulated activities of Ch\$391 million associated with an increase in the level of business.

Additionally, other expenses have increased as a result of higher treated volumes (higher costs of Ch\$797 million); higher customer service costs of Ch\$327 million; higher costs of leasing machinery and vehicles of Ch\$485 million; and higher costs due to municipal licenses and real estate taxes of Ch\$440 million. These higher costs are evaluated against a higher basis of comparison in the first semester of 2013 when additional costs of Ch\$3,483 million, related to emergency water stoppages that occurred during the months of January and February 2013, were recorded.

2.3. Analysis of Financial and Other Results

Financial Income

As of June 30, 2014, financial income amounted to Ch\$2,989 million, Ch\$1,408 million lower than the figure registered last year, explained by lower interest revenue due to lower cash surpluses.

Financial Costs

At the end of the first semester of 2014, financial costs totaled Ch\$14,015 million, a decrease of Ch\$739 million compared to the same semester of 2013. This decrease is due mainly due to lower interests paid due to the lower interests rates in the market.

Results of Indexation

Results of indexation as of June 30, 2014, reached Ch\$19,022 million, Ch\$18,534 million higher compared to the same period of 2013, mainly explained by a greater appreciation of the debt due to the higher variation of the UF compared to the first semester of 2013.

Income Tax

The provision for income taxes at the end of first semester of 2014 reached Ch\$12,920 million, Ch\$3,042 million lower than the same period last year. This variation is mainly due to the permanent differences that the higher inflation produces in the tributary and financial statements of the company.

Earnings

Earnings as of June 30, 2014 reached Ch\$31,766 million, Ch\$412 million (+1.3%) higher than the first semester of 2013.

3. Quarterly Results

Income Statement (Ch\$ millions)	2Q14	2Q13	% Var.	2Q14 / 2Q13
Revenues	102,294	94,084	8.7%	8,210
Operating Costs & Expenses	(42,293)	(41,289)	2.4%	(1,004)
EBITDA	60,001	52,795	13.6%	7,206
D&A	(15,948)	(16,184)	1.5%	236
Operating Income (EBIT)	44,053	36,611	20.3%	7,442
Financial Result*	(16,441)	(4,460)	268.6%	(11,981)
Net Income	11,462	12,397	(7.5%)	(935)

**Includes financial income, financial expenses, exchange differences and results of indexation units.*

3.1. Revenue Analysis

Operating Revenue

The ordinary revenues of the second quarter of 2014 increased to Ch\$102,294 million, Ch\$8,210 higher (8.7%) to that obtained in the previous period. This variation was due mainly to a higher sales volume during the quarter in addition to higher average tariff as a result of tariff indexation, which took place in September 2013, a tariff increase related to new infrastructure projects that came online in March 2014, and a tariff increase due to an adjustment of inflation in April 2014. The latter is applied when the accumulated variation to inflation since the last adjustment is 3.0% or higher.

3.2. Cost Analysis

Cost of Sales

In the second quarter of 2014, costs of raw materials totaled Ch\$6,559 million, a decrease of Ch\$486 million, compared to the same period of the previous year. This decrease is a result of lower cost of sales for Gestión y Servicios, compensated by a higher cost of electricity.

Personnel Expenses

At the end of the second quarter of 2014, personnel expenses totaled Ch\$11,610 million, an increase of Ch\$1,228 million compared to the same period of the previous year, mainly due to higher personnel compensation linked to consumer price index adjustments in addition to compensations for years of service.

Depreciation and Amortization

At the end of the second quarter of 2014, depreciation and amortization amounted to Ch\$15,948 million, Ch\$236 million lower than in the same quarter of 2013. This decrease is mainly due to the end of the useful lives of certain fixed assets.

Other Expenses

At the end of the first quarter of 2014, other expenses amounted to Ch\$24,123 million, Ch\$261 million higher than the same semester of 2013. This increase is a result of higher expenses in real estate taxes of Ch\$424 million, communication and advertising for Ch\$216, together with a higher provision for unrecoverables of \$317 million, compensated partially by lower activity in infrastructure modification due to road works for Ch\$1,033 million.

2.3. Analysis of Financial and Other Results

Financial Income

For the second quarter of 2014, financial income amounted to Ch\$1,576 million, Ch\$1,091 million lower than the figure registered last year, explained by lower interest revenue due to lower cash surpluses.

Financial Costs

At the end of the second quarter of 2014, financial costs totaled Ch\$7,246 million, a decrease of Ch\$262 million compared to the same quarter of 2013. This decrease is due mainly due to lower interests paid due to the lower interests rates in the market.

Results of Indexation

At the end of the second quarter of 2014, the results of indexation reached Ch\$10,757 million, Ch\$11,146 million higher compared to the same quarter of 2013, mainly explained by a greater appreciation of the debt due to the higher variation of the UF compared to the first quarter of 2013.

Income Tax

The provision for income taxes at the end of second quarter of 2014 reached Ch\$3,912 million, Ch\$2,633 million lower than the same period last year. This variation is mainly due to lower earnings before taxes in respect to the same period in 2013 and the permanent differences that the higher inflation produces in the tributary and financial statements of the company.

Earnings

The net income of the second quarter of 2014 reached Ch\$11,462 million, Ch\$ 935 million (7.5%) lower than the second quarter of 2013.

4. Balance Sheet

	June 14	Dec. 13	
	Ch\$ million	Ch\$ million	% Var.
Assets			
Current Assets	88,773	134,623	-34.1%
Long-Term Assets	1,722,492	1,716,133	0.4%
Total Assets	1,811,265	1,850,756	-2.1%
Liabilities & Shareholder's Equity			
Current Liabilities	125,526	221,033	-43.2%
Long-Term Liabilities	752,495	680,044	10.7%
Total Liabilities	878,021	901,077	-2.6%
Shareholder's Equity	573,568	580,912	-1.3%
Minority Interest	359,676	368,767	-2.5%
Total Shareholder's Equity	933,244	949,679	-1.7%
Total Liabilities & Shareholder's Equity	1,811,265	1,850,756	-2.1%

Assets

Total assets as of June 30, 2014, decreased 2.1% compared to December 31, 2013, from Ch\$1,850,756 million to Ch\$1,811,265 million.

As of June 30, 2014, current assets decreased by Ch\$45,850 million. This decrease was mainly due to the decrease in trade and other receivables for the amount of Ch\$12,822 million, explained by seasonality in the sale cycle, in addition to lower cash and cash equivalents of Ch\$32,752 million mainly explained by the payment of dividends in the first quarter of 2014.

Long-term assets increased Ch\$6,359 million mainly due to increase in deferred taxes. This variation is justified by the temporary differences that the higher inflation produces in the tributary and financial statements of the company.

The following are the main investments during the period

Investments (Ch\$ millions)	June 14
Minor Corrective Maintenance	2,899
Land and Turbidity II Projects	2,857
Preventive Maintenance of Sewage System Infrastructure	1,980

Liabilities & Shareholder's Equity

As of June 30, 2014, total liabilities decreased 2.6% (Ch\$23,056 million) compared to December 31, 2013.

Current liabilities decreased Ch\$95,507 million. This variation is mainly due to a decrease in other financial liabilities of Ch\$46,151 associated to the payment of the Series G bond of UF2.5 million. Additionally, there was a decrease in Other Accounts Payable of Ch\$38,346 in addition to a decrease in Accounts Payable to Related Companies of Ch\$10,518, both associated to the payment of interim dividends registered at the end of December 2013 and the debt with contractors associated to advancements in investment works (Ch\$9,000 million).

Long-term liabilities increased by Ch\$72,451 million (10.7%). This was as a result of the issuance of the Series V Bond for UF 2.0 million and increased bank loans of Ch\$20,000 by the subsidiary Aguas Cordillera S.A. and increased promissory notes of Ch\$14,564 million.

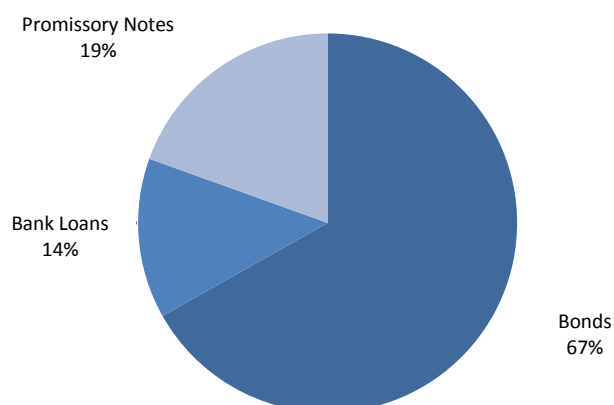
Total shareholder's equity decreased Ch\$16,435 million, and net equity attributable to the controllers decreased by Ch\$7,344 million, mainly due to the payment of dividends corresponding to the 2013 financial year, which is partially compensated by the earnings generated in the first semester of 2014.

The table below outlines the amortization profile of consolidated debt as of June 30, 2014 (figures include only capital in millions of Ch\$):

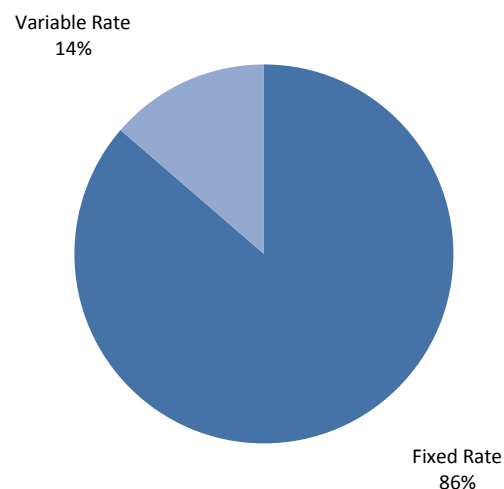
	Currency	Total	1 - 12 months	1 - 3 years	3 - 5 years	more than 5 years
Bonds	UF	480,966	28,109	78,133	33,209	341,515
Bank Debt	Ch\$	98,306	12,659	35,869	49,778	0
Promissory Notes	UF	140,364	1,924	19,759	29,043	89,638
Total		719,636	42,692	133,761	112,030	431,153

Financial Liabilities Structure

Composition By Instrument Type



Composition By Rate Type



5. Consolidated Cash Flows

Cash Flow Statement (Ch\$ millions)	June 14	June 13	% Var.
Net Cash Flow from Operating Activities	123.805	117.259	5,6%
Net Cash Flow from Investing Activities	-38.829	-69.136	-43,8%
Net Cash Flow from Financing Activities	-117.728	-56.716	107,6%
Total Net Cash Flow for the Period	-32.752	-8.593	281,1%
Closing Balance of Cash & Cash Equivalents	7.548	28.614	-73,6%

The net cash flow from operating activities increased Ch\$6,546 million in as of June 30, 2014, compared to the same period of the previous year.

The main variations was:

- An increase in cash receipts from the sale of goods and services of Ch\$27,547 million, mainly due to higher sales volume and increased tariffs associated with the start-up of the Mapocho Sewage Treatment Plant, the increase in tariffs associated with the start-up of the security operations to ensure the provision of drinking water, and the inflation indexations that occurred in September and April 2014.

These variations were partially offset by:

- Increased payments to suppliers for Ch\$10,637 million, associated with increased costs from increased volume treated, due to the startup of the Mapocho Sewage Treatment Plant and maintenance of drinking water network.
- An increase in other payments for operating activities of Ch\$5,021 million, mainly due to a higher amount of value added tax as a result of increased revenue, compared to the same semester in the previous year.
- An increase in the benefit payments to employees for Ch\$2,064 thousand due to higher wages and bonus payments associated to consumer price index readjustments.

Disbursements from investing activities decreased by Ch\$30,307 million, due to lower incorporation of property, plant and equipment. This is explained by the payments made in the previous period for the construction of the Mapocho Sewage Treatment Plant.

Financing activities generated a net variation (higher payments) of Ch\$61,012 million, mainly due to the payment of Series G bonds for UF 2.5 million, along with an increased dividend of Ch\$30.389 million, all partially offset by an increase in financial debt of Ch\$53,806 million.

6. Financial Ratios

		June 14	Dec. 13
Liquidity			
Current Ratio	times	0.71	0.61
Acid Test Ratio	times	0.06	0.18
Leverage			
Total Leverage	times	0.94	0.95
Current Leverage	times	0.14	0.25
Long-term Leverage	times	0.86	0.75
Interest Coverage Ratio	times	6.19	6.13
Return			
ROE	%	10.13	9.90
ROA	%	3.22	3.14
Earnings Per Share	Ch\$	58.06	57.65
Dividend Yield*	%	6.45	6.81

Current ratio: *currents assets / current liabilities.*

Acid test ratio: *cash and cash equivalents / current liabilities.*

Total leverage: *total liabilities / total shareholders' equity.*

Current leverage: *current liabilities / total liabilities.*

Long-term leverage: *long-term liabilities / total liabilities.*

Interest rate coverage: *net income before taxes / financial costs.*

ROE: *net income / average assets.*

ROA: *net income / average assets.*

Earnings per share: *Net income / total shares.*

Dividend Yield: *Dividends paid / share price.*

*Share price as of June 30, 2014 was \$893.59 As of December 31, 2013 the share price was \$892.25.

In the first semester of 2014, the current ratio increased 16.4% due to a decrease in current liabilities of Ch\$95,507 (43.2%), compensated by a decrease in current assets of Ch\$45,850 (34.1%), in comparison to December 2013. The main variations in the current assets and liabilities are related to principal and interest payments on bonds and a decrease in commercial accounts payable for Ch\$38,346 million and accounts payable to related companies for Ch\$10,518 million, primarily related to the payment of interim dividends in the first quarter of 2014 and advancements for investment works (Ch\$9,000 million).

The acid test ratio decreased significantly, mainly due to the aforementioned decrease in cash and cash equivalents, product of the payment of interim and definitive dividends which happened during the first semester of 2014.

Total leverage stayed constant, however, we can mention that there was a decrease in total liabilities for Ch\$23,056, explained by the payment of interim dividends and the debt with contractors. The payment of dividends occurred in the first quarter of 2014 for the amount of Ch\$18,538. The debt with contractors is associated with the progress in investment works for Ch\$9,000. All of the above was partially compensated by a new bank loan of Ch\$20,000 million. Additionally, total assets decreased by Ch\$16,435 million, explained by the payment of definitive dividends for the earnings of 2013 for the amount of Ch\$39,110 which was partially compensated by the earnings generated during the first semester of 2014.

The annualized return on equity attributable to the controlling group increased by 2.3% due to a decrease in the average annualized equity of Ch\$8,988 and an increase of Ch\$412 in the earnings of the annualized period for 2014 in comparison to 2013.

7. Other Information

Tariffs

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

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

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

Aguas Andinas S.A.:

Group 1	September 2013, March (tariff adjustment for new security works), and April 2014
Group 2	September 2013 and April 2014
Rinconada de Maipú	July 2012

Aguas Cordillera S.A.:	August 2013 and April 2014
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Aguas Manquehue S.A.:

Santa María	July 2013, January 2014, and June 2014
Chicureo	August 2013 and March 2014
Chamisero	July 2012 and March 2014
Valle Grande 3	July 2012 and March 2014

Essal S.A.:

Group 1	December 2013 and April 2014
Group 2	December 2013 and April 2014
Group 3	December 2013 and April 2014
Chiniquihue	August 2013 and February 2014
Los Alerces	Abril 2013 and January 2014

In addition, tariffs may also be adjusted when additional services/investments become operational. These adjustments are previously authorized by the SISS. Tariffs may also be adjusted if changes in tax rates are made.

Current tariffs for Aguas Andinas S.A. for the 2010-2015 period were approved by Decree No. 60 dated February 2, 2010 by the Ministry of Economy, Development and Reconstruction and were applied beginning March 1, 2010. Current tariffs for Aguas Cordillera S.A. and Aguas Manquehue S.A. were approved by Decrees No. 176, on June 8, 2010, and No. 170, on May 20, 2010, respectively. Essal S.A. concluded its last tariff negotiation process in 2011 for the 2011-2016 period, and new rates were approved by Decree No. 116, on August 31, 2011.

Market Risk

Due to the stable nature of the water utility industry, there is low market risk. Operational results follow a seasonal pattern and may vary from quarter to quarter. The highest levels of demand and revenues are registered during the summer months (December to March) and lower levels of demand and revenues during the winter months (June to September). In general, demand for water is higher in warmer months, mainly due to the additional water needs caused by irrigation and other outdoor water uses.

Adverse weather conditions could potentially affect optimal delivery of services, because the processes of extracting and producing drinking water depend largely on weather conditions that develop in watersheds. Climate factors such as rainfall, snow, hail, temperature and moisture as well as other factors such as sediment and water levels in rivers determine not only the quantity, quality and continuity of raw water available at each intake point, but also determine the probability that water is properly treated in the water treatment plants. During the months of January and February 2013, mudslides in the Cajón del Maipo area significantly increased the level of sediment in the Maipo river, forcing the Company to shut down its main water treatment plants which resulted in water stoppages for a significant number of customers.

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

Market Analysis

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

Aguas Andinas S.A. has 100% service coverage in drinking water, 98.5% service coverage in sewage collection and 100% service coverage in sewage treatment.

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

Aguas Manquehue S.A. has 100% service coverage in drinking water, 99.4% service coverage in sewage collection and 100% service coverage in sewage treatment.

Essal S.A. has 100% service coverage in drinking water, 95.0% service coverage in sewage collection and 100% service coverage in sewage treatment.

Capital Investments

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

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

Committed investments include several projects related to sewage treatment such as the construction of the Mapocho Urban Treatment Plan (MUL), in operation since 2010, the Mapocho Sewage Treatment Plant and the La Farfana-El Trebal Connector. These investments were important milestones in achieving

the goal of 100% sewage coverage treatment, which was reached in 2013. There are additional important committed investments developed to increase network autonomy such as: additional storage tanks, with the most relevant tank being one built at the Las Vizcachas plant which will have a capacity of 160,000 m³; the CAYA project which will connect the El Yeso reservoir with the Zaulillos sector (capacity of 4.0 m³/s; length of connection is 5km); and additional drilling in the Cerro Negro area to increase capacity (500 l/s). These investments aimed to improve the quality and availability of water, especially in emergency situations.

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

Aguas Andinas S.A.

Greater Santiago: 16 May 2011

Other Areas: 13 October 2011, 12 September 2012, 5 April 2013, 3 July 2013

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: 18 October 2011

Aguas Manquehue S.A.

Santa María and Los Trapenses: 28 December 2010

Chicureo, Chamisero and Valle Grande III: 29 December 2011

Alto Lampa: 22 November 2013

Essal S.A.

X and XIV Regions: 30 December 2010

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

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

Financial Aspects

Currency risks:

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

Interest rate risk:

As of June 30, 2014, the Company's interest rate profile consisted of 87.2% fixed rate and 12.8% variable rate. The fixed rate debt includes short-term and long-term bonds (78.0%) and promissory notes (22.0%), while the variable rate debt includes bank debt with local financial institutions.

As of December 31, 2013, the Company's interest rate profile consisted of 89.2% fixed rate and 10.8% variable rate. The fixed rate debt includes short-term and long-term bonds (79.8%) and promissory notes (20.2%), while the variable rate debt includes bank debt with local financial institutions.

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

The local rating agency Feller Rate has assigned the Company a solvency rating of AA. Feller Rate and Fitch Rating have assigned the Company's shares a rating of Level 2.