



PRESS RELEASE

March 2014

1. Highlights

- The Company's first quarter 2014 results were positively influenced by the start-up of the Mapocho sewage treatment plant and the absence of the negative effects of the water stoppages that occurred in January and February of 2013, as a result of intense rain and mudslides. At the end of the first quarter of 2014, revenues amounted to Ch\$119,479 million, an increase of Ch\$11,182 million (10.3%) compared to the same quarter of 2013. This increase was primarily due to higher sales volumes and increased tariffs associated with the startup of the plant Mapocho sewage treatment plant, which concluded the Sanitation Plan of the Metropolitan Region of Santiago and has allowed for 100% treatment of sewage. Additionally, non-regulated business revenues increased Ch\$1,210 million.
- Costs increased 4.8% due to an increase in raw materials of Ch\$434 million associated with the higher production volumes, increased network maintenance of Ch\$312 million, an increase of Ch\$536 million in the insolvency provision and increased cost of non-regulated activities of Ch\$399 million. As a result, consolidated EBITDA for the period amounted to Ch\$79,480 million, (13.3%) higher compared to the same period of the previous year.
- Financial result for the period reached Ch\$(13,629) million, Ch\$7,246 million lower than the previous year, as a result of higher debt revaluation in UF.
- Net income as of March 31, 2014, reached Ch\$20,304 million, Ch\$1,347 million (7.1%) higher than the previous year.

2. Operating Results

	Mar. 14	Mar. 13	% Var.	2014 / 2013
Revenues	119,479	108,297	10.3%	11,182
Operating Costs & Expenses	(39,999)	(38,172)	4.8%	(1,827)
EBITDA	79,480	70,125	13.3%	9,355
D&A	(15,652)	(15,992)	2.1%	340
Operating Income (EBIT)	63,828	54,133	17.9%	9,695
Financial Result*	(13,629)	(6,383)	113.5%	(7,246)
Net Income	20,304	18,957	7.1%	1,347

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

2.1. Revenue Analysis

	Mar. 14		Mar. 13		2014 / 2013	
	Sales	% of Rev.	Sales	% of Rev.	Ch\$ (mio)	%
Water	51,721	43.3%	47,842	44.2%	3,879	8.1%
Sewage	54,652	45.7%	49,158	45.4%	5,494	11.2%
Other Regulated	2,507	2.1%	1,908	1.8%	599	31.4%
Other Non-regulated	10,599	8.9%	9,389	8.7%	1,210	13.0%
Total	119,479	100%	108,297	100%	11,182	10.3%

Sales Volume (Th. m ³)	Mar. 14	Mar. 13	% Var.	2014 / 2013
Water	160,222	153,930	4.1%	6,292
Sewage Collection	152,421	148,013	3.0%	4,408
Sewage Treatment & Disposal	131,816	128,102	2.9%	3,714
Customers	Mar, 14	Mar, 13	% Var.	2014 / 2013
Water	2,061,478	1,995,490	3.3%	65,988
Sewage Collection	2,010,307	1,955,146	2.8%	55,161

Regulated Businesses

1. Water

Water revenues during the first quarter of 2014 totaled Ch\$51,721 million, an increase of Ch\$3,879 million compared to the same quarter last year. The increased revenue is due in part to increased sales volume of water billed during the first quarter of 2014, which was 4.1% higher than during the same quarter 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, and a tariff increase related to new infrastructure projects that came online in March 2014.

2. Sewage

Revenues from sewage services in the first quarter of 2014 totaled Ch\$54,652 million, 11.2% higher compared to the Ch\$49,158 million registered in the same period of the previous year. The increase of Ch\$5,494 million is explained by:

- Sewage Collection
 - Higher sewage collection revenue of Ch\$956 million (Ch\$24,970 million in the first quarter of 2014 compared to Ch\$24,014 million in the first quarter of 2013), mainly as a result of a 4.4 million m³ increase in sales volumes and higher average tariffs due to the polynomial tariff adjustment at the end of September 2013.
- Sewage Treatment
 - Higher sewage treatment revenues of Ch\$3,657 million (Ch\$23,589 million in the first quarter of 2014, compared to Ch\$19,932 million in 1Q13), 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, as well as an increase in sales volumes of 3.7 million m³.
- Interconnection
 - Higher revenues from sewage interconnection services of Ch\$881 million (Ch\$6,093 million in the first quarter of 2014 compared to Ch\$5,212 million in 1Q13), mainly due to a higher average rate and higher sales of 0.7 million m³.

3. Other Regulated Revenue

Revenues of other regulated businesses increased Ch\$599 million mainly due to a higher provision for unbilled revenues of Ch\$391 million and higher revenues from fixed/baseline charges of Ch\$160 million due to the higher number of customers.

Other Non-regulated Revenue

Revenues of non-regulated businesses increased Ch\$1,210 million during the first quarter of 2014 compared to the same period of 2013, due mainly to:

1. Sanitation Services

Revenues in this segment increased Ch\$306 million mainly due to engineering projects related to infrastructure modifications.

2. Non-sanitation services

Revenues in this segment increased Ch\$911 million mainly due to increased revenues in Anam S.A. and EcoRiles S.A.

(MM\$)	Mar. 14	Mar. 13	Var. %
Gestión y Servicios S.A.	2,194	2,165	1.3%
EcoRiles S.A.	3,262	2,617	24.6%
Anam S.A.	624	412	51.5%
Aguas del Maipo S.A.	182	157	15.9%
Total	6,262	5,351	17.0%

2.2. Cost Analysis

Cost of Sales

As of March 31, 2014, costs of raw materials totaled Ch\$7,247 million, an increase of Ch\$434 million compared to the same period of the previous year. This increase is a result of higher electricity consumption and increased consumption of chemical inputs related to increased production volume.

Personnel Expenses

At the end of the first quarter of 2014, personnel expenses totaled Ch\$9,952 million, an increase of Ch\$383 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 March 31, 2014, depreciation and amortization amounted to Ch\$15,652 million, Ch\$340 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\$22,800 million, Ch\$1,010 million higher than the same quarter of 2013. This increase is a result of higher costs of network maintenance of Ch\$312 million; an increase in the provision for insolvency of Ch\$536 million; and increased costs for non-regulated activities of Ch\$399 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\$694 million); higher customer service costs of Ch\$338 million; higher costs associated with tariff studies of Ch\$598 million; higher costs of leasing machinery and vehicles of Ch\$275 million. These higher costs are evaluated against a higher basis of comparison in the first quarter of 2013 when additional costs of Ch\$2,411 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 March 31, 2014, financial income amounted to Ch\$1,413 million, Ch\$317 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 quarter of 2014, financial costs totaled Ch\$6,769 million, a decrease of Ch\$477 million compared to the same quarter of 2013. This decrease is due mainly due to lower average bank debt.

Results of Indexation

Results of indexation as of March 31, 2014, reached Ch\$8,264 million, Ch\$7,388 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 quarter of 2013.

Income Tax

The provision for income taxes at the end of first quarter of 2014 reached Ch\$9,008 million, Ch\$409 million lower than the same period last year. This variation is mainly due to differences in the tributary and financial statements of the company.

Earnings

Earnings as of March 31, 2014, reached Ch\$20,304 million, Ch\$1,347 million (+7.1%) higher than the first quarter of 2013.

3. Balance Sheet

	Mar. 14	Dec. 13	
	MM\$	MM\$	% Var.
Assets			
Current Assets	169,569	134,623	26.0%
Long-Term Assets	1,718,281	1,716,133	0.1%
Total Assets	1,887,850	1,850,756	2.0%
Liabilities & Shareholder's Equity			
Current Liabilities	190,228	221,033	-13.9%
Long-Term Liabilities	706,224	680,044	3.8%
Total Liabilities	896,452	901,077	-0.5%
Shareholder's Equity	601,216	580,912	3.5%
Minority Interest	390,182	368,767	5.8%
Total Shareholder's Equity	991,398	949,679	4.4%
Total Liabilities & Shareholder's Equity	1,887,850	1,850,756	2.0%

Assets

Total assets as of March 31, 2014, increased 2.0% compared to December 31, 2013, from Ch\$1,850,756 million to Ch\$1,887,850 million.

As of March 31, 2014, current assets increased Ch\$34,946 million. This increase is due in part to the inclusion of the principal and interest of bonds – in particular the Series G bond – payable on April 1, in the amount of Ch\$66,350 million, in other accounts receivable. In accordance with the contract with the custodian bank, funds must be available one business day before the payment date, and so funds for payments due on April 1 were made available March 31 in advance of payment. The increase in other accounts receivable was partially offset by a decrease in cash and cash equivalents of Ch\$32,547 million.

Long-term assets increased Ch\$2,148 million mainly due to increase in deferred taxes.

The following are the main investments during the period

Inversiones (MM\$)	Mar. 14
El Yeso reservoir valve projects	1,680
Storage Tank - Las Vizcachas Production Plant	1,539
Network Maintenance	1,328

Liabilities & Shareholder's Equity

As of March 31, 2014, total liabilities decreased 0.5% (Ch\$4.625 million) compared to December 31, 2013.

Current liabilities decreased Ch\$30,805 million. This variation is mainly due to the decrease in other accounts payable for Ch\$31,498 million and other accounts payable to related companies for Ch\$11,449 million, explained by dividends payable (interim dividend paid in January 2014). The item other current financial liabilities includes liabilities of Ch\$66,350 million, in particular the Series G bond of UF 2.5 million, maturing on April 1, 2014. The payment to the custodian bank for these liabilities was made on March 31, 2014. These funds are reflected as current assets in the financial statements in the item other accounts receivable.

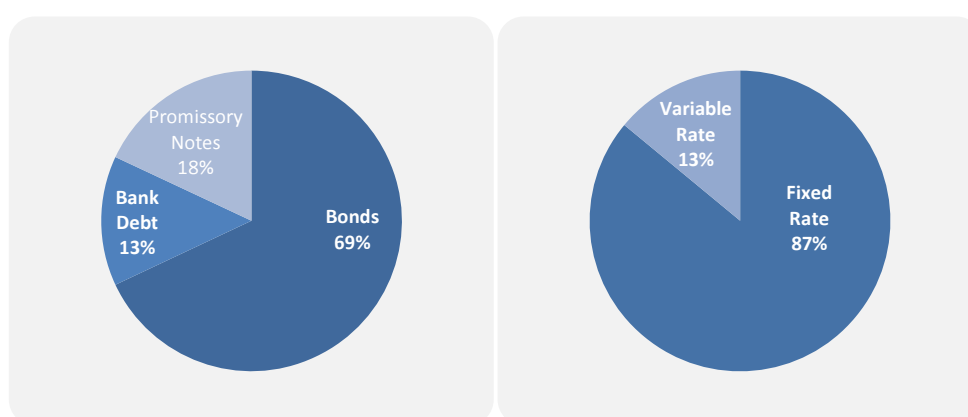
Long-term liabilities increased by Ch\$26,180 million (3.8%), as a result of increased bank loans of Ch\$20,000 million by the subsidiary Aguas Cordillera S.A. and increased promissory notes of Ch\$6,054 million.

Total shareholder's equity increased Ch\$41,719 million, and equity attributable to the controllers increased by Ch\$20,304 million, mainly due to the profit generated in the first quarter of 2014.

The table below outlines the amortization profile of consolidated debt as of March 31, 2014 (figures include only capital in millions of Ch\$):

		Total	Less than 1 yr.	1-3 yrs.	3-5 yrs.	More than 5 yrs.
Bonds	UF	513,924	79,295	87,165	51,991	295,474
Bank Debt	\$	93,602	7,956	35,869	49,778	-
Promissory Notes	UF	132,372	2,709	14,000	31,750	83,914
Total		739,898	89,960	137,034	133,519	379,388

Financial Liabilities Structure



4. Consolidated Cash Flows

	Mar. 14	Mar. 13	% Var.
Net Cash Flow from Operating Activities	65,757	61,569	6.8%
Net Cash Flow from Investing Activities	-22,577	-32,588	-30.7%
Net Cash Flow from Financing Activities	-75,727	-4,422	1612.5%
Total Net Cash Flow for the Period	-32,547	24,559	-232.5%
Closing Balance of Cash & Cash Equivalents	7,752	61,765	-87.4%

The net cash flow from operating activities increased Ch\$4,188 million in as of March 31, 2014, compared to the same period of the previous year.

The main variations are:

- An increase in cash receipts from the sale of goods and services of Ch\$15,388 million, mainly due to higher sales volume and higher average tariffs since the Mapocho sewage treatment plant came online.

These variations were offset by:

- An increase in other payments for operating activities of Ch\$6,838 million, mainly due to a higher amount of value added tax as a result of increased revenue, compared to the prior year quarter.
- Increased payments to suppliers for Ch\$3,621 million, associated with increased costs from increased volume treated, due to the startup of the Mapocho sewage treatment plant and maintenance of potable water network.

Disbursements from investing activities decreased by Ch\$10,011 million, due to lower incorporation of property, plant and equipment. Payments made in the first quarter of 2013 for the construction of the Mapocho sewage treatment plant explain this difference.

Financing activities generated a net variation (higher payments) of Ch\$71,305 million, mainly due to the payment of Series G bonds for UF 2.5 million, along with an increased dividend of Ch\$38,128 million, all partially offset by an increase in bank loans of Ch\$28,734 million.

5. Financial Ratios

		Mar. 14	Dec. 13
Liquidity			
Current Ratio	times	0.89	0.61
Acid Test Ratio	times	0.04	0.18
Leverage			
Total Leverage	times	0.90	0.95
Current Leverage	times	0.21	0.25
Long-term Leverage	times	0.79	0.75
Interest Coverage Ratio	times	6.30	6.13
Return			
ROE	%	9.80	9.90
ROA	%	3.16	3.14
Earnings per share	\$	58.99	57.65
Dividend Yield*	%	6.83	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 March 31, 2014 was \$889.48. As of December 31, 2013 the share price was \$892.25.*

In the first quarter of 2014, the current ratio increased 45.9% due to an increase in current assets of Ch\$34,946 million (26.0%) and a decrease in current liabilities of Ch\$30,805 million (13.9%), compared 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 accounts payable for Ch\$31,498 million and accounts payable to related companies for Ch\$11,449 million, primarily related to the payment of interim dividends in the first quarter of 2014.

The quick ratio decreased significantly, mainly due to the aforementioned decrease in cash and cash equivalents, product of the payment Series G bonds for UF 2.5 million.

Total leverage decreased by 4.7%, as a result of a decrease in total liabilities of Ch\$4,624 million, mainly due to the payment of interim dividends paid in the first quarter 2014 for Ch\$38,939 million, which were offset by a new bank loan of Ch\$20,000 million. Additionally, total assets increased by Ch\$41,718 million, explained by the profit generated in the first quarter of 2014.

6. 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 (IPPIIM). 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 2014 (tariff adjustment for new infrastructure)
Group 2:	September 2013
Rinconada de Maipú:	July 2012

Aguas Cordillera S.A.:

August 2013

Aguas Manquehue S.A.:

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

Essal S.A.:

Group 1	December 2013
Group 2	December 2013
Group 3	December 2013
Chinquihue	August 2013, February 2014
Los Alerces	April 2013, 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 March 31, 2014, the Company's interest rate profile consisted of 87.0% fixed rate and 13.0% variable rate. The fixed rate debt includes short-term and long-term bonds (79.7%) and promissory notes (20.3%), 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.