EARNINGS RELEASE

Semester ending
June 30 2015

1. Highlights for 2015

- During the first semester of 2015, the Company's revenue reached CLP$243,293 million, an increase of CLP $21,121 million (9.5%) in comparison to the same semester of 2014. This increase is mainly due to higher supplied volumes, the application of tariffs due to the entry into operation of the new potable water safety infrastructure works and the tariff indexations that occurred at the beginning of April and October 2014.

- It is important to note that as of June 30 2015, the new tariff decrees for the 2015-2020 period for Aguas Andinas S.A., Aguas Cordillera S.A, and Aguas Manquehue S.A are in process of being published after agreements were reached with the Superintendence of Sanitation Services in their respective tariff setting processes.

- The drought that has existed since 2010 persists in the present period. Due to this, the Company has applied contingency plans such as the purchasing of raw water, intensive use of wells, renting and purchasing water rights, amongst others. All of this has been done in order to decrease the impact of drought and ensure that Company can continue to provide quality, timely services.

- Costs increased by 16.5% mainly due to higher employee benefits of CLP$4,278 mainly associated with a provision for the early retirement program of CLP$2,441 million and higher salaries and bonuses associated with the application of consumer price index readjustments. Additionally, the cost of raw materials and consumables increased in CLP$4,759 million, mainly due to the increase in the cost of electricity. This cost amounted to CLP$4,677 million in the first semester of this year, mainly due to higher tariffs, higher Kwh consumption, in addition to the acknowledgement of retroactive charges by the electricity companies amounting to CLP$2,570 million. Additionally, other costs increased due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP$1,030 million, higher expenses in software licenses for CLP$895 million and an increase in network maintenance activities for CLP $673 million. With these increased costs, the EBITDA for the period reached CLP$147.407 million, exhibiting an increase of CLP$7.527 (5.4%) in comparison to the same semester of the previous year.

- The financial result generated a loss for CLP$19,940 million, CLP$10,130 million less in comparison to that obtained in the same semester of the previous year. This was mainly due to a lower revaluation of the Company's re-adjustable debt in Unidades de Fomento (Indexation Units).

- Tax expenses at the end of the first semester of 2015 amounted to CLP$19,386 million, CLP$6,466 million less in comparison to the same semester of the previous year. This variation is mainly justified by higher earnings before taxes and by the change in the tax rate increasing from 20% to 22.5% due to the Tax Reform and due to the permanent differences that positively affect the amount of income associated with tax.

- Net income as of June 30 2015 amounted to CLP$36,097 million, CLP$4,331 higher (13.6% increase) in comparison to the first semester of 2014.

2. Operating Results

Income Statement (CLP$ millions)	Jun. 15	Jun. 14	% Var.	2015 - 2014
Revenues	243,293	222,172	9.5%	21,121
Operating Costs & Expenses	-95,886	-82,292	16.5%	-13,594
EBITDA	147,407	139,880	5.4%	7,527
D&A	-33,912	-31,600	-7.3%	-2,312
Operating Income (EBIT)	113,495	108,280	4.8%	5,215
Financial Result*	-19,940	-30,070	-33.7%	10,130
Tax Expenses	-19,386	-12,920	50.1%	-6,466
Net Income	36,097	31,766	13.6%	4,331

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

2.1. Revenue Analysis

	Jun. 15		Jun. 14		Variation	
	Sales MM$	% of Rev	Sales MM$	% of Rev	CLP MM$	%
Potable Water	101,048	43.5%	92,943	43.2%	8,105	8.7%
Sewage	111,517	45.0%	104,550	45.7%	6,967	6.7%
Other Regulated Revenue	6,991	3.3%	3,501	2.0%	3,490	99.7%
Non-Regulated Revenue	23,737	8.2%	21,178	9.1%	2,559	12.1%
Total	**243,293**	100.0%	**222,172**	100.0%	**21,121**	9.5%

Sales Volume (Th. m^3)	Jun. 15	Jun. 14	% Var.	Difference
Potable Water	301,140	297,289	1.30%	3,851
Sewage Collection	287,678	285,094	0.91%	2,584
Sewage Treatment & Disposal	247,979	245,930	0.83%	2,049
Interconnections *	67,121	67,124	0.00%	-3
				8.481

Customers	Jun. 15	Jun. 14	% Var.	Difference
Potable Water	2,121,312	2,070,091	2.47%	51,221
Sewage Collection	2,068,347	2,018,794	2.45%	49,553

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

Regulated Business

1. Potable Water

Potable water revenues during the first semester of 2015 totaled CLP$101,048 million. This is an increase of CLP$8.105 million in comparison to the same semester of the previous year. The higher level of revenue was caused in part by higher potable water sales volumes billed during 2015, which was 1.3% higher than in 2014. In addition to this, there was a higher average tariff due to the application of new tariffs. These new tariffs include the potable water safety infrastructure works that were incorporated in March 2014 and the inflation indexations that were registered at the beginning of April and October 2014 that adjust the tariffs associated to the variations of the existing polynomial.

2. Sewage

Revenues from sewage during the first semester of 2015 reached CLP$111,517 million, exhibiting an increase of 6.7% in comparison to the CLP$104,550 million registered in the same semester of the previous year. The CLP$6,967 million increase was due to an increased sales volume of 2.6 million m^3 and a higher average tariff due to the tariff indexations registered at the beginning of April and October 2014.

3. Other Regulated Revenues

This segment had a CLP$3,490 million increase mainly due to an increase in the provision for non-billed consumption for CLP$562 million, higher revenues generated by fixed charges charged to clients for CLP$523 million due to the indexations and the increase in the number of clients served. There was also an additional revenue provision due to tariff readjustments for CLP$1,902, due to the delay in the publication of the new tariff decree.

Non-Regulated Revenue

Non-Regulated revenues increased by CLP$2,559 million during the first semester of 2015 in comparison to the same semester of the previous year. This variation was explained by:

1. Sanitation Services

An increase of CLP$2,441 million mainly due to a higher number of services related to the transfer of sanitation infrastructure solicited by third parties compensated by lower activity related to services solicited by clients.

2. Non-Sanitation Services

An increase of CLP$118 million which is mainly explained by higher activity in EcoRiles S.A. and Gestión y Servicios S.A.

(CLP MM$)	Jun. 15	Jun. 14	Var. %
Gestión y Servicios S.A.	4,056	3,963	2.3%
EcoRiles S.A.	5,981	5,840	2.4%
Anam S.A.	1,491	1,643	-9.3%
Aguas del Maipo S.A.	380	343	10.8%
Inversiones Aguas Metropolitanas S.A.	5	6	-16.7%
Non-regulated, non-sanitation products	**11,913**	**11,795**	**1.0%**

2.2. Cost Analysis

Raw Materials and Consumables Used

As of June 30 2015, the cost of raw materials and consumables used totaled CLP$18,566 million, an increase of CLP$4,760 million in comparison to that obtained in the first semester of 2014.The increase in these costs is due mainly to the cost of electricity of CLP$4,677 million. The increase in electricity costs is due to higher tariffs and a higher consumption of Kwh associated with an increase in the elevation of ground water in addition to the acknowledgement of retroactive charges by the electricity companies for CLP$2,570 million.

Personnel Expenses

At the end of the first semester of 2015, personnel expenses amounted to CLP$25,840 million, CLP$4,278 million higher than the same semester of the previous year. This was mainly due to a provision associated with an early retirement program for CLP$2,441 million, in addition to higher salaries and bonuses associated to inflation adjustments (+4.8%).

Depreciation and Amortization Expenses

As of June 30 2015, depreciation and amortization totaled to CLP$33,912 million, CLP$2,312 million higher than that obtained in the same semester of 2014. This increase was mainly due to the depreciation of the new commercial system and new investments that were incorporated during the period.

Other Expenses

At the end of the first semester of 2015, these expenses totaled CLP$51,480 million, a CLP$4,556 million increase to that obtained in the same semester of 2014. This was explained due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP$1,030 million, software licenses for $895 million, an increase in network maintenance for CLP$673 million, and increased client service costs for CLP$635 million. In addition to this, there were higher operating costs of the sewage treatment plants due to higher volume treated and UF (indexation units) readjustment for CLP$585 million, higher fines paid for CLP$261 million and higher Communications and Advertisement expenses for CLP$169 million (mainly due to the Fire Hydrant Campaign).

2.3. Analysis of Financial Results and Other Results

Financial Income

At the end of the first semester of 2015, financial income amounted to CLP$3,024 million, a CLP$35 million increase to that obtained in the same semester of 2014. This is explained by higher client debt interests.

Financial Costs

At the end of the first semester of 2015, financial costs totaled CLP$13,995 million, a CLP$20 million decrease in costs to those obtained in the same semester of 2014. The latter is explained by lower bond interest, which is partially due to that during 2014, Bond Series F, which had an interest rate of 4.15%, was pre-paid using Bond Series W with an interest rate of 3.16%. In addition to this, there are lower bank-loan interest expenses due to a lower TAB rate in comparison to the previous period. This is partially compensated by an increase in Promissory Note (AFR) expenses due to an increase in the level of this debt.

Results from Indexation

At the end of the first semester of 2015, results from indexation reached CLP$8,980 million, determined by a lower expense of CLP$10,042 million in comparison to the same semester in 2014, this is mainly due to a lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to the first semester of 2014.

Expense (Income) due to Income Tax

The provision for income taxes at the end of the first semester of 2015 totaled CLP$19,386 million, CLP$6,466 million higher in comparison to the same semester of the previous year. This variation is justified mainly by higher earnings before taxes of CLP$15,305 million, the change in tax rate from 20% to 22.5% due to the Tax Reform, and due to the permanent differences which positively affect the the amount of income associated with tax.

Net Income

Net income as of June 30 2015 amounted to CLP$36,097 million, CLP$4,331 million higher (13.6%) than that obtained in the first semester of 2014.

3. Quarterly Results

Income Statement (Ch$ millions)	2Q15	2Q14	% Var.	2Q15 / 2Q14
Revenues	112,325	102,492	9.6%	9,833
Operating Costs & Expenses	-49,214	-42,293	16.4%	-6,921
EBITDA	63,111	60,199	4.8%	2,912
D&A	-17,007	-15,948	-6.6%	-1,059
Operating Income (EBIT)	46,104	44,251	4.2%	1,853
Financial Result*	-15,351	-16,441	-6.6%	1,090
Tax Expenses	-5,104	-3,912	30.5%	-1,193
Net Income	12,485	11,462	8.9%	1,023

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

3.1. Revenue Analysis

Operating Revenues

Ordinary revenues for the second quarter of 2015 amounted to CLP$112.325 million, CLP$9,833 million higher (9.6% increase) to that obtained in the same quarter of the previous year. This increase is mainly due to higher supplied volumes, the application of tariffs due to the entry into operation of the new potable water safety infrastructure works and the tariff indexations that occurred at the beginning of April and October 2014. It is important to note that a revenue provision was included due to tariff re-adjustments due to the delay in the publication of the new tariff decree. Additionally, higher revenues were generated due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP$1,552 million.

3.2. Cost Analysis

Raw Materials and Consumables Used

In the second quarter of 2015, the cost of raw materials and consumables used totaled CLP$9,836 million, an increase of CLP$3,277 million in comparison to that obtained in the same quarter of 2014. The increase in is mainly due to higher electricity costs of CLP$2,888 million due to higher tariffs and the acknowledgement of retroactive charges by the electricity companies.

Personnel Expenses

At the end of the second quarter of 2015, personnel expenses amounted to CLP$12,587 million, CLP$976 million higher than the same quarter of the previous year. This was mainly due to higher salaries and bonuses associated to inflation adjustments in addition to increased personnel benefits (increased spending on mobilization associated with the collective agreements negotiated in the second semester of 2014, increased meal allowances due to a higher number of staff, nursery, and daycare, wellness contributions, scholarships, amongst others).

Depreciation and Amortization Expenses

Depreciation and amortization for the second quarter of 2015 amounted to CLP$17,007 million, CLP$1,059 million higher than that obtained in the same quarter of 2014. This increase was mainly due to the depreciation of the new commercial system and new investments that were incorporated during the period.

Other Expenses

During the second quarter of 2015, other expenses totaled CLP$26,791 million, a CLP$2,667 million increase to that obtained in the same quarter of 2014. This was explained due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP$1,032 million, software licenses for $553 million, increased client service costs for CLP$409 million (mainly due to an increase in the activity level in the Potable Water replacement services, meter readings and phone assistance). In addition to this, there were higher operating costs of the sewage treatment plants due to the UF (indexation units) readjustment and due to higher volume treated and for CLP$367 million, higher network maintenance activity for CLP$270 million and higher fines paid for CLP$256 million.

3.3. Analysis of Financial Results and Other Results

Financial Income

Financial income for the second quarter of 2015 amounted to CLP$1,580 million, CLP$3 million higher than that obtained in the same quarter of 2014.

Financial Costs

Financial costs for the second quarter of 2015 totaled CLP$7,390 million, a CLP$144 million increase in costs to those obtained in the same quarter of 2014. This increase is mainly due to higher interests due to higher levels of debt in promissory notes (AFRs), compensated with lower interest expense on bank-loans

Results from Indexation

Results from indexation for the second quarter of 2015, resulted in losses of CLP$9,546 million, determined by a lower expense of CLP$1,211 million in comparison to the second quarter of 2014, this was mainly due to a lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to the same quarter of 2014.

Expense (Income) due to Income Tax

The provision for income taxes for the second quarter of 2015 totaled CLP$5,104 million, CLP$1,193 million higher in comparison to the same quarter of the previous year. This variation is justified mainly by higher earnings before taxes of CLP$3,212 million and the change in tax rate from 20% to 22.5% due to the Tax Reform.

Net Income

Net income for the second quarter of 2015 amounted to CLP$12,485 million, CLP$1,023 million higher (a 8.9% increase) than that obtained in the same quarter of 2014.

4. Balance Sheet

	Jun. 15	Dec. 14	
	CLP MM$	CLP MM$	% Var.
Assets	116,507	128,642	-9.4%
Current Assets	1,754,182	1,750,739	0.2%
Long-Term Assets	**1,870,689**	**1,879,381**	**-0.5%**
Total Assets			
Liabilities & Shareholder's Equity	152,550	177,518	-14.1%
Current Liabilities	788,425	763,838	3.2%
Long-Term Liabilities	**940,975**	**941,356**	**0.0%**
Total Liabilities			
	574,487	577,634	-0.5%
Shareholder's Equity	355,227	360,391	-1.4%
Minority Interest	**929,714**	**938,025**	**-0.9%**
Total Shareholder's Equity	**1,870,689**	**1,879,381**	**-0.5%**

Assets

Inversiones Aguas Metropolitanas' consolidated total assets as of June 30 2015 had a decrease of 0.5% in comparison with December 31 2014, going from CLP$1,879,381 million to CLP$1,870,689 million.

Current assets decreased by CLP$12,535 million, mainly due to a decrease of CLP$12,699 million in cash and cash equivalents and a decrease of CLP$ 5,107 million in trade and other accounts receivable. This decrease was due to the seasonality of the sales cycle. The latter is compensated by an increase in accounts receivable from related entities of CLP$5,357 million mainly due to the pre-payment of works to Degrémont S.A. for the expansion of the fourth module of the Mapocho Trebal Sewage Treatment Plant.

Long-term assets increased by CLP$3,443 million, mainly due to an increase in deferred taxes of CLP$2,581 million and higher investments. The following were the main investments during the period:

Investments (CLP MM$)	Jun. 15
Preventive renovation of Sewerage Network	3,465
Expansion of the Fourth Module of the Trebal-Mapocho Plant	3,310
Improvement in Filtration Systems in the Vizcachas Plant	2,915

Liabilities & Shareholder's Equity

Total liabilities as of June 2015 decreased by CLP$382 million in respect to December 2014.

Current liabilities decreased by CLP$24,968 million (14.1%). This variation was mainly due to the payment of interim dividends that occurred in January 2015.

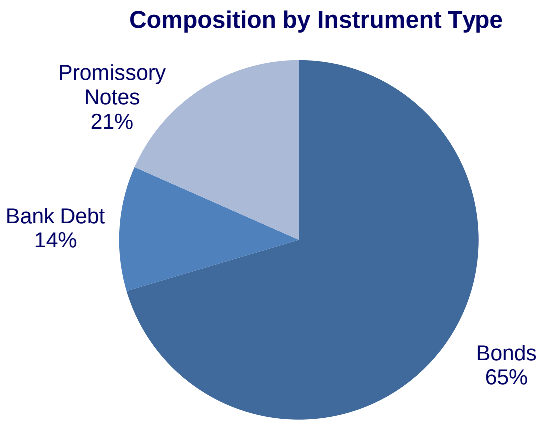
Long-term liabilities increased by CLP$24,586 million (3.2%). The main variations were due to an increase in Promissory Notes of CLP$11,725 million, in addition to higher bank debt of CLP$6,397 million and greater obligations in long-term bonds for CLP$5.419 million due to the revaluation of the debt in UF.

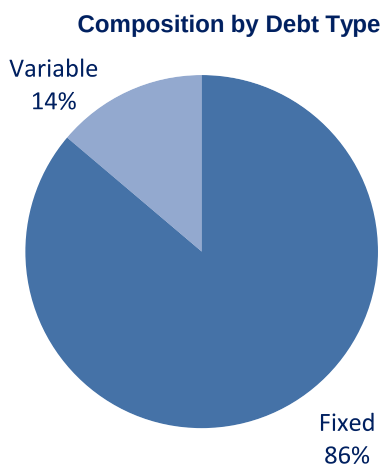
Total shareholders' equity decreased by CLP$8,311 million and the net equity attributable to the controllers decreased by CLP$3,147 million, explained by the distribution of dividends corresponding to the 2014 financial year. This was partially compensated by the earnings generated in the first semester of 2015.

The table below outlines the amortization profile of consolidated debt as of June 31, 2015 (figures include only capital in millions of CLP$):

	Currency	Total	1 - 12 months	1 - 3 years	3 - 5 years	more than 5 years
Promissory Notes	$	165,848	3,805	38,832	20,500	102,711
Bonds	$	513,254	55,163	21,386	36,320	400,385
Bank Debt	$	108,917	12,015	13,382	59,359	24,160
Total		788,019	70,983	73,600	116,180	527,256

Financial Liabilities Structure





5. Consolidated Cash Flows

Cash Flow Statement (CLP$ millions)	Jun. 15	Jun. 14	% Var.
Net Cash Flow from Operating Activities	121,927	123,805	-1.5%
Net Cash Flow from Investing Activities	-43,081	-38,829	11.0%
Net Cash Flow from Financing Activities	-91,545	-117,728	-22.2%
Total Net Cash Flow for the Period	**-12,699**	**-32,752**	**-61.2%**
Closing Balance of Cash & Cash Equivalents	**15,021**	**7,548**	**99.0%**

The net cash flow from operating activities decreased by CLP$1,878 million, when comparing June 2015 to June 2014.

The main variations were as follows:

- Increased payments to suppliers for CLP$10,345 million, associated with the expansion of the fourth module of the Sewage Treatment Plant Mapocho-Trebal.

- An increase in other payments for operating activities for CLP$3,655 million, due to higher value added tax payment.

- An increase of CLP$4,232 million in income tax paid which is explained by the change in the tax rate for the 2015 period and due to higher sales.

This variation was partially compensated by the following concepts:

- An increase in charges due to the sales of goods and services for CLP$15,821, mainly due to a higher sales volume and a higher average tariff.

The disbursement for investment activities increased by CLP$4,252 million mainly due to an advancement of the construction for the civil works for the extension of the Mapocho Plant and the Hydraulic Efficiency Plan for the Group's network.

Financing activities generated a negative variation of net cash flow of CLP$26,184 due to a decrease in short and long term financial debt payments associated with the payment of the Bond Series G that occurred last year. This was partially compensated by a decrease in short and long-term bank loans in the current period.

6. Financial Ratios

		Jun. 15	Dec. 14
Liquidity			
Current Ratio	times	0.76	0.72
Acid Test Ratio	times	0.10	0.16
Leverage			
Total Leverage	times	1.01	1.00
Current Leverage	times	0.16	0.19
Long-term Leverage	times	0.84	0.81
Interest Coverage Ratio	times	6.29	5.79
Return			
	%		
ROE		10.98	10.14
ROA	%	3.42	3.15
Earnings Per Share	CLP$	63.04	58.71
Dividend Yield*	%	4.04	6.23

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 31, 2015 was $971.01. As of December 31, 2014, the share price was $940.12.*

As of June 2015, the current ratio had an increase of 5.6% due to a decrease in current liabilities of CLP$24,968 million (14.1%), compensated by an decrease in current assets of CLP$12,135 million (9.4%) in comparison to December 2014. The main variations in current assets are explained by a decrease of CLP$12,699 million in cash and cash equivalents and trade and other accounts receivable for CLP$5,107 million explained by the seasonality of the sales cycle, compensated by an increase in accounts payable to related companies for CLP$5,357 million, whilst current liabilities decreased due to the payment of Bond Series G for UF 2.5 million.

Total leverage increased by 0.8% due to a decrease in total liabilities of CLP$382 million due to a decrease of CLP$31,552 million in trade and other accounts payable and a decrease of CLP$13,399 million in accounts payable to related companies. The latter is partially compensated by the payment of Bond Series G and F for 2.5 and 3.3 million UF respectively. On the other hand, total shareholder equity decreased by CLP$8,845 million due to the distribution of dividends, compensated by the increase in earnings during the period.

The annualized return on equity attributable to the controller increased by 8.3% due to an decrease of CLP$5,246 million in annualized earnings as of June 2015 and a proportionally higher increase of CLP$4,331 million in average equity in comparison to 2014.

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 2014 (tariff adjustment for new security works), April, and October 2014
Group 2	September 2013, April, and October 2014
Rinconada de Maipú	July 2013, March 2014, and March 2015
Aguas Cordillera S.A.:	August 2013, April, and October 2014 and June 2015
Aguas Manquehue S.A.:	
Santa María	July 2013, January 2014, July 2014, and March 2015
Chicureo	August 2013, March 2014 and September 2014
Chamisero	July 2012, March 2014, and March 2015
Valle Grande 3	July 2012, March 2014, and March 2015
Essal S.A.:	
Group 1	December 2013, April 2014, and October 2014
Group 2	December 2013, April 2014, and October 2014
Group 3	December 2013, April 2014, and October 2014
Chinquihue	August 2013, February, and September 2014
Los Alerces	April 2013, January, and September 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.

To this date, the new tariff decrees for Aguas Andinas S.A., Aguas Cordillera S.A. y Aguas Manquehue S.A., for the 2015-2020 period are in the process of being published, after the respective agreements arrived at with the Superintendence of Sanitation Services, in their respective tariff setting processes.

For ESSAL, the relevant dates for the tariff process have been published. Bases to the study will be observed on August 11 2015, the tables with historical information will be provided on October 28, 2015, studies will be interchanged on March 8, 2016, and the new tariffs will come into force on September 12, 2016.

Market Risk

Our Company has a favorable situation in terms of risk, mainly due to the particular characteristics of the sanitation industry. 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.

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 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, 98.7% 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, 95.6% service coverage in the X Region and 92.0% in the XIV Region of sewage collection and 100% service coverage in sewage treatment.

Capital Investments

One of the variables that influence the results of the operations and the financial condition of the Company are capital investments. There are 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 m^3; the CAYA project which will connect the El Yeso reservoir with the Azulillos sector (capacity of 4.0 m^3/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 emergencies.

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

Aguas Andinas S.A.
Gran Santiago: May 16 2011
Other Areas: September 12 2012, April 5 2013, September 26 2013, December 31 2014 and January 12 2015.

Aguas Cordillera S.A.
Aguas Cordillera and Villa Los Dominicos: October 18 2011

Aguas Manquehue S.A.
Santa María and Los Trapenses: December 23 2014
Chicureo, Chamisero, and Valle Grande III: December 29 2011
Alto Lampa: November 22 2013

Essal S.A.
X and XIV Region: December 30 2010

Uncommitted Investments: Uncommitted investments 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: Our 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, 2015, the Aguas Andinas' interest rate profile consisted of 86.2% fixed rate and 13.8% variable rate. The fixed rate debt includes short-term and long-term bonds (75.6%) and promissory notes (24.4%), while the variable rate debt includes bank debt with local financial institutions.

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.

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.

This favorable situation has meant that the local rating agencies have assigned the Company's long-term debt a solvency rating of AA+. In the case of shares, Feller Rate has assigned us a rating of First Class Level 1 and Ftich Ratings has assigned us a rating of First Class Level 2.