



EARNINGS RELEASE

**Financial year ended on
December 31, 2017**

1. Summary of the 2017 financial year

- The Company's revenues amounted to CLP Th\$509,536,405, which was CLP Th\$17,291,271 (3.5%) higher than in 2016. This increase was mainly explained by higher volumes supplied together with the tariff indexations registered during 2016 and 2017.
- Non-regulated subsidiaries increased their revenues by CLP Th\$2,288,136 due to higher sales of EcoRiles and Análisis Ambientales, partially offset by lower sales of materials in Gestión y Servicios. Additionally, during the second half of the year Aguas del Maipo recorded sales of biogas from the Methanization Plant located in the La Farfana plant.
- Costs amounted to CLP Th\$212,145,320, an increase of 5.1%, mainly due to higher activity in network maintenance amounting to CLP Th\$3,767,241, higher electricity costs amounting to CLP Th\$2,240,197, higher personnel costs amounting to CLP Th\$1,926,398, an increase by CLP Th\$1,706,306 and higher costs due to increases in requests for modification of water utility infrastructure by CLP Th\$1,018,933. This is partially offset by lower activity in work requested by customers amounting to CLP Th\$1,318,979 and lower costs in chemical inputs amounting to CLP Th\$577,806.
- The EBITDA for the period reached CLP Th\$297,391,085, an increase of 2.4% compared to the same period of the previous year.
- The financial result presented a loss of CLP Th\$36,971,097, resulting in a lower loss of CLP Th\$3,818,110 when compared to the previous year, mainly as a result of a lower revaluation of the readjustable debt in Unidades de Fomento.
- Other earnings of CLP Th\$2,608,255 were obtained, lower by CLP Th\$11,985,832 than in 2016, mainly due to the subsidiary Aguas Cordillera selling in 2016 a large area of land in the district of Vitacura.
- Income tax expense at the closing of the 2017 financial year was CLP Th\$46,378,978, which is CLP Th\$2,924,676 higher than the previous year. This variation was mainly explained by the change in the tax rate from 24% to 25.5%, due to the Tax Reform.
- Net income as of December 31, 2017 amounted to CLP Th\$68,718,709, which is CLP Th\$5,570,486 (7.5%) lower than that obtained at the closing of the 2016 financial.

2. Results

2.1 Accumulated Results

Income Statement (CLP\$ Thousands)	Dec. 17	Dec. 16	% Var.	2017 - 2016
Ordinary Income	509,536,405	492,245,134	3,5%	17,291,271
Operating Costs and Expenses	(212,145,320)	(201,894,208)	5,1%	(10,251,112)
EBITDA	297,391,085	290,350,926	2,4%	7,040,159
Depreciation and Amortization	(74,401,330)	(67,016,783)	11,0%	(7,384,547)
Operating Income	222,989,755	223,334,143	(0,2%)	(344,388)
Other Earnings	2,608,255	14,594,087	>200%	(11,985,832)
Financial Income*	(36,971,097)	(40,789,207)	(9,4%)	3,818,110
Tax Expense	(46,378,978)	(43,454,302)	6,7%	(2,924,676)
Net Income	68,718,709	74,289,195	(7,5%)	(5,570,486)

* Includes interest income, finance costs, exchange rate differences and results due to readjustment units.

2.2 Income Analysis

	Dec. 17		Dec. 16		Variation	
	Sales		Sales			
	CLP Th\$	Share	CLP Th\$	Share	CLP Th\$	%
Potable Water	195,090,811	38.3%	190,399,865	38.7%	4,690,946	2.5%
Sewage	240,399,095	47.2%	235,458,940	47.8%	4,940,155	2.1%
Other Regulated Income	18,408,224	3.6%	17,161,349	3.5%	1,246,875	7.3%
Non Regulated Income	55,638,275	10.9%	49,224,980	10.0%	6,413,295	13.0%
Total	509,536,405	100.0%	492,245,134	100.0%	17,291,271	3.5%

Sales Volume (Thousands of m ³)	Dec. 17	Dec. 16	% Var.	Difference
Potable Water	575,046	569,199	1.03%	5,847
Sewage Collection	554,261	549,505	0.87%	4,756
Sewage Treatment and Disposal	484,298	479,031	1.10%	5,267
Interconnection*	123,751	123,379	0.3%	372

Clients	Dec. 17	Dec. 16	% Var.	Difference
Potable Water	2,259,245	2,213,869	2.0%	45,376
Sewage Collection	2,205,940	2,160,473	2.1%	45,467

* Interconnections include the Treatment and Disposal of Sewage from other water utility companies

a. Regulated Businesses

1. Potable Water

Potable water revenue at the end of 2017 reached CLP Th\$195,090,811, which represented an increase of CLP Th\$4,690,946 when compared to the previous financial year, as a result of a higher volume supplied along with the tariff indexations recorded during 2016 and 2017.

2. Sewage

Sewage revenue at the end of 2017 reached CLP Th\$240,399,095, an increase of 2.1% when compared to 2016. The increase of CLP Th\$4,940,155 was mainly due to a higher volume supplied along with the tariff indexations recorded during 2016 and 2017.

3. Other Regulated Income

This item shows an increase of CLP Th\$1,246,875, which was mainly explained by the variation in the provision for unbilled consumptions together with higher revenues for fixed charge to clients.

b. Non Regulated Income

Non-regulated revenues increased by CLP Th\$6,413,295 at the end of 2017 when compared to the previous year. This variation was explained by:

1. Sanitation Services

An increase of CLP Th\$4,125,159 mainly due to higher revenues associated with changes in the water utility infrastructure requested by third parties along with insurance refunds.

2. Non-Sanitation Services

An increase of CLP Th\$2,288,136 which was mainly explained by higher activity in Anam and EcoRiles, this is offset by a decrease in Gestión y Servicios due to lower sales of materials. Additionally, during the second semester of this year Aguas del Maipo registered biogas sales for the Methanization Plant located in the La Farfana plant.

(CLP Th\$)	Dec. 17	Dec. 16	% Var.
Anam S.A.	4,258,167	3,339,493	27.5%
EcoRiles S.A.	13,004,146	12,341,678	5.4%
Gestión y Servicios S.A.	6,780,639	7,408,804	(8.5%)
Aguas del Maipo S.A.	1,335,159	0	-
Non-regulated non-water utility products	25,378,111	23,089,975	9.9%

2.3. Expenses Analysis

a) Raw Materials and Consumables Used

As of December 31, 2017, costs of raw materials and consumables amounted to CLP Th\$34,924,904, which is CLP Th\$1,482,145 higher than the previous year. The increase was mainly due to higher electricity costs for CLP Th\$2,315,717, due to higher production of potable water from groundwater sources and higher re-liquidation tariffs, offset by lower cost of chemical inputs for CLP Th\$577,806.

b) Expenses for Employee Benefits

As of December 31, 2017, employee benefits expenses amounted to CLP Th\$55,930,210, which is CLP Th\$1,871,367 higher than the previous year, generated by higher remuneration and bonuses associated with readjustments based on CPI, together with a larger staff.

c) Depreciation and Amortization

As of December 31, 2017, depreciation and amortization amounted to CLP Th\$74,401,330, which is higher by CLP Th\$7,384,547 than in the previous year. This is the result of depreciation associated with new assets such as the fourth module of the Trebal-Mapocho Plant and works associated with the Hydraulic Efficiency Plan.

d) Other Expenses

As of December 31, 2017, these expenses amounted to CLP Th\$121,290,206, which is CLP Th\$6,897,600 higher than that obtained in 2016, mainly explained by higher network maintenance activity of CLP Th\$3,767,241, higher allowance for uncollectible accounts for CLP Th\$1,706,306, and higher costs due to increases in requests for modification of water utility infrastructure by CLP Th\$1,018,933. This is partially offset by a lower activity in work requested by customers by CLP Th\$1,318,979.

2.4. Financial Income and Other Income Analysis

a) Other Earnings

As of December 31, 2017, other earnings were obtained for CLP Th\$2,608,255, which is CLP Th\$11,985,832 lower than the amount obtained in 2016, mainly due to the sale of a large area of land in the district of Vitacura by the subsidiary Aguas Cordillera in 2016.

b) Financial Income

As of December 31, 2017, an interest income of CLP Th\$6,084,902 was obtained, which is CLP Th\$426,320 lower than that obtained in 2016, mainly due to lower interest income as a result of the lower temporary cash surpluses.

c) Financial Expenses

As of December 31, 2017, financial expenses amounted to CLP Th\$31,115,703, which meant an increase of CLP Th\$3,997,321 when compared to those obtained in 2016. This was mainly explained by lower financial capitalization and the impact of inflation insurance, partially offset by lower interest in bonds and banks.

d) Results from Indexation Units

At the end of the 2017 financial year, losses of CLP Th\$11,947,203 were recorded, resulting in a lower expenditure of CLP Th\$8,214,266, when compared to 2016. This was mainly explained by a lower revaluation of the debt due to the lower Variation of the UF when compared to 2016.

e) Income Tax Expense (Revenue)

Income tax expense at the closing of the 2017 financial year was CLP Th\$46,378,978, which is CLP Th\$2,924,676 higher than the previous year. This variation was mainly explained by the change in the tax rate from 24% to 25.5%, due to the Tax Reform.

f) Net Income

Net income as of December 31, 2017 amounted to CLP Th\$68,718,709, which is CLP Th\$5,570,486 (7.5%) lower than in 2016.

3. Results by Segment

3.1 Accumulated Results, Water Segment

Income Statement (CLP Th\$)	Dec. 17	Dec. 16	% Var.	2017 - 2016
External Revenues	484,300,578	469,116,410	3.2%	15,184,168
Revenue Between Segments	989,298	782,634	26.4%	206,664
Operating Costs and Expenses	(192,307,238)	(182,018,986)	5.7%	(10,288,252)
EBITDA	292,982,637	287,880,058	1.8%	5,102,579
Depreciation and Amortization	(73,722,846)	(66,318,416)	11.2%	(7,404,430)
Operating Income	219,259,792	221,561,642	(1.0%)	(2,301,850)
Other Earnings	2,306,663	16,728,956	(86.2%)	(14,422,293)
Financial Results*	(37,155,732)	(40,937,954)	(9.2%)	3,782,222
Tax Expense	(45,056,455)	(43,242,225)	4.2%	(1,814,230)
Net Income	135,492,294	149,848,626	(9.6%)	(14,356,332)

** Includes interest income, finance costs, exchange rate differences and income from readjustment units.*

The revenues of this segment showed a decrease of 9.6% compared to the previous year, mainly due to:

- An increase in external revenues, mainly associated with higher tariffs and higher volumes supplied.
- An increase in costs of 5.7% is mainly due to higher activity in network maintenance, higher cost of electricity, higher provision for doubtful accounts, higher personnel costs, higher costs associated with water utility infrastructure.
- An increase in the cost of depreciation and amortization, mainly due to new assets such as the fourth module of the Trebal-Mapocho Sewage Treatment Plant.
- A decrease in other earnings is mainly due to the fact that in 2016 Aguas Cordillera sold a large area of land in the district of Vitacura.
- An improvement in financial income when compared to 2016, mainly due to a lower revaluation of the readjustable debt in Unidades de Fomento.

- Higher income tax expense when compared to the previous year, mainly justified by higher earnings before taxes combined with the change in tax rate from 24.0% to 25.5% due to the Tax Reform.

3.2 Accumulated Results, Non Water Segment

Income Statement (CLP Th\$)	Dec. 17	Dec. 16	% Var.	2017 - 2016
External Revenues	25,239,999	23,133,234	9.1%	2,106,765
Revenue Between Segments	4,314,127	4,074,938	5.9%	239,189
Operating Costs and Expenses	(23,931,810)	(23,547,138)	1.6%	(384,672)
EBITDA	5,622,316	3,661,034	53.6%	1,961,282
Depreciation and Amortization	(699,021)	(719,000)	(2.8%)	19,979
Operating Income	4,923,295	2,942,034	67.3%	1,981,261
Other Earnings	329,304	(2,131,435)	(115.4%)	2,460,739
Financial Results*	159,557	116,677	36.8%	42,880
Tax Expense	(1,284,170)	(200,236)	>200%	(1,083,934)
Net Income	4,127,986	727,040	>200%	3,400,946

* Includes interest income, finance costs, exchange rate differences and income from readjustment units.

The results of this segment showed an increase of more than 200% when compared to the previous financial year, mainly composed of:

- An increase in external revenue was mainly due to increased activity in EcoRiles (mainly due to new projects in operating plants) and Anam due to increased activity in laboratory services. This is offset by lower activity in Gestión y Servicios (mainly due to lower sales volume of network materials and meters). Additionally, during the second half of the year Aguas del Maipo recorded biogas sales from the Methanization Plant located in La Farfana plant.
- An increase in inter-segment revenues mainly due to the higher activity due to EcoRiles' excess activity due to load.
- An increase in costs, which corresponds to a higher activity in Anam and EcoRiles, offset by a decrease in activity in Gestión y Servicios.
- An increase in other earnings which was mainly explained by a recovery of part of the guarantee notes issued by Gestión y Servicios and which had been provisioned in 2016 because they were more than 4 years old. Additionally, asset sales were recorded.
- A higher income tax expense at the closing of the 2017 financial year, mainly due to an increase in the income before taxes together with an increase in the tax rate from 24.0% to 25.5%.

4. Quarterly Results

Income Statement (CLP Th\$)	4Q17	4Q16	% Var.	4Q17 – 4Q16
Ordinary Revenue	134,895,585	131,554,538	2.5%	3,341,047
Operating Costs and Expenses	-54,759,696	-53,571,269	2.2%	(1,188,427)
EBITDA	80,135,889	77,983,269	2.8%	2,152,620
Depreciation and Amortization	-19,283,465	-16,936,134	13.9%	(2,347,331)
Operating Income	60,852,424	61,047,135	(0.3%)	(194,711)
Other Earnings	848,740	14,842,255	(94.3%)	(13,993,515)
Financial Results*	-9,798,809	-8,412,002	16.5%	(1,386,807)
Tax Expense	-12,743,182	-15,284,731	(16.6%)	2,541,549
Net Income	18,939,781	25,396,251	(25.4%)	(6,456,470)

* Includes interest income, finance costs, exchange rate differences and results due to readjustment units.

4.1 Revenue Analysis

a) Operational Revenue

Ordinary revenue for the fourth quarter of 2017 amounted to CLP Th\$134,895,585, which is CLP Th\$3,341,047 (2.5%) higher than that obtained in the same quarter of the previous financial year. This variation was mainly explained by the sale of biogas from Aguas del Maipo, the increased number of agreements with developers, insurance refunds and higher revenue associated with modifications of water utility infrastructure requested by third parties.

4.2 Expenses Analysis

a) Raw Materials and Consumables Used

In the fourth quarter of 2017, costs of raw materials and consumables reached CLP Th\$9,820,538, higher by CLP Th\$1,171,835 than in the same quarter of 2016. The increase was mainly due to higher cost of electric energy amounting to CLP Th\$1,641,596, due to higher production of potable water from groundwater sources and higher re-liquidation tariffs, partially offset by lower cost of chemical inputs for CLP Th\$288,223.

b) Personnel Expenses

During the fourth quarter of 2017, personnel expenses reached CLP Th\$15,124,101, which was CLP Th\$66,129 higher than in the same quarter of the previous year.

c) Depreciation and Amortization Expenses

Depreciation and amortization for the fourth quarter of 2017 amounted to CLP Th\$19,283,465, which is CLP Th\$2,347,331 higher than in the same quarter of 2016, associated with new investments included in the period.

d) Other Expenses

During the fourth quarter of 2017, other expenses amounted to CLP Th\$29,815,057, which is CLP Th\$49,537 lower than in the same quarter of the year.

4.3 Financial Income and Other Earnings Analysis

a) Financial Income

Financial income for the fourth quarter of 2017 reached CLP Th\$1,170,736, which is CLP Th\$173,464 lower than in the same quarter of 2016, mainly due to lower interest rates.

b) Financial Expenses

Financial expenses for the fourth quarter of 2017 reached CLP Th\$8,671,209, which is CLP Th\$2,085,318 higher than in the same period of 2016. This was mainly explained by lower financial capitalization and the impact of inflation insurance.

c) Results from Indexation Units

In the fourth quarter of 2017, losses of CLP Th\$2,301,806 were recorded, a figure that decreased by CLP Th\$861,427 when compared to the same period in 2016, mainly explained by a lower revaluation of the debt, due to the lower Variation of the UF when compared to the same quarter of 2016.

d) Income Tax Expense (Revenue)

The income tax provision at the closure of the fourth quarter of 2017 was CLP Th\$12,743,182, lower by CLP Th\$2,541,549 compared to the same quarter last year. This variation was mainly explained by a lower income before taxes of CLP Th\$15,593,456, which is partially offset by a higher tax rate due to the Tax Reform.

e) Net Income

Net income for the fourth quarter of 2017 amounted to CLP Th\$18,939,781, which is CLP Th\$6,456,470 (25.4%) lower than in the same quarter of 2016.

5. Balance Sheet

	Dec. 17	Dec. 16	% Var.
	CLP Th\$	CLP Th\$	
Assets			
Current assets	151,737,073	183,335,457	(17.2%)
Non-current assets	1,917,633,912	1,861,126,917	3.0%
Total assets	2,069,370,985	2,044,462,374	1.2%
Liabilities and equity			
Current liabilities	237,819,145	212,350,061	12.0%
Non-current liabilities	866,737,268	873,274,457	(0.7%)
Total liabilities	1,104,556,413	1,085,624,518	1.7%
Equity attributable to the controller	593,488,151	589,683,018	0.6%
Minority Interest	371,326,421	369,154,838	0.6%
Total Shareholders' Equity	964,814,572	958,837,856	0.6%
Total Liabilities and Shareholders' Equity	2,069,370,985	2,044,462,374	1.2%

5.1 Asset Analysis

Inversiones Aguas Metropolitanas' consolidated assets as of December 31, 2017 displayed an increase of 1.2% when compared to December 31, 2016, changing from CLP Th\$2,044,462,374 to CLP Th\$2,069,370,985.

Current assets decreased by CLP Th\$31,598,384, mainly due to the decrease in cash and cash equivalents amounting to CLP Th\$46,318,798, mainly due to the sale of a large surface area in the Vitacura district by the subsidiary Aguas Cordillera in 2016. This is partially offset by trade and other receivables amounting to CLP Th\$7,229,366 mainly explained by the increase in regulated sales, together with recoverable taxes for CLP Th\$6,556,177.

Non-current assets increased by CLP Th\$56,506,995 mainly explained by the net increase in plant and equipment properties amounting to CLP Th\$57,187,131, associated with the investments made in the year.

The main investment works are shown in the following table:

Investments (CLP Th\$)	Dec-17
Sewerage Networks	13,595,574
Chamisero Potable Water Plant	9,327,456
Potable Water Networks	8,451,451
Turbidity Events Emergency Works	8,106,442
Biogas Purification Plant	6,121,864
Connections and Meters	6,019,370

5.2 Liability and Equity Analysis

The current liabilities as of December 2017 increased by CLP Th\$18,931,895 when compared to December 2016.

Current liabilities increased by CLP Th\$25,469,084. This Variation was mainly due to the reclassification of the Series J Bond due to its maturity in 2018. This is partially offset by lower debt from Reimbursable Financial Contributions (promissory notes).

Non-current liabilities displayed a decrease of CLP Th\$6,537,187 (0.7%), which corresponds mainly to a decrease in bank loans of CLP Th\$5,283,345.

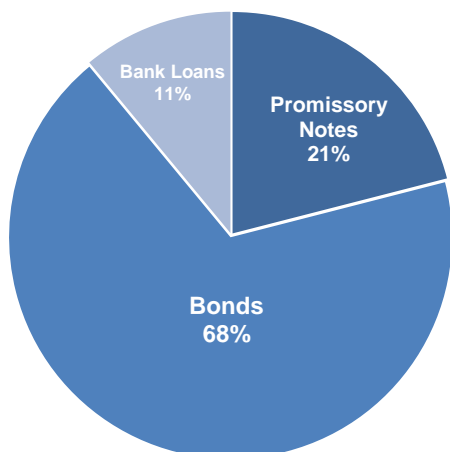
Total equity increased by CLP Th\$5,976,716 and net equity attributable to the controller increased by CLP Th\$3,805,133.

The maturity profile of the financial debt as of December 31, 2017 is as follows:

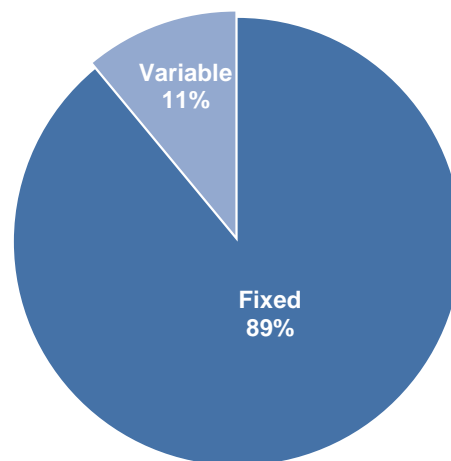
Capital CLP Th\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	More than 5 years
Promissory Notes	\$	181,902,132	15,309,206	20,764,356	44,137,532	101,691,038
Bonds	\$	580,156,234	35,856,224	19,232,757	19,604,953	505,462,300
Bank Loans	\$	95,019,210	6,283,345	72,717,761	16,018,104	0
Totals		857,077,576	57,448,775	112,714,874	79,760,589	607,153,338

5.3 Financial Liabilities Structure

Financial Instruments



Interest Type



6. Cash Flow

Cash Flow Statement (CLP Th\$)	Dec. 17	Dec. 16	% Var.
Operating activities	209,351,533	232,773,738	(10.1%)
Investment activities	(113,828,958)	(93,203,205)	22.1%
Financing activities	(141,841,373)	(107,639,669)	31.8%
Net flow for the period	(46,318,798)	31,930,864	(245.1%)
Closing cash balance	19,803,208	66,122,006	(70.1%)

The flow from operating activities decreased by CLP Th\$21,012,652 when compared to December 2017 and December 2016.

The main variations were as follows:

- Increase in payment to suppliers of CLP Th\$23,422,205, mainly associated with higher payments to suppliers of water utility infrastructure transfers and leases.
- An increase of CLP Th\$9,054,587 in income taxes paid, which is explained by the change in the PPM for the 2017 financial year (including payment for income associated with the sale of a large surface area in the Vitacura district which was owned by the subsidiary Aguas Cordillera), plus an increase in sales.
- Increase in employee benefit payments of CLP Th\$3,929,177, when compared to the previous year, generated by higher remuneration and bonuses associated with readjustments by CPI, together with a larger staff.
- Increase in premium and benefit payments, annuities and other obligations arising from policies underwritten by CLP Th\$2,836,308, associated with the payment of fire insurance for 24 months.
- Increase in revenue due to financial interest of CLP Th\$1,245,986.

These variations were partially offset by the following item:

- Increase in revenues from sales of goods and services for CLP Th\$17,657,393 mainly due to higher sales volume and higher average tariff and an increase in revenue.

The disbursement for investment activities decreased by CLP Th\$20,625,753, mainly due to the completion of the construction of the fourth module of the Mapocho-Trebal sewage treatment plant and the sale of Isla Lo Mata land by Aguas Cordillera during 2016.

Financing activities generated a net negative cash flow of CLP Th\$34,201,704, this is due to higher loan payments amounting to CLP Th\$40,236,337, partially offset by the placement of Series C bonds by Essal in the fourth quarter of the year, for a total of CLP Th\$1 million.

7. Financial Ratios

		Dec. 17	Dec. 16
Liquidity			
Current Liquidity	times	0.64	0.86
Acid Test Ratio	times	0.08	0.31
Leverage			
Total Leverage	times	1.14	1.13
Current Leverage	times	0.22	0.20
Long-term Leverage	times	0.78	0.80
Interest Coverage Ratio	times	7.06	8.27
Earnings			
ROE	%	11.62	12.70
ROA	%	3.34	3.71
Earnings Per Share	\$	68.72	74.29
Dividend Yield (*)	%	5.71	6.55

Current liquidity: current assets / current liabilities.

Acid ratio: cash and cash equivalents / current liabilities.

Total leverage: payable liabilities / total equity.

Current leverage: current liabilities/liabilities payable.

Long-term leverage: non-current liabilities/liabilities payable.

Interest coverage ratio: income before taxes and annualized interest / annualized financial expenses.

Return on equity: annualized return for the year/total average net assets for the financial year.

Return on assets: income of the annualized financial year/total assets annualized average of the financial year.

Earnings per share: annualized income of the financial year/ number of shares subscribed and paid. .

Dividend yield: dividends paid per share / share price.

(*) The share price as of December 2017 amounts to \$1,167.9, while as of December 2016 it amounted to \$966.1.

As of December 2017, current liquidity decreased by 25.6% due to a decrease in current assets of CLP Th\$31,598,384 (17.3%), mainly explained by the sale of a large land area in the district of Vitacura in 2016, and an increase in current liabilities of CLP Th\$25,469,084, as a result of the reclassification of the Series J Bond due to its maturity in 2018.

Total leverage decreased by 1.1%, as a result of an increase in the liability of CLP Th\$18,931,895, mainly due to the payment of interim dividends in the first quarter of 2017, offset by an increase in total equity of CLP Th\$5,976,716, explained by the earnings generated in 2017, offset by the distribution of dividends for the 2016 financial year.

The annualized return on equity attributable to the controller displayed a decrease of 8.5%, due to an increase in the average equity of CLP Th\$6,430,904 and a decrease in the income for the financial year of CLP Th\$5,570,486.

8. Other Information

a) **Tariffs**

The most important factor determining our operating income and financial situation is the tariffs set for our sales and regulated services. As a water utility company we are regulated by the S.I.S.S. and our tariffs are set in accordance with the Sanitary Services Rates Law. D.F.L. N°70 de 1988.

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

Aguas Andinas S.A.:

Group 1	July 2017
Group 2	July 2017
Rinconada de Maipú	January 2016, January 2017 and September 2017

Aguas Cordillera S.A.:

January 2017

Aguas Manquehue S.A.:

Santa María	March 2016
Chicureo	June 2017
Chamisero	November 2016
Los Trapenses	March 2016
Valle Grande 3	January 2016, January 2017 and September 2017

Essal S.A.:

Group 1	October 2015
Group 2	June 2015
Group 3	October 2015
Chinquihue	May 2017
Los Alerces	October 2015

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

The tariffs in force for the 2015-2020 period for Aguas Andinas S. A., were approved by Decree No. 83 dated on June 5, 2015, of the Ministry of Economy, Development and Reconstruction and came into force on March 1, 2015 (published in the Official Gazette on September 3, 2015). The current tariffs for Aguas Cordillera S. A. for the same five-year period 2015-2020 were approved by Decree No. 152 dated on October 19, 2015, and came into force as of June 30, 2015 (published in the Official Gazette on November 25, 2015) and the current tariffs for Aguas Manquehue S.A. 2015-2020 were approved by Decree No. 139 dated on 16 September 2015 and came into force on May 19, 2015 (published in the Official Gazette on November 25, 2015).

Meanwhile, for the subsidiary Essal, the tariffs in force for the period 2016-2021 were approved by Decree No. 143 dated on August 25, 2016, and came into force on September 12, 2016 (published in the Official Gazette on January 21, 2017).

b) Market Risk

Our company displays a favorable situation in terms of risk, which is mainly due to the specific characteristics of the water utility sector. Our business is seasonal and operating results may vary from quarter to quarter. The highest levels of demand and income are recorded during the summer months (December to March) and the lowest levels of demand and income during the winter months (June to September). In general, the demand for water is higher in warmer months than in cooler months, mainly due to the additional water requirements generated by irrigation systems and other external uses of water.

Adverse weather conditions may eventually affect the optimal delivery of water utility services, because the processes of collection and production of Potable Water depends to a large extent on the climatic conditions that develop in the river basins. Factors such as weather precipitation (snow, hail, rain, and fog), temperature, humidity, sediment carryover, river flows and turbidity determine not only the quantity, quality and continuity of raw water available at each uptake, but also the possibility of it being properly treated in potable water treatment plants.

In case of drought, we have important water reserves that we maintain in the El Yeso, Laguna Negra and Lo Encañado reservoirs, in addition to the contingency plans that we have developed, which allow us to reduce the possible negative impacts that could be generated by adverse weather conditions for our operations. In the current period, drought persists since 2010, which means that contingency plans such as the purchase of raw water, intensive use of wells, leasing and purchase of water rights, among others, are being applied. All this in order to reduce the impact of the drought and to provide our services normally, both in terms of quality and continuity.

c) Market Analysis

The Company does not display variation in the market in which it participates because, due to the nature of its services and the legal regulations in force, it does not have competitors in its concession area.

Aguas Andinas S. A. has 100% potable water coverage, 98.8% for sewerage service and 100% of sewage treatment in the Santiago basin.

Aguas Cordillera S. A. has 100% potable water coverage, 98.9% for sewerage service and 100% in sewage treatment.

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

Essal S. A. has 100% potable water coverage, 95.7% sewerage service in the X Region and 92.6% in the XIV Region, and 100% sewage treatment.

d) Capital investment

One of the variables that has the greatest impact on our results of operations and financial situation are capital investments. These are of two types:

Committed investments. We are required to agree an investment plan with the S.I.S.S., which describes the investments we must make during the 15 years following the date on which the corresponding investment plan becomes effective. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to maintaining certain quality and service coverage standards. The above-mentioned investment plan is subject to review every five years and may require amendments when certain significant events occur.

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

Aguas Andinas S.A.

Greater Santiago Area: December 23, 2015

Localities: April 5, 2013, September 26, 2013, December 31, 2014, January 12, 2015 and November 17, 2015

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: December 21, 2015

Aguas Manquehue S.A.

Santa María and Los Trapenses: December 23, 2014

Chicureo, Chamisero and Valle Grande III: August 10, 2016

Alto Lampa: November 22, 2013

Essal S.A.

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

Non-committed investments. Non-committed investments are those that are not contemplated in the investment plan and that we make voluntarily in order to ensure the quality of our services and replace obsolete assets. These, in general, are related to the replacement of network infrastructure and other assets, the acquisition of water rights and investments in unregulated businesses, among others.

In accordance with current international financial reporting standards in Chile, specifically IAS 23, interest on capital investments in work in progress is capitalized. IAS 23 establishes that when a company acquires debt in order to finance investments, the interest on that debt must be subtracted from the interest expense and included in the financed construction work up to the total amount of such interest, applying the respective rate to the disbursements made at the date of submission of the financial statements. Accordingly, the Financial Costs associated with our capital investment plan affects the amount of interest expense recorded in the income statements, and these financial expenses are recorded together with the work in progress under "Property, Plant and Equipment" in our financial statements.

e) Financial Aspects

Currency Risks: Our revenue is largely linked to local currency developments. Therefore, our debt is mainly issued in local currency and, therefore, we do not record significant risks for foreign currency operations.

Interest Rate Risk: As of December 31, 2017, the interest rate risk held by Inversiones Aguas Metropolitanas S. A. is made up of 88.9% at a fixed rate and 11.1% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issues (76.1%) and repayable financial contributions (23.9%), while variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2016, the interest rate risk held by Inversiones Aguas Metropolitanas S. A. consisted of 88.5% fixed rate and 11.5% variable rate. Fixed-rate debt consisted of short-term and long-term bond issues (74.2%) and repayable financial contributions (25.8%), while variable-rate debt consisted of loans with domestic banks.

The Company maintains a policy of interest rate monitoring and managing, which, with the purpose of optimizing the cost of financing, permanently evaluates the hedging instruments available in the financial market.

All this favorable situation has meant that the risk classifiers have assigned us a risk rating of AA+ for long-term debt. In the case of shares: Feller Rate assigned us a first class level 1 rating and Fitch Ratings assigned us a first class level 2 rating.