



EARNINGS RELEASE

**Period ending
June 30 2017**

1. 2017 Summary

- During the first semester of 2017, the Company's revenues amounted to CLP Th\$261,640,455, which was CLP Th\$11,126,438 (4.4%) more than first semester earnings in 2016. This increase was explained mainly by higher sales volumes, recording a 4.8% increase for potable water and 4.1% for sewage.
- Non-regulated subsidiaries marginally increased their sales by CLP Th\$360,012 due to higher sales of EcoRiles and Análisis Ambientales (Anam), which was partially offset by lower sales in Gestión y Servicios due to a drop in sales of materials. The Aguas del Maipo subsidiary did not record sales during the period due to a delay in start-up operations at the methanization plant being built at the La Farfana plant which will allow Aguas del Maipo to sell biogas with higher concentrations of methane.
- Costs increased by 6.6%, mainly due to a CLP Th\$2,586,878 increase in provisions for uncollectible bills, higher personnel costs of CLP Th\$1,832,660 mainly due to CPI readjustments and increased workforce, CLP Th\$1,021,268 in costs due to higher activity in network maintenance, higher costs totaling CLP Th\$972,218 for sanitation modification infrastructure services, and higher expenses of CLP Th\$430,009 for transportation leases, mainly for water tank trucks. This was partially compensated by lower expenses in chemical inputs of CLP Th\$497,773.
- EBITDA for the period amounted to CLP Th\$155,333,328, a 3.0% increase over the same period the previous year.
- Financial earnings showed a loss of CLP Th\$20,669,267, which was CLP Th\$1,364,777 less than the same semester last year. This was mainly the result of a lower revaluation of the debt that can be adjusted in Unidades de Fomento (UFs).
- Income tax expense at the end of the first semester of 2017 was CLP Th\$24,252,955, which was CLP Th\$3,482,797 higher than the same semester of the prior year. This change is mainly explained by a higher pre-tax gain of CLP Th\$4,608,837 together with the change in tax rate from 24% to 25.5% due to the Tax Reform in force since September 2014.
- Net income as of June 30, 2017 amounted to CLP Th\$36,861,803, which was CLP Th\$698,339 higher (1.9%) than that obtained in the previous year.

2. Results

2.1 Accumulated Results

Income Statement (CLP\$ thousands)	Jun. 17	Jun. 16	% Var.	2017 / 2016
Ordinary Revenue	261,640,455	250,514,017	4.4%	11,126,438
Operational Costs & Expenses	(106,307,127)	(99,694,580)	6.6%	(6,612,547)
EBITDA	155,333,328	150,819,437	3.0%	4,513,891
Depreciation and Amortization	(36,044,375)	(33,222,202)	8.5%	(2,822,173)
Operating Income	119,288,953	117,597,235	1.4%	1,691,718
Financial Results*	(20,669,267)	(22,034,044)	(6.2%)	1,364,777
Tax expenses	(24,252,955)	(20,770,158)	16.8%	(3,482,797)
Net Income	36,861,803	36,163,464	1.9%	698,339

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

2.2 Consolidated Revenue Analysis

	Jun. 17		Jun. 16		Variation	
	Sales		Sales			
	CLP Th\$	Share	CLP Th\$	CLP Th\$	M\$	%
Potable Water	109,198,012	41.8%	103,088,523	41.2%	6,109,489	5,9%
Sewage	125,628,229	48.0%	120,560,473	48.1%	5,067,756	4,2%
Other Regulated Income	2,137,222	0.8%	3,351,438	1.3%	(1,214,216)	(36,2%)
Non-Regulated Income	24,676,992	9.4%	23,513,583	9.4%	1,163,409	4,9%
Total	261,640,455	100.0%	250,514,017	100.0%	11,126,438	4,4%

Sales Volume (Thousands of m³)	Jun. 17	Jun. 16	% Var.	Difference
Potable Water	306,959	292,904	4.8%	14,055
Sewage Collection	293,201	281,561	4.1%	11,640
Sewage Treatment & Disposal	255,003	245,008	4.1%	9,995
Interconnections *	63,852	64,687	(1.3%)	(835)
Customers	Jun. 17	Jun. 16	% Var.	Difference
Potable Water	2,238,137	2,184,651	2.4%	53,486
Sewage Collection	2,184,916	2,131,599	2.5%	53,317

* Interconnections include the Treatment and Disposal of Sewage for other Sanitation companies

a. Regulated Businesses

1. Potable Water

Revenues from potable water during the first semester of 2017 amounted to CLP Th\$109,198,012, an increase of CLP Th\$6,109,489 compared to the same semester last year, due to the higher volumes supplied

2. Sewage

Sewage revenues during the first semester of 2017 amounted to CLP Th\$125,628,229, an increase of 4.2% compared to CLP Th\$120,560,473 recorded in the same semester of 2016. The increase of CLP Th\$5,067,756 was due to a higher volume supplied.

3. Other Regulated Revenues

This item decreased by CLP Th\$1,214,216, mainly due to the variation in provisions for unbilled consumption.

b. Non Regulated Revenues

Non-regulated revenues increased by CLP Th\$1,163,409 during the first semester of 2017 compared to the same semester of the previous year. This variation was explained by:

1. Sanitation Services

An increase of CLP Th\$803,165, mainly due to higher work activity requested by clients together with higher revenues associated with sanitation infrastructure modifications requested by clients.

2. Non-Sanitation Services

An increase of CLP Th\$360,012, mainly explained by increased activity at EcoRiles and Anam, which was offset by a decrease in Gestión y Servicios due to lower sales of materials. Aguas del Maipo did not record sales during the period due to the delay in start-up operations of the methanization plant being built at La Farfana Plant.

(CLP Th\$)	Jun. 17	Jun. 16	Var. %
Anam S.A.	2,122,359	1,627,111	30.4%
EcoRiles S.A.	6,670,903	6,226,641	7.1%
Gestión y Servicios S.A.	3,187,946	3,767,444	(15.4%)
Aguas del Maipo S.A.	0	0	-
Non-regulated, non-sanitation companies	11,981,208	11,621,196	3.1%

2.3. Expense Analysis

a) Raw Materials and Consumables Used

As of June 30, 2017, costs of raw materials and consumables totaled CLP Th\$16,913,086, CLP Th\$410,814 less than that obtained in the first semester of the 2016 fiscal year. The decrease in these costs is mainly due to lower costs of CLP Th\$497,773 in chemical inputs, compensated by higher electricity consumption for CLP\$116,152 due to higher groundwater abstraction.

b) Personnel Expenses

At the end of the first semester of 2017, personnel expenses totaled CLP Th\$27,898,739, which was CLP Th\$1,832,660 more than for the same semester of the previous year, generated by higher compensation and gratuities associated to CPI adjustments, together with a larger work force.

c) Depreciation and Amortization Expenses

As of June 30, 2017, depreciation and amortization amounted to CLP Th\$36,044,375, CLP Th\$2,822,173 more than that obtained in the same semester of 2016. This was the result of the depreciation associated with the new assets like the fourth module of the Trebal-Mapocho Plant.

d) Other Expenses

At the end of the first semester of 2017, these expenses amounted to CLP Th\$61,495,302, which was CLP Th\$5,190,701 higher than that obtained in the same semester of 2016. This was mainly due to a higher provision of CLP Th\$2,586,878 for uncollectible bills, higher costs of CLP Th\$1,021,268 for network maintenances, higher costs of CLP Th\$972,218 for sanitation infrastructure transfers, and higher costs of CLP Th\$430,009 for transportation service leasing in order to lease water tank trucks.

2.4. Analysis of Financial Income and Other Earnings

a) Financial Income

At the end of the first semester of 2017, CLP Th\$3,471,159 in financial income was obtained, CLP Th\$323,200 less than that obtained in the same semester of 2016, mainly explained by lower financial interests resulting from lower temporary cash surpluses.

b) Financial Costs

At the end of the first semester of 2017, financial costs totaled CLP Th\$15,144,895, which meant a CLP Th\$1,511,422 increase in costs compared to the same period in 2016. This is mainly explained by lower financial activation, partially offset by lower bond and bank loan interest rate.

c) Results from Indexation Units

At the end of the first semester of 2017, earnings of CLP Th\$8,992,937 were obtained, resulting from CLP Th\$3,206,243 fewer expenses compared to the end of the same period in 2016, mainly explained by a lower revaluation of the debt due to greater variation of the UF compared to the first quarter of 2016.

d) Income Tax Expense (Income)

Income tax expenses at the end of the first semester of 2017 was CLP Th\$24,252,955, which was CLP Th\$3,482,797 higher compared to the same semester of the previous year. This change is mainly explained by the change in the tax rate from 24% to 25.5% due to the Tax Reform in force since September 2014, compounded by a higher pre-tax income of CLP Th\$4,608,837.

e) Net Income

Net income as of June 30 2017 amounted to CLP Th\$36,861,803, CLP Th\$698,339 (1.9%) higher than that obtained in the first semester of 2016.

3. Results by Segments

3.1 Accumulated Results, Water Segment

Income Statement (CLP\$ thousands)	Jun. 17	Jun. 16	% Var.	2017 - 2016
External Revenues	249,747,960	238,805,277	4.6%	10,942,683
Inter-Segment Income	453,507	375,061	20.9%	78,446
Operational Costs and Expenses	(96,157,652)	(89,385,203)	7.6%	(6,772,449)
EBITDA	154,043,815	149,795,135	2.8%	4,248,680
Depreciation and Amortization	(35,708,192)	(32,871,054)	8.6%	(2,837,138)
Operating Income	118,335,623	116,924,081	1.2%	1,411,542
Other Earnings	1,296,516	115,578	>200%	1,180,938
Financial Results*	(20,843,900)	(22,180,391)	(6.0%)	1,336,491
Tax Expenses	(23,647,352)	(20,397,441)	15.9%	(3,249,911)
Net Income	73,415,408	72,390,073	1.4%	1,025,335

** Includes financial income, financial costs, exchange differences and earnings by readjustment units*

Earnings for this segment showed a 1.4% increase from the same semester the previous year, mainly due to:

- An increase in external revenues, mainly associated with higher volumes supplied.
- A 7.6% increase in costs, mainly due to a higher provision for uncollectible bills, higher costs associated with sanitation infrastructure modifications requested by customers, and increased leasing of transportation services.
- An increase in depreciation and amortization costs, mainly due to new assets like the fourth module of the Trebal-Mapocho Wastewater Treatment plant.
- An improvement in the financial results compared to 2016, mainly due to a lower revaluation of the debt readjustment in Unidades de Fomento (UFs).
- Higher income tax expenses compared to the previous year, mainly due to a higher pre-tax profit together with the change in the tax rate from 24.0% to 25.5% due to the Tax Reform in force since September 2014.

3.2 Accumulated Results, Non-Water Segments

Income Statement (CLP\$ thousands)	Jun. 17	Jun. 16	% Var.	2017 - 2016
External Revenues	11,894,570	11,464,383	3.8%	430,187
Inter-Segment Income	2,181,167	1,918,706	13.7%	262,461
Operational Costs and Expenses	(12,116,476)	(11,656,214)	3.9%	(460,262)
EBITDA	1,959,261	1,726,875	13.5%	232,386
Depreciation and Amortization	(346,459)	(361,990)	(4.3%)	15,531
Operating Income	1,612,802	1,364,885	18.2%	247,917
Other Earnings	371,528	125	>200%	371,403
Financial Results*	158,212	133,600	18.4%	24,612
Tax Expenses	(537,128)	(418,988)	28.2%	(118,140)
Net Income	1,605,414	1,079,622	48.7%	525,792

* Incluye ingresos financieros, costos financieros, diferencias de cambio y resultados por unidades de reajuste.

Non-Water segment earnings showed an increase of 48.7% over the same period in the previous year, mainly due to:

- An increase in external revenues mainly due to increased activity in EcoRiles (mainly higher volumes of waste discharges and new projects at the operation plants), offset by lower activity at Gestión y Servicios S.A. (mainly due to lower sales volumes for network materials).
- An increase in revenue between segments due mainly to sales of chemical inputs generated by Gestión y Servicios
- A reduction in costs, mainly for Gestión y Servicios due to a decrease in external sales costs resulting from less activity.
- An increase in other earnings, mainly at Gestión y Servicios due to a recovery of guarantee notes that had been provisioned for being older than 4 years, together with the sale of assets.
- Higher income tax expense compared to the same quarter of 2016, mainly due to an increase in income before tax, together with the increase in the tax rate from 24.0% to 25.5%.

4. Quarterly Results

Income Statement (CLP\$ thousands)	2T17	2T16	% Var.	2T17 - 2T16
Ordinary Revenue	115,771,776	111,202,641	4.1%	4,569,135
Operational Costs & Expenses	(55,888,757)	(51,138,983)	9.3%	(4,749,774)
EBITDA	59,883,019	60,063,658	(0.3%)	(180,639)
Depreciation and Amortization	(18,248,331)	(16,693,190)	9.3%	(1,555,141)
Operating Income	41,634,688	43,370,468	(4.0%)	(1,735,780)
Financial Results*	(11,394,685)	(11,652,233)	(2.2%)	257,548
Tax expenses	(7,328,550)	(6,380,753)	14.9%	(947,797)
Net Income	11,771,349	12,220,532	(3.7%)	(449,183)

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

4.1 Revenue Analysis

a) Operational Revenues

Ordinary revenues in the second quarter of 2017 amounted to CLP Th\$115,771,776, CLP Th\$569,135 (4.1%) higher than that obtained in the same quarter of the previous year. This was mainly due to higher volumes.

4.2 Expense Analysis

a) Raw Materials and Consumables Used

In the second quarter of 2017, costs of raw materials and consumables totaled CLP Th\$8,548,952, CLP Th\$140,196 more than that obtained in the second quarter of the 2016 fiscal year. The increase in these costs is mainly due to higher costs of CLP Th\$212,651 in electricity for CLP Th\$328,803 due to a higher consumption of ground water, and higher material costs for CLP Th\$152,173. The latter is partially compensated by chemical inputs of CLP Th\$340,779.

b) Personnel Expenses

During the second quarter of 2017, personnel expenses totaled CLP Th\$15,011,907, which was CLP Th\$1,509,041 more than for the same quarter of the previous year, generated by higher compensation and gratuities associated to CPI adjustments, together with a larger work force.

c) Depreciation and Amortization Expenses

Depreciation and amortization during the second quarter of 2017 amounted to CLP Th\$18,248,331, CLP Th\$1,555,141 more than that obtained in the same quarter of 2016.

a) Other Expenses

During the second quarter of 2017, these expenses amounted to CLP Th\$32,327,898, which was CLP Th\$3,100,537 higher than that obtained in the same period of 2016. This was mainly due to a higher provision of CLP Th\$1,255,896 for uncollectible bills, higher network maintenance costs for CLP Th\$813,287, wastewater treatment plant operation expenses for CLP Th\$658,648 and higher costs of CLP Th\$487,922 for sanitation infrastructure transfers.

4.3 Analysis of Financial Income and Other Earnings

a) Financial Income

Financial income for the second quarter of 2017 amounted to CLP Th\$1,884,632, CLP Th\$16,641 more than that obtained in the same quarter of 2016, mainly explained by higher financial interests.

b) Financial Costs

Financial costs for the second quarter of 2017 totaled CLP Th\$7,583,502, which meant a CLP Th\$813,858 increase in costs compared to the same period in 2016. This is mainly explained by lower financial activation, partially offset by lower bank loan interest rates.

c) Results from Indexation Units

For the second quarter of 2017 losses of CLP Th\$5.692,832 were obtained, resulting from a CLP Th\$1,050,807 decrease compared to the end of the same period in 2016, mainly explained by a lower revaluation of the debt due to lower variation of the UF compared to the same quarter of 2016.

d) Income Tax Expenses (Income)

The provision for Income tax expenses at the end of the second quarter of 2017 was CLP Th\$7,328,550, which was CLP Th\$947,797 higher compared to the same quarter of the previous year. This change is mainly explained by the change in the tax rate from 24% to 25.5% due to the Tax Reform in force since September 2014.

e) Net Income

Net income for the second quarter amounted to CLP Th\$11,771,349, which was CLP Th\$449,183 (3.7%) less than that obtained in the same quarter of 2016.

5. Balance Sheet

	Jun. 17	Dec. 16	
	CLP Th\$	CLP Th\$	% Var.
Assets			
Current assets	112,251,945	183,335,457	(38.8%)
Non-current assets	1,873,077,270	1,861,126,917	0.6%
Total assets	1,985,329,215	2,044,462,374	(2.9%)
Liabilities and equity			
Current liabilities	153,757,388	212,350,061	(27.6%)
Non-current liabilities	890,097,690	873,274,457	1.9%
Total liabilities	1,043,855,078	1,085,624,518	(3.8%)
Shareholder's Equity	582,174,979	589,683,018	(1.3%)
Minority Interest	359,299,158	369,154,838	(2.7%)
Total Shareholder's Equity	941,474,137	958,837,856	(1.8%)
Total Liabilities & Shareholder's Equity	1,985,329,215	2,044,462,374	(2.9%)

5.1 Asset Analysis

Inversiones Aguas Metropolitanas' total consolidated assets as of June 30, 2017 decreased by 2.9% compared to December 31, 2016, from CLP Th\$2,044,462,374 to CLP Th\$1,985,329,215.

Current assets decreased by CLP Th\$71,083,512, mainly due to the decrease in cash and cash equivalents of CLP Th\$59,620,335 and trade and other accounts receivable of CLP Th\$13,043,499, mainly due to the seasonality of the sales cycle.

Non-current assets increased by CLP Th\$11,950,353, mainly explained by an increase of CLP Th\$9,940,688 in property, plant and equipment, associated with investments made during the period, primarily the fourth Mapocho Plant Module. The main investment works during the period are shown in the following table:

Investments (CLP Th\$)	Jun-17
Mapocho-Trebal WWTP Expansion	3,761,667
Chamisero Potable Water Plant	3,103,721
Las Vizcachas PWTP Filter Renovations	2,874,535
Potable Water Network Renovations	2,305,729
Sewage Network Renovations	2,097,828

5.2 Liabilities and Shareholder's Equity Analysis

Liabilities through June 2017 decreased by CLP Th\$41,769,440 compared to December 2016.

Current liabilities decreased by CLP Th\$58,592,673. This variation was mainly due to the distribution of interim dividends made during the first quarter of 2017.

Non-current liabilities increased by CLP Th\$16,823,233 (1.9%). This corresponds mainly to a CLP Th\$15,000,000 increase in bank loan debts.

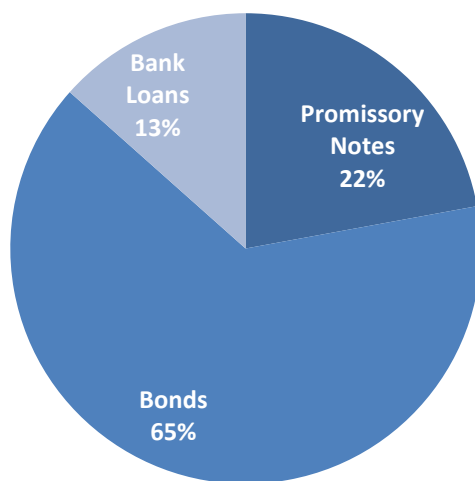
Total shareholders' equity increased by CLP Th\$17,363,719 and net equity attributable to the controllers decreased by CLP Th\$7,508,039, mainly explained by the distribution of dividends corresponding to the 2016 financial year, which was partially compensated by the profits during the first semester of 2017.

The maturity profile of the financial debt as of June 30, 2017 is as follows:

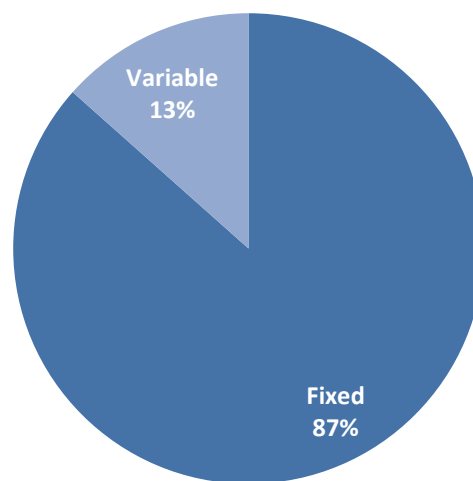
Capital CLP Th.\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	more than 5 years
Promissory Notes	\$	190,499,027	24,406,258	11,835,367	20,672,945	133,584,457
Bonds	\$	555,117,282	9,013,111	35,678,201	19,507,616	490,918,354
Bank Loans	\$	115,680,180	10,660,970	38,783,345	50,217,761	16,018,104
Total		861,296,489	44,080,339	86,296,913	90,398,322	640,520,915

5.3 Structure of Financial Liabilities

Breakdown By Instrument



Breakdown By Interest Rate



6. Consolidated Cash Flow

Cash Flow Statement (CLP\$ Th.)	Jun. 17	Jun. 16	% Var.
Operating activities	114,450,999	133,304,349	0.50%
Investment activities	-45,404,955	-62,094,851	13.00%
Financing activities	-128,666,379	-86,051,474	22.00%
Net flows for the period	-59,620,335	-14,841,976	-90.10%
Closing cash balance	6,501,671	19,349,166	8.50%

Flows from operating activities experienced a decrease of CLP Th\$18,853,350, comparing June 2017 with June 2016.

- A CLP Th\$2,709,665 increase in payments for premiums and benefits, annuities and other obligations derived from the policies subscribed, associated with the payment of fire insurance corresponding to 24 months.
- A CLP Th\$8,926,850 increase in payments to suppliers for, mainly associated with higher payments to suppliers of sanitation infrastructure transfers and leases.
- A CLP Th\$6,414,400 increase in income taxes paid, which is explained by the PPM rate change in 2017 (including payment for revenues associated with the sale of land at Aguas Cordillera) and by higher sales.
- A CLP Th\$2,095,547 increase in payments for employee benefits, due to higher income from CPI readjustments together with a larger workforce.
- A CLP Th\$5,660,008 increase in other payments for operation activities, mainly associated to higher payments of value added tax.
- A CLP Th\$1,499,650 increase in the payment of financial interests.

These variations were partially offset by the following concept:

- A CLP Th\$9,223,856 increase in collections from sales of goods and provision of services, mainly due to higher sales volume and a higher average tariff

The disbursement for investment activities decreased by CLP Th\$16,689,896, due to lower payment of investments during the period.

Financing activities generated a net flow (decrease) of CLP Th\$42,614,905, due to a higher level of indebtedness from the issue of the series Z and AA bonds in January 2016, partially offset by new bank loans for CLP\$24,864,003 in the first semester of 2017.

7. Financial Ratios

		Jun. 17	Dec. 16
Liquidity			
Current Ratio	times	0.73	0.86
Acid Test Ratio	times	0.04	0.31
Leverage			
Total Leverage	times	1.11	1.13
Current Leverage	times	0.15	0.20
Long-term Leverage	times	0.85	0.80
Interest Coverage Ratio	times	8.05	8.27
Return			
ROE	%	12.97	12.70
ROA	%	3.82	3.71
Earnings Per Share	\$	74.99	74.29
Dividend Yield*	%	5.93	6.55

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

(*) The share price as of June 2017 was \$1,124.2, whereas it was \$966.1 as of December 2016.

As of June 2017, the current ratio decreased by 15.1%, due to a CLP Th\$71,083,512 decrease (38.8%) in current liabilities, due to the seasonality of the sales cycle, compensated by a decrease in current liabilities of CLP Th\$58,592,673 mainly due to the payment of interim dividends in the first quarter of 2017.

Total leverage decreased by 2.1%, as a result of a CLP Th\$41,769,440 decrease in liabilities payable, which was mainly due to the payment of Interim dividends in the first quarter of 2017, compensated by a decrease in total shareholders' equity of CLP Th\$17,363,719.

Annualized return on equity attributable to the controller showed an increase of 2.1%, due to a CLP Th\$7,151,937 decrease in average equity, mainly due to the distribution of dividends corresponding to the 2016 financial year and also partially attributed to an increase in annualized earning of CLP Th\$698,339.

8. Other Information

a) Tariffs

The most important factor that determines the earnings of our operations and financial situation are the tariffs that are set for our regulated sales and services. As a sanitation company we are regulated by the S.I.S.S. and our tariffs are set in accordance with the Law of Tariffs for Sanitation Services D.F.L. N°70 of 1988.

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

Aguas Andinas S.A.:

Group 1	November 2015
Group 2	November 2015
Rinconada de Maipú	January 2016

Aguas Cordillera S.A.:

January 2017

Aguas Manquehue S.A.:

Santa María	March 2016
Chicureo	October 2015 and June 2017
Chamisero	November 2016
Los Trapenses	March 2016
Valle Grande 3	January 2016 and January 2017

Essal S.A.:

Group 1	October 2015
Group 2	October 2015
Group 3	October 2015
Chinquihue	December 2015 and 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 Aguas Andinas S.A. for the 2015-2020 period were approved by Decree N°83 of June 5, 2015, by the Ministry of Economy, Development and Reconstruction, and entered into force on March 1, 2015 (published in the Diario Oficial on September 03, 2015). The current tariffs for Aguas Cordillera S.A. for the same 2015-2020 five-year period were approved by Decree N°152 dated October 19, 2015, and entered into force on June 30, 2015 (published in the Diario Oficial on November 25, 2015) and current 2015-2020 tariffs for Aguas Manquehue S.A. were approved by Decree N°139 dated September 16, 2015 and entering into force on May 19, 2015 (published in the Diario Oficial on November 25, 2015).

Meanwhile, for the Essal subsidiary, the tariffs in force for the 2016-2021 period were approved by Decree N°143 dated August 25, 2016, published in the Diario Oficial on January 21, 2017.

b) Market Risk

Our company has a favorable situation in terms of risk, which is mainly due to the particular characteristics of the sanitation sector. Our business is seasonal and the earnings from operations can 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, water demand is higher in warmer than temperate months, mainly due to the additional water requirements generated by irrigation systems and other external water uses.

Adverse weather conditions can occasionally affect the optimal delivery of sanitation services, because the processes of capturing and producing drinking water depend to a large extent on the climatic conditions that develop in the watersheds. Factors such as precipitation (snow, hail, rain, fog), temperature, humidity, sediment drags, river flows and turbidity determine not only the quantity, quality and continuity of raw water available in each intake location, but also the possibility that they can be properly treated in the potable water plants.

In the case of drought, we have important water reserves that we maintain in the El Yeso Reservoir, Laguna Negra and Lo Encañado, in addition to the contingency plans we have developed which allow us to reduce any negative impacts adverse weather conditions could cause for our operations. Currently the drought continues to exist since 2010, which means implementing contingency plans such as the purchase of raw water, intensive use of wells, rental and purchase of water rights, among others. All of this is in order to diminish the impact of the drought and provide our services at normal levels, both in terms of quality and continuity.

c) Market analysis

The Company does not present variations in the market in which it participates because of the nature of its services and the current legal regulations, meaning it does not have competition in its concession areas.

Aguas Andinas S.A. maintains 100% potable water coverage, 98.7% sewage service coverage and 100% wastewater treatment coverage in the Santiago watershed.

Aguas Cordillera S.A. maintains 100% potable water coverage, 98.8% for sewage service and 100% for wastewater treatment.

Aguas Manquehue S.A. maintains 100% potable water coverage, 99.0% for sewage service and 100% for wastewater treatment.

Essal S.A. maintains 100% potable water coverage, 95.7% sewerage coverage in Region X and 92.3% sewerage coverage in Region XIV, and for 100% wastewater treatment.

d) Capital investments

One of the variables that most affects the earnings of our operations and financial situation are capital investments. These can be of two types:

Committed investments. We have an obligation to agree to an investment plan with the S.I.S.S., which describes the investments that must be made during the 15 years following the date on which the corresponding investment plan enters into force. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to the maintenance of certain quality standards and service coverage. The aforementioned investment plan is subject to review every five years, and may require modifications when certain relevant facts are verified.

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

Aguas Andinas S.A.

Greater Santiago: December 23, 2015

Localities: 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: December 21, 2015

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.

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

Uncommitted investments. Uncommitted investments are those that are not included in the investment plan and that we perform voluntarily in order to ensure the quality of our services and replace obsolete assets. These, in general, relate to the replacement of network infrastructure and other assets, the acquisition of water use rights and investments in unregulated businesses, among others.

In accordance with the international financial reporting standards in force in Chile, in particular IAS 23, interest on capital investments for works in progress is capitalized. The aforementioned IAS 23 establishes that when the entity acquires debt in order to finance investments, interest on that debt must be deducted from the financial expense and incorporated into the financed construction work, up to the total amount of said interest, applying the respective rate to disbursements made at the date of presenting the financial statements. As a result, the financial costs associated with our capital investment plan affect the amount of interest expenses recorded in the income statements, and these financial costs are recorded together with the work in progress under "property, plant and equipment" in our statement of financial position.

e) Financial Aspects

Currency Risks: Our revenues are largely tied to changes in local currency. That is why our debt is mainly issued in the same currency, so we do not record significant risks from foreign currency transactions.

Interest Rate Risk: As of June 30, 2017, the interest rate risk held by Inversiones Aguas Metropolitanas S.A. is made up of 86.5% at a fixed rate and 13.5% at a variable rate. Fixed-rate debt consists of short-term and long-term bond issues (74.5%) and repayable financial contributions (25.5%), while variable-rate debt corresponds to loans from domestic banks.

As of December 31, 2016, the interest rate risk held by Inversiones Aguas Metropolitanas S.A. was made up of 88.5% at a fixed rate and 11.5% at a 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 corresponded to loans from domestic banks.

The company maintains an interest rate monitoring and management policy, which, in order to optimize the cost of financing, permanently evaluates the hedging instruments available in the financial market.

These favorable situations have meant that the risk classifiers have assigned a risk rating of AA+ for long-term debt. In the case of shares, Feller rate has assigned us a first-class level 1 classification and Fitch Ratings has assigned us a first-class level 2 classification.