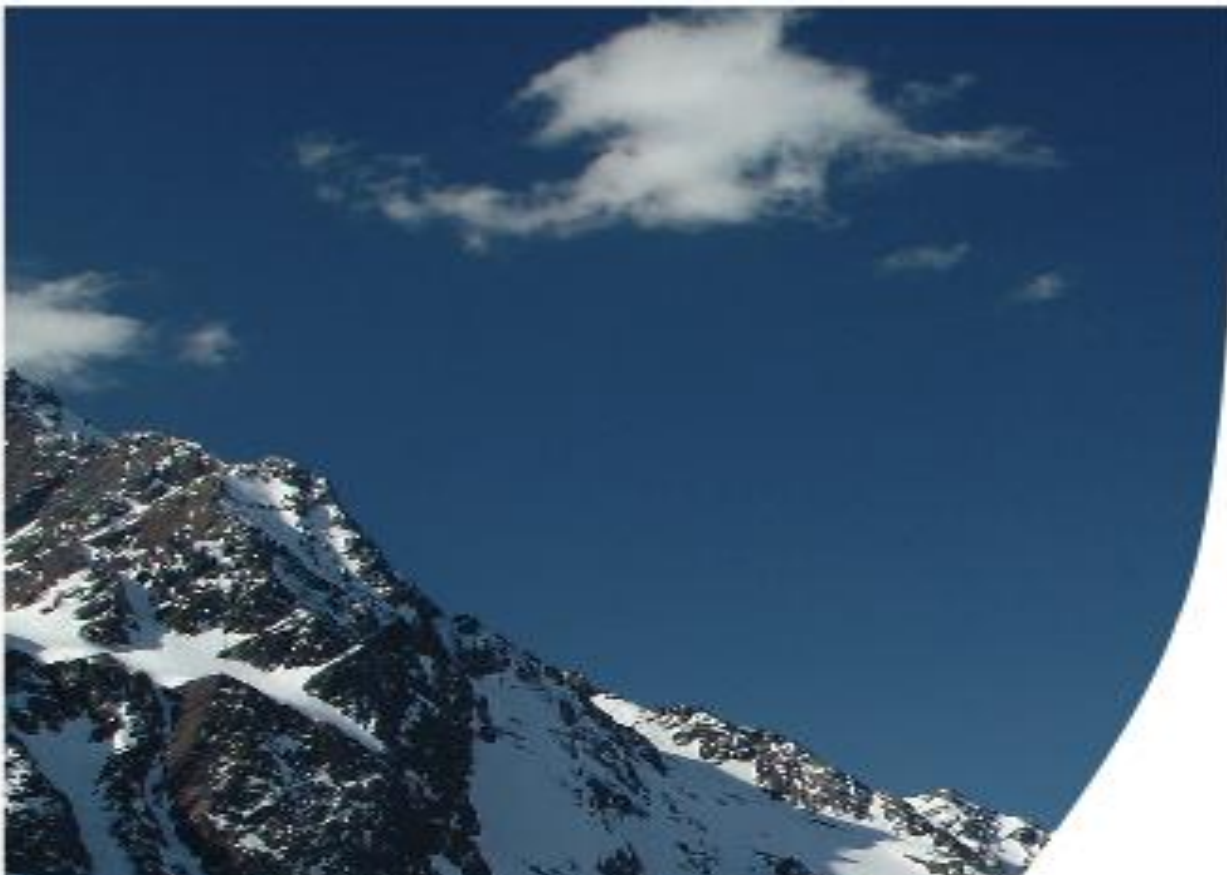
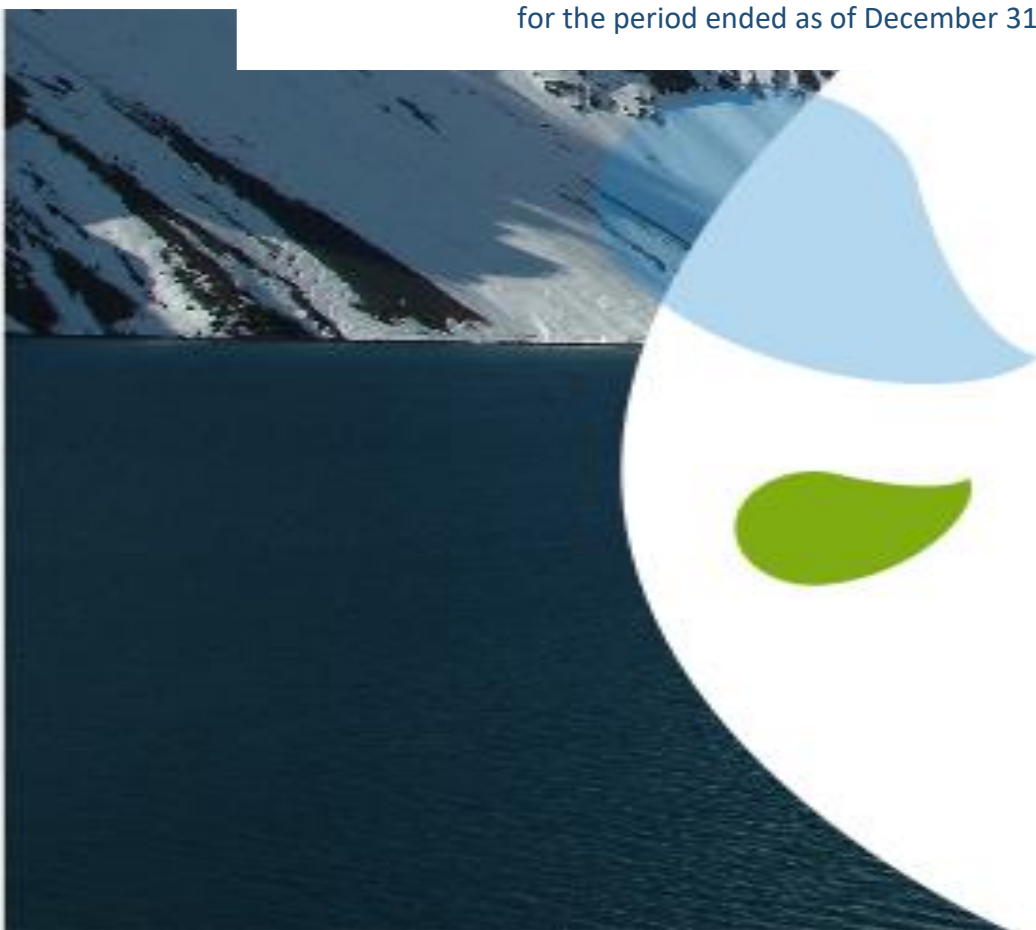




Management's comments on
Aguas Andinas' financial statements
for the period ended as of December 31, 2018

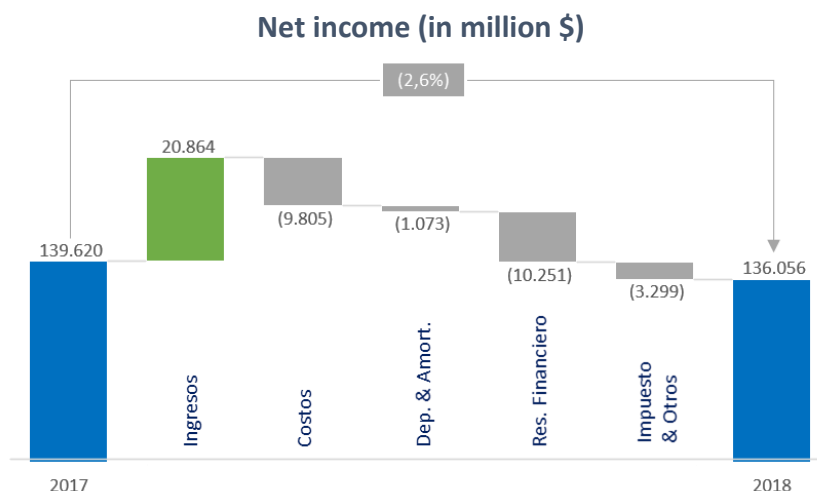


1. Year's summary

- 💧 The company held a sustained EBITDA growth during fiscal year (FY), managing a 3.7% increase, positively influenced by the larger volumes delivered, in addition to an active contention and cost reduction effort throughout an organizational restructuring, improvements in biosolid use and disposal, process optimization and a drop in collectability levels, all of which enabled mitigating the impact of the increment in certain non-recurring operating costs as an income of the intensification of drought conditions around the Santiago Metropolitan Area and of this year's collective bargaining process.
- 💧 At the non-operating level, the lower income is mostly explained by the greater revaluation of the UF-indexed debt (2.9% in 2018 versus 1.7% in 2017) that raised expenses by \$11,077 million, and the costs of an organizational restructuring which meant that the concessionaire companies of the Metro Region had to reduce their net staffing in 34 persons, including 9 executives among them.
- 💧 In April of the year 2018, the Company placed two series of bonds, being the AC series the first Green and Social Bond issued in the local market. The characteristics of these series, whose funds were used for the financing of the investment plan and the refinancing of liabilities the Company, were the following:
 - 📄 Green and Social Bond, AC series for UF 1.5 million, structured to a 7-year term at a rate of 1.8%.
 - 📄 AD series Bond for UF 2.0 million, structured to a 25-year term at a rate of 2.38%.

The spread achieved by the Green and Social Bond was the lowest of the last years for an equivalent installment issue.

Net income as of December 31, 2018 amounted to \$136,056 million. The main variations compared to the previous year are presented in the following graph:



Operating Incomes

💧 This period's EBITDA reached \$309,664 million, representing an increase of 3.7% over the previous year.

💧 Revenues were higher than those in the previous year by \$20,864 million (an increase of 4.1%) mainly due to increased sales volumes of 3.9% in Drinking Water and of 3.4% in Wastewater. Such increases in the volumes supplied occurred during a year in which the average maximum temperatures increased by 0.3% as compared to the previous year; this being the driest winter observed in the last 20 years.

💧 Operating costs varied by 4.6% due mostly to:

📖 *Drought-related costs:* the 10-year long drought intensified in 2018 while experiencing the driest winter of the last 20 years. This implied expense increased mainly in the following line items:

- *Raw water purchases:* It was necessary to buy more raw water to ensure the continuity of supply to our customers in low-flow periods along the Maipo River basin. This involved a higher cost of \$2,721 million.
- *Electricity:* Electric energy costs increased by \$885 million, due to increased consumption, as well as increased groundwater uptake and water elevation, caused by less water availability in the rivers of the Metropolitan Region.

📖 *Personnel costs:* During the year 2018, collective bargaining processes were successfully completed with all the work unions of *Aguas Andinas*, *Aguas Cordillera* and with the subsidiaries *Gestión y Servicios* and *Análisis Ambientales*. These collective contracts will remain in effect for a 3-year period. The benefits obtained through these negotiations plus

the agreed inflation adjustments explain increased expenses amounting to \$3,605 million under this concept.

 **Efficiency improvement projects:** During 2018, projects were developed toward improving processes, organizational restructuring and digital transformation that have allowed containing and reducing certain cost line items such as the following:

- *Biosolid management:* Savings of \$798 million were made from the beneficial use of sludge as fertilizer and soil recuperator.
- *Organizational restructuring:* This meant that Metropolitan Region concessionaire companies were able to streamline their net personnel by 34 persons, including 9 executives among them.
- *Reduced uncollectibles:* There was a lower provision for uncollectibles of \$1,987 million due to the management made through payment agreements and programs to support more vulnerable families, in line with the commitment of collaboration and shared value that the Company develops with its Customers. With Respect to income, uncollectibles fell from 1.2% to 0.7%.
- *Other projects:* Other projects were developed that produced savings in network maintenance and repair for \$529 million and other general and management services for \$760 million.

 Finally, higher costs have been recognized mainly in facility maintenance for \$560 million, computer services and licenses for \$761 million, customer management by \$565 million, in the subsidiary ESSAL for fines and operating maintenance expenses for \$ 1,454 million, and other costs associated with the tariff process, real estate contributions and other services.

Non-operating income

-  The financial income showed a net expense of \$47,247 million, \$10.251 million greater than a year ago, as a consequence mainly of a higher revaluation of UF-indexed debt (2.9% in 2018 versus 1.7% in 2017).
-  The Other Profit/Loss line item shows a loss of \$1,124 million, a figure \$3,733 million higher than a year ago, as a result of the costs related to the organizational restructuring, whose main objective is to adapt the structure to the Company's vision and strategic guidelines as well as to increase its efficiency. These higher costs were partially offset by the sale of land properties located in various municipalities of the Metropolitan Region.

Investments

💧 In 2018, investments were materialized totaling \$163,753 million, the highest amount in the company's history. The main projects developed are:

- 🔧 Construction of *Estanques de Pirque*
- 🔧 Chamisero drinking water production plant
- 🔧 Renewal of Wastewater and Drinking Water networks
- 🔧 Treatment of nitrates at *Biofactorías La Farfana-Trebal*
- 🔧 Asset replenishment at *Biofactorías La Farfana-Trebal*
- 🔧 Replacement of intakes and meters

💧 **Advance in relevant investment projects** – The construction of *Estanques de Pirque* shows a progress of 53%. This project will increase the autonomy of drinking water to the capital by 11 to 34 hours, in order to cope with the effects of climate change, and thereby avoid or minimize drinking water cuts caused by storms or rains in the high mountain range.

Also, the *Chamisero* drinking water plant in Colina is at its start-up phase. This facility will enable sustaining the growth of Santiago's northern area, producing surface-sourced drinking water (Maipo River) in an area limited by underground water.

OTHER HIGHLIGHTS

💧 **UN Rewards *Aguas Andinas* for *Biofactorías*** – The Company was recognized with the 2018 Impulse for Change Award, granted by the United Nations (UN), which seeks to recognize those global initiatives aimed at addressing the effects of climate change, Chile being the only country in Latin America to receive this award.

💧 **Sustainability Recognitions** – Aguas Andinas obtained the GRAND PRIX EMPRESA ALAS20 (2020 Sustainable Leaders Agenda) recognition in its 2018 edition, which seeks to promote the dissemination of sustainability issues and good corporate governance practices in Latin America.

💧 **Beginning of the VII Tariff Process** – On November 30, 2018, the Superintendence of Sanitary Services published the Preliminary Bases of the tariff fixing process of the companies: Aguas Andinas, Aguas Cordillera, and Aguas Manquehue. The new tariffs of Aguas Andinas will enter into force on March 1, 2020.

2. Year's earnings

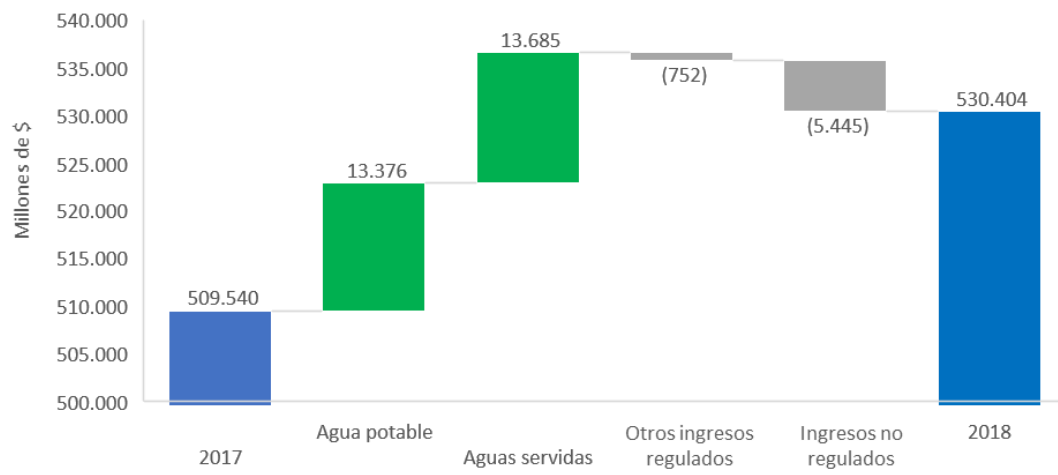
2.1. Accumulated earnings

Income Statement (M\$)	Dec. 18	Dec. 17	% Var.	2018 / 2017
Ordinary revenues	530,404,680	509,540,577	4.1%	20,864,103
Operating costs and expenses	(220,740,945)	(210,935,623)	4.6%	(9,805,321)
EBITDA	309,663,735	298,604,953	3.7%	11,058,782
Depreciation and amortization	(75,467,585)	(74,394,154)	1.4%	(1,073,431)
Income from operations	234,196,150	224,210,799	4.5%	9,985,351
Other earnings	(1,124,474)	2,608,255	(143.1%)	(3,732,729)
Financial income*	(47,246,899)	(36,996,176)	27.7%	(10,250,723)
Tax expenses	(46,506,422)	(46,340,625)	0.4%	(165,797)
Net income	136,056,517	139,620,280	(2.6%)	(3,563,763)

*Includes financial revenue, financial costs, exchange differences and incomes by readjustment units.

2.2. Revenue analysis

	Dec. 18		Dec. 17	
	Sales M\$	Share	Sales M\$	Share
Drinking water	208,467,089	39.3%	195,090,811	38.3%
Wastewater	254,083,790	47.9%	240,399,095	47.2%
Other regulated income	17,655,861	3.3%	18,408,224	3.6%
Non-regulated income	50,197,940	9.5%	55,642,447	10.9%
Total	530,404,680	100.0%	509,540,577	100.0%



Sales volume (thousand m3)	Dec. 18	Dec. 17	% Var.	Difference
Drinking water	597,648	575,046	3.9%	22,602
Wastewater collection	573,323	554,261	3.4%	19,062
Wastewater collection and disposal	499,221	484,298	3.1%	14,923
Interconnections*	128,054	123,751	3.5%	4,303
Clients	Dec, 18	Dec, 17	% Var.	Difference
Drinking water	2,316,107	2,259,245	2.5%	56,862
Wastewater collection	2,263,039	2,205,940	2.6%	57,099

* The interconnections include the Treatment and Disposal of Wastewater from other Water Utility Companies.

Regulated Businesses

a) Drinking water

Drinking water income at end of 2018 reached M\$208,467,089, showing an increase of 6.9%, compared to 2017. The M\$13,376,278 increase was mainly due to the higher volume supplied, together with the indexing of rates occurring during the years 2017 and 2018, the last of which was recorded in September of 2018.

b) Wastewater

Wastewater income at the end of 2018 reached M\$254,083,790, which meant an increase of M\$13,684,695 compared to the previous year, as an income of the higher volume supplied, together with the indexing of rates occurring during the years 2017 and 2018. Aguas Andinas' latest indexing was recorded in September 2018.

c) Other regulated income

This line item presented a decrease of M\$752,363, which was explained mainly by the variation of the provision of uninvoiced consumption partially offset by higher income associated with fixed charges to clients.

Unregulated Income

Unregulated income declined by M\$5,444,507 at the end of the year 2018 compared to the previous year. This variation was explained by:

a) Sanitary services

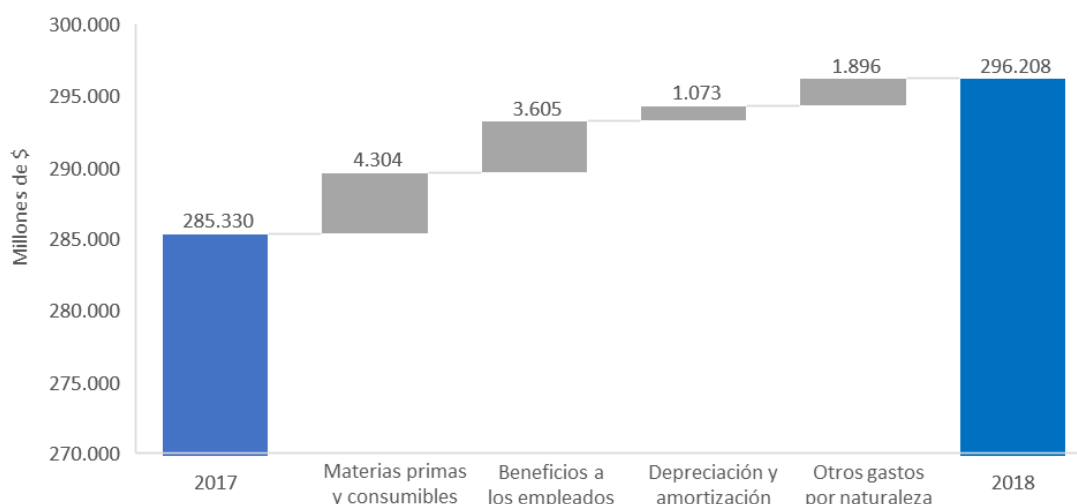
A decrease of M\$5,818,226, mainly due to lower insurance returns, fewer agreements with urban developers and less activity in sanitary infrastructure modifications requested by clients.

b) Non-sanitary services

An increase of M\$373,719 was mainly explained by greater laboratory services sales by *Análisis Ambientales* and increased activity in *EcoRiles*.

(M\$)	Dec. 18	Dec. 17	% Var.
AnaMS.A.	4,636,479	4,136,427	12.1%
EcoRiles S.A.	13,211,404	13,004,146	1.6%
Gestión y Servicios S.A.	6,720,684	6,780,639	(0.9%)
Aguas del Maipo S.A.	1,061,523	1,335,159	(20.5%)
Non-sanitary non-regulated products	25,630,090	25,256,371	1.5%

2.3. Expense analysis



a) Raw materials and consumables

At the end of fiscal year 2018, the costs of raw materials and consumables reached M\$39,229,232, a figure higher by M\$4,304,383 to that obtained in the previous year. This increase was mainly due to raw water purchases totaling M\$2,721,167, aimed at ensuring continuity of supply to our clients in low-flow periods along the Maipo river basin. Additionally, it confronted higher electricity costs totaling M\$885,423, due to increased

consumption associated to sales volumes, as well to increased groundwater uptake and water elevation, caused by less water available in the rivers of the Metropolitan Region.

b) Employee benefits

As of December 31 Of 2018, employee benefit expenses reached M\$59,153,387, a figure higher by M\$3,605,083 to the previous year, mainly due to the agreed inflation adjustments and the benefits obtained in the collective bargaining process with all of Aguas Andinas' work unions, Aguas Cordilleras and the subsidiaries *Gestión y Servicios* and *Análisis Ambientales*, collective contracts that will remain in effect for 3 years.

c) Depreciation and amortization

At the end of fiscal year 2018, depreciation and amortization amounted to M\$75,467,585, a figure higher by M\$1,073,431 to that obtained in the previous year. This was the income of the depreciations associated to the new assets incorporated during the fiscal year.

d) Other expenses by nature

As of December 31 of 2018, these expenses amounted to M\$122,358,326, a figure higher by M\$1,895,855 to that obtained in 2017, explained essentially by:

- Efficiency projects and process improvements have been carried out that have allowed obtaining lower costs mainly in the management of biosolids by M\$798,395, network maintenance and repair by M\$529,398 and other general and management services by M\$760,009.
- Lower provision for uncollectibles of M\$1.986,833 due to the management performed through payment agreements and programs aimed at supporting more vulnerable families, in line with the commitment of collaboration and shared values that the Company develops with its clients. With Respect to income, uncollectibles fell from 1.2% to 0.7%.
- Additionally, higher costs have been recognized mainly in facility maintenance of M\$559,663, computer services and licenses of M\$760,997, Management of Clients of M\$565,018, in the ESSAL subsidiary for fines and operating maintenance expenses of M\$1,454,103 and other costs associated with the tariff process, real estate taxes and other services.

2.4. Analysis of Financial revenues and others

a) Other Earnings (losses)

As of December 31, 2018, losses were incurred amounting to M\$1,124,474, a figure higher by M\$3,732,729 to that obtained in 2017, as an income of the organizational restructuring, whose main objective is to adapt the structure to the vision and strategic guidelines of the Company and to increase its efficiency by M\$3,152,487, all of it partially offset by greater

sales of expendable land properties located in various municipalities of the Santiago Metropolitan Region.

b) Financial revenues

At the closing of the year 2018, financial revenues were obtained totaling M\$5,856,180, a figure lower by M\$196,817 to that obtained in 2017, explained mainly because of lower interest payments on client debt.

c) Financial costs

As of December 31, 2018, financial costs reached M\$29,996,785, which meant a decrease of M\$1,115,473 to those obtained in the year 2017. The foregoing is mainly explained by a greater financial activation along with lower bank interest and of promissory notes for AFR (reimbursable financial contributions), partially offset by greater interest in bonds, mainly due to a greater volume of debt.

d) Earnings by index unit

At the end of the 2018 fiscal year, incomes were obtained of M\$23,022,736, determining a higher expense of M\$11,076,833 with respect to the year 2017, explained mainly by a greater revaluation of the debt due to a greater variation of the UF index unit (2.9% in 2018 versus 1.7% in 2017).

e) Income tax Expense

The income tax expense as of December 31, 2018 was M\$46,506,422, higher figure by M\$165,797 compared to the previous year. This variation was explained mainly by the change of tax rate from 25.5% to 27.0% due to the Tax Reform, partially offset by a lower income before taxes.

f) Earnings

Net Income as of December 31, 2018 amounted to M\$136,056,517, a figure lower by M\$3,563,763 (2.6%) to that obtained in 2017.

2.5. Incomes by segment

a) Accumulated incomes, water segment

Income Statement (M\$)	Dec. 18	Dec. 17	% Var.	2018 - 2017
External revenue	504.692.040	484.300.578	4.2%	20.391.462
Segments revenues	1.172.343	989.298	18.5%	183.045
Operating costs and expenses	(201.813.048)	(192.307.238)	4.9%	(9.505.810)
EBITDA	304.051.335	292.982.638	3.8%	11.068.697
Depreciation and amortization	(74.224.202)	(73.722.846)	0.7%	(501.356)
Income from operations	229.827.133	219.259.792	4.8%	10.567.341
Other earnings (losses)	(825.519)	2.306.663	(135.8%)	(3.132.182)
Financial income*	(47.224.679)	(37.155.732)	27.1%	(10.068.947)
Tax expenses	(45.486.954)	(45.056.455)	1.0%	(430.499)
Net income	133.028.143	135.492.295	(1.8%)	(2.464.152)

*Includes financial revenue, financial costs, exchange differences and incomes by readjustment units.

Net income from this segment showed a decrease of 1.8% over the previous year, mainly due to:

- An increase in external income, mainly associated with higher volumes supplied along with the positive variations in rates recorded over the years 2017 and 2018. Aguas Andinas' last indexation was recorded in the month of September 2018 with a weighted average variation of 2.6%.
- Costs increased by 4.9% due mainly to an increase in raw water purchases of M\$2,721,167, higher electricity cost of M\$885,423 due to higher consumption associated to increased sales volumes, originated by greater volumes of groundwater capture and water elevation, caused by less water availability in the rivers of the Metropolitan Region, higher employee benefit costs of M\$3,243,464 generated by major agreed inflation adjustments along with other benefits obtained in collective bargaining processes. Higher costs were also incurred in facility maintenance of M\$521,772, data processing services and licensing totaling M\$783,791, client management of M\$565,018, fines and operating maintenance costs in ESSAL totaling M\$1,454,103, and other costs associated with the tariff process, real estate taxes and other services. All of the foregoing was partially offset by lower provisions on account of uncollectibles totaling M\$1,990,027, and savings obtained in biosolids management amounting to M\$798,395, network maintenance and repair of M\$529,398 and other general and management services totaling M\$760,009.
- An increase in the cost of Depreciation and amortization, mainly due to new assets incorporated during the fiscal year.

- Other Earnings (losses) include the costs coming from the restructuring of the year 2018 totaling M\$3,152,487, partially offset by major sales of expendable land properties located in various municipalities of the Santiago Metropolitan Region.
- A decrease in financial revenues with respect to the year 2017, mostly as an income of a greater revaluation of UF-indexed debt.
- Higher income tax expenses as compared to those of the previous year, mainly justified by the change in tax rate from 25.5% to 27.0% due to the Tax Reform partially, offset by lower incomes before taxes.

b) Accumulated incomes, non-water segment

Income statement (M\$)	Dec. 18	Dec. 17	% Var.	2018 - 2017
External revenue	25,712,641	25,239,999	1.9%	472,642
Segments' income	4,311,876	4,314,127	(0.1%)	(2,251)
Operating costs and expenses	(24,412,117)	(23,931,810)	2.0%	(480,307)
EBITDA	5,612,400	5,622,316	(0.2%)	(9,916)
Depreciation and amortization	(1,271,095)	(699,021)	81.8%	(572,074)
Income from operations	4,341,305	4,923,295	(11.8%)	(581,990)
Other earnings (losses)	(271,241)	329,304	(182.4%)	(600,545)
Financial income*	(22,222)	159,557	(113.9%)	(181,779)
Tax expenses	(1,019,468)	(1,284,170)	(20.6%)	264,702
Net income	3,028,374	4,127,986	(26.6%)	(1,099,612)

*Includes financial revenue, financial costs, exchange differences and incomes by readjustment units.

The incomes of the Non-Water segment showed a decrease of 26.6% compared to that of the previous year, mainly due to:

- Increased revenues mostly attributable to greater laboratory services by *Análisis Ambientales* and greater activity in *EcoRiles*.
- increased personnel costs coming from agreed inflation indexation along with a greater activity of the company, *Análisis Ambientales*.
- An increase in the cost of depreciation and amortization, mainly due to new assets incorporated during the fiscal year, mainly in the methanization plant of *Aguas del Maipo*.
- The decrease in other earnings is mainly explained in *Gestión y Servicios*, due to a lower recovery of Guarantee Vouchers that had been provisioned for being over 4 years old, in comparison to the same period of the previous year in addition to organizational restructuring costs during 2018 in the companies: *Análisis Ambientales* and *EcoRiles*.

- Lower income tax expense as compared to the previous period, mainly due to lower income before taxes, partially offset by the change of the tax rate from 25.5% to 27.0% due to the Tax Reform.

3. Quarterly incomes

Income statement (M\$)	2018	2017	% Var.	2018 - 2017
External revenue	139,713,278	134,896,633	3.6%	4,816,645
Segments' income	(57,638,366)	(54,638,404)	5.5%	(2,999,962)
Operating costs and expenses	82,074,912	80,258,229	2.3%	1,816,683
EBITDA	(18,601,137)	(19,281,659)	(3.5%)	680,522
Depreciation and amortization	63,473,775	60,976,570	4.1%	2,497,205
Income from operations	(2,690,228)	848,740	<(200%)	(3,538,968)
Other earnings (losses)	(12,826,165)	(9,802,366)	30.8%	(3,023,799)
Financial income*	(12,243,554)	(12,669,172)	(3.4%)	425,618
Tax expenses	34,491,006	38,190,585	(9.7%)	(3,699,579)
Net income				

**Includes financial revenue, financial costs, exchange differences and incomes by readjustment units.*

3.1. Revenue analysis

a) Operating revenue

Ordinary revenues of the fourth quarter of 2018 amounted to M\$139,713,278, an amount M\$4,816,645 (3.6%) higher than that obtained during the same quarter of the previous year. This variation is mostly attributable to greater volumes along with positive tariff variations recorded during the years 2017 and 2018. Aguas Andinas registered an indexation in the month of September 2018 with a weighted average variation of 2.6%.

3.2. Expense analysis

a) Employee Benefits

Employee benefits during the fourth quarter of 2018 amounted to M\$15,580,404, an amount M\$548,545 higher than that obtained in 2017, mainly attributable to inflation indexation agreements.

b) Depreciation and amortization

The depreciations and amortizations during the fourth quarter of 2018 amounted to M\$18,601,137, a figure M\$680,521 lower than that obtained during the same quarter of 2017, mostly attributable to lower software depreciations.

c) Other Expenses

Other expenses during the fourth quarter of 2018 amounted to M\$32,269,959, an amount M\$2,483,950 higher than that obtained in 2017, mostly attributable to activity generated by new services demanded by clients totaling M\$477,284, fines amounting to M\$376,079 mostly in ESSAL, greater insurance expenses totaling M\$362,948, greater provisions for uncollectibles totaling M\$292,670, greater lease expenses amounting to M\$150,488 and greater client management costs of M\$85,089.

3.3. Financial income analysis

a) Other earnings (losses)

As of December 31, 2018 losses were incurred totaling M\$2,690,228, an amount M\$3,538,967 higher than that incurred during the same quarter of 2017, mostly related to guarantee vouchers, organizational restructuring expenses, in addition to lower sales of expendable land properties.

b) Financial income

Losses were incurred during the fourth quarter of 2018 totaling M\$12,826,165, an amount that increased by M\$3,023,799 with respect to that of 2017, due to the greater variation of the UF as compared to that of the same quarter of the year 2017.

c) Income tax expenses

Income tax expenses as of the closing of the fourth quarter of 2018 amounted to M\$12,243,554, an amount that is M\$425,618 lower than those incurred during the same quarter of the previous year. This variation is mostly explained by lower income before taxes of M\$4,065,562, partially offset by the change in the tax rate from 25.5% to 27.0% as per the Tax Reform.

d) Earnings

Net earnings during the fourth quarter of 2018 amounted to M\$34,491,066, an amount that is M\$3,699,579 (9.7%) lower than that obtained in 2017.

4. Balance sheet

	Dec. 18 M\$	Dec. 17 M\$	% Var.
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Assets			
Current Assets	168,513,972	150,618,761	11.9%
Non-Current Assets	1,737,538,127	1,646,261,375	5.5%
Total Assets	1,906,052,099	1,796,880,136	6.1%
Assets and Equity			
Current Liabilities	242,318,524	237,111,903	2.2%
Non-Current Liabilities	976,742,178	866,468,756	12.7%
			10.5%
Total Liabilities	1,219,060,702	1,103,580,659	
Shareholders' Equity	638,620,655	642,630,776	(0.6%)
Minority Interest	48,370,742	50,668,701	(4.5%)
Total Shareholders' Equity	686,991,397	693,299,477	(0.9%)
Total Liabilities and Shareholders' Equity	1,906,052,099	1,796,880,136	6.1%

4.1. Asset Analysis

Aguas Andinas' total consolidated assets as of December 31, 2018 increased by 6.1% with respect to those of December 31, 2017, from M\$1,796,880.136 to M\$1,906,052,099.

Current assets increased by M\$17,895,211, mainly due to the increase of cash and cash equivalents for M\$21,172,134 together with greater commercial debtors and other accounts receivable totaling M\$3,305,272 explained by an increase in regulated sales. The foregoing was partially offset by lower tax rebates totaling M\$4,842,697.

Non-current assets increased by M\$91,276,752 mostly explained by deferred taxes of M\$3,298,968 along with greater property, plant and equipment totaling M\$88,329,315, associated to the investments materialized during the fiscal year. The main investment works are shown in the following table:

Investments (M\$)	Dec. 2018
<i>Pirque</i> tank construction	35,232,838
Renewal of drinking water networks	12,906,542
Renewal of wastewater networks	11,386,354
Treatment of nitrates <i>Biofactorías La Farfana-Trebal</i>	9,909,462
Asset replenishment <i>Biofactorías La Farfana-Trebal</i>	7,610,820
Replenishment of uptakes and meters.	4,866,670

4.2. Liabilities and equity analysis

Current liabilities (demand deposits) as of December 2018 increased by M\$115,480,043 with respect to December 2017.

Current liabilities increased by M\$5,206,621. This variation was mostly attributable to greater accounts payable associated to investment providers, partially offset with the payment of the J series bond.

Non-current liabilities increased by M\$110,273,422 (12.7%). This variation corresponds principally to an increase in bond debt for M\$101,269,050 associated to the following issues:

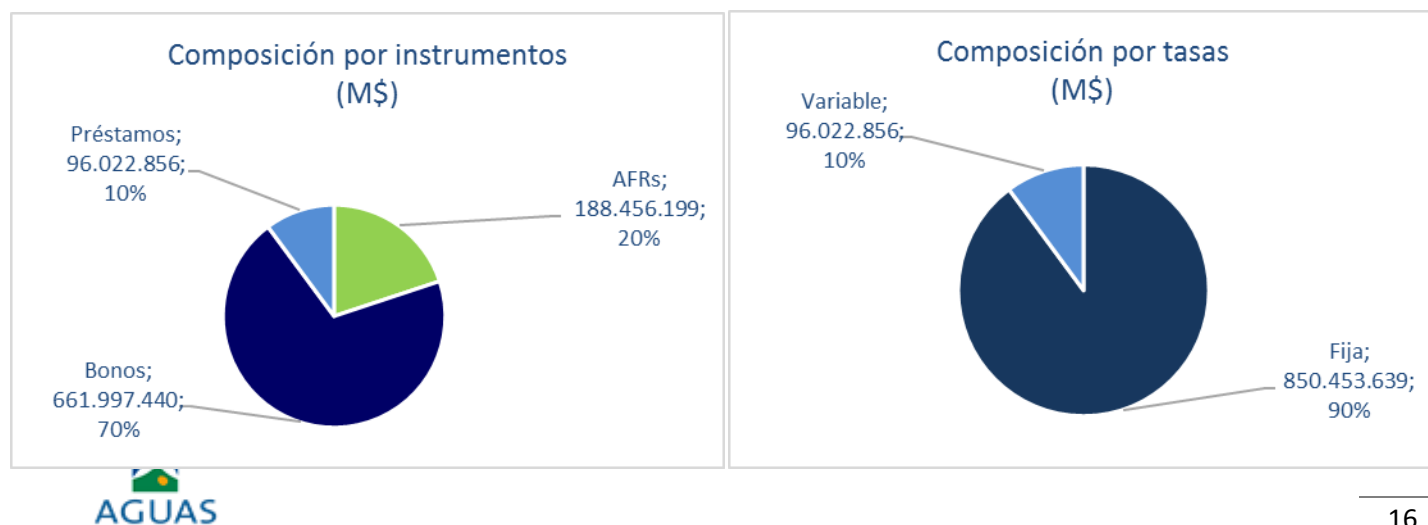
- “Green and Social Bond” AC series for UF 1.5 million, structured to a 7-year term at the rate of 1.8%.
- Series AD Bond for UF 2.0 million, structured to a 25-year term at a rate of 2.83%.

Total equity dropped by M\$6,308,080 and the net equity attributable to the property owners of the controllers dropped by M\$4,010,121, essentially explained by income lower than that of 2017.

The maturity profile of the financial debt as of December 31, 2018 is the following:

Financial debt M\$	Currency	Total	12-month	1 to 3 years	3 to 5 years	over 5 years
AFRs	\$	188,456,199	15,614,344	25,274,431	49,108,426	98,458,998
Bonds	\$	661,997,440	15,037,330	25,124,933	37,130,126	584,705,051
Loans	\$	96,022,856	3,503,647	41,544,976	37,699,562	13,274,671
Totals		946,476,495	66,312,217	85,636,748	123,694,511	696,975,290

4.3. Structure of financial liabilities



5. Cash Flow statement

Cash flow statements (M\$)	Dec. 18	Dec. 17	% Var.
Operating activities	245,501,004	213,469,168	15.0%
Investment activities	(135,451,049)	(113,828,958)	19.0%
Financing activities	(88,877,821)	(145,708,313)	(39.0%)
Period's net cash flow	21,172,134	(46,068,103)	(146.0%)
Final cash balance	39,980,474	18,808,340	112.6%

The cash flow coming from operating activities increased by M\$32,031,836, when comparing that of December 2018 with that of December 2017.

The main variations were the following:

- Increased collections from the sales of goods and delivery of services totaling M\$34,109,712, mainly due to a higher volume of sales, along with the tariff indexation registered in the years 2017 and 2018.
- Diminished other payments on account of operating activities of M\$3,277,536, attributable to a greater value added tax credit.
- Diminished payments from premiums and services provided, annuities and other obligations derived from the policies subscribed amounting to M\$2,525,600, associated to the payment of the 18-month fire insurance premium.
- Diminished taxes paid on earnings totaling M\$5,599,642, this variation is mostly explained by the tax rate change from 25.5% to 27.0% introduced by the Tax Reform.

These variations were partially offset by the following items:

- Increased employee benefit payments totaling M\$8,636,965, mostly attributable to inflation indexing agreed in the collective bargaining agreements completed in the year 2018, which is to remain in effect for the next 3 years.
- Increased interest paid amounting to M\$3,239,108, mostly related to bank loans.

- Increased payments to suppliers totaling M\$1,017,790, mostly associated to sanitary infrastructure transportation suppliers and leases.

Disbursements for investment activities increased by M\$21,622,091, associated to the investments materialized during the period.

Financing activities generated a net cash flow (decrease) of M\$56,830,492, mostly owing to a higher level of indebtedness on account of the issuance of series AD bonds for UF 2.0 million and series AC “Green and Social Bonds” for UF 1.5 million.

6. Financial ratios

		Dec. 18	Dec. 17
Liquidity			
Current liquidity	times	0.70	0.64
Acid Test Ratio	times	0.15	0.08
Leverage			
Total Leverage	times	1.77	1.59
Current Leverage	times	0.20	0.21
Non-Current Leverage	times	0.80	0.79
Annualized Financial Expenses Coverage	times	7.19	7.10
Profitability			
Annualized equity profitability attributable to the controller's property owners	%	21.24	21.87
Annualized asset profitability	%	7.35	7.82
Annualized earnings per Share	\$	22.24	22.82
Dividend yield (*)	%	5.89	5.43

Current Liquidity: *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.*

Non-current Leverage: *Non-current Liabilities / Current Liabilities.*

Interest Rate Expense Coverage: *Income before Annualized Taxes and Interest / Annualized Financial Costs.*

Equity Profitability: *Annualized Period's Income / Average Equity Total of the Annualized Fiscal Year.*

Asset profitability: *Annualized Period's Income / Average Asset Total of the Annualized Fiscal Year.*

Earnings per Share: *Annualized Period's Income / Number of subscribed and Paid Shares.*

Dividend Yield: *Dividends Paid per Share / Share Price*

() The share price as of December 2018 was \$381.72, whereas that of December 2017 was \$407.40.*

Current liquidity as of December 2018 increased by 9.4%, as a result of increased current assets totaling M\$17,895,211, resulting from increased cash and cash equivalent, along with greater commercial debtors and other accounts receivable, mostly explained by increased regulated sales, partly offset by lower taxes recoverable (rebates). The foregoing was partly offset by increased current liabilities totaling M\$5,206,621, because of greater accounts payable associated to investment suppliers, partly offset by the payment of the J series bond.

Total leverage increased by 11.5% as a result of increased current liabilities totaling M\$115,480,043, mostly explained by increased bond debt associated to the issuance of the AC series for UF 1.5 million and the AD series for UF 2.0 million. Additionally, total equity dropped by M\$6,308,080, mostly attributable to lower income as compared to that of the year 2017.

The return on equity attributable to the property owners of the controller dropped by 2.9%, because of the drop in the year's income by M\$3,563,763.

7. Other background information

7.1. Tariffs

The most important factor that determines the earnings of our operations and financial condition is the tariffs that are established for our regulated sales and services. As a water utility company we are regulated by the S.I.S.S. and our tariffs are established in accordance with the D.F.L. Sanitation Services Fee Act. N°70 of 1988.

Our tariff levels are reviewed every 5 years and, during this period they are subjected to additional readjustments associated to an indexation polynomial, which is applied when the cumulative variation since the previous adjustment is 3.0% or higher, based on various inflation index estimates. Specifically, inflation adjustments are applied according to a formula that includes the Consumer Price Index (IPC, in its Spanish acronym), the Imported Goods Price Index of the Manufacturing Sector and the Manufacture Producers Price Index, all of which are measured by Chile's National Institute of Statistics. The latest indexations made by each company in the group were applied on the following dates:

Aguas Andinas S.A.:

Group 1	July 2017 and September 2018
Group 2	July 2017 and September 2018
Rinconada de Maipú	January 2017, September 2017 y January 2018

Aguas Cordillera S.A.: January 2017, June 2018 and November 2018

Aguas Manquehue S.A.:

Santa María	February 2018 and November 2018
Chicureo	June 2017 and August 2018
Chamisero	May 2018 and November 2018
Los Trapenses	February 2018 and November 2018
Valle Grande 3	January 2017, September 2017 and January 2018

Essal S.A.:

Group 1	October 2015 and July 2018
Group 2	October 2015 and July 2018
Group 3	October 2015 and July 2018
Chinquihue	May 2017 and July 2018
Los Alerces	October 2015 and July 2018

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

The tariffs in force for **Aguas Andinas S.A.**, for the period 2015-2020 were approved by Decree No. 83 dated June 5, 2015, of the Ministry of Economy, Development and Reconstruction and entered

into force on March 1, 2015 (published in the Official Gazette of September 3, 2015). **Aguas Cordillera S.A.**'s current tariffs for the same five-year period 2015-2020 were approved by Decree No. 152 dated October 19, 2015, and entered into force on June 30, 2015 (published in the Official Gazette of November 25, 2015) and **Aguas Manquehue S.A.**'s current tariffs for 2015-2020 were approved by Decree No. 139 dated September 16, 2015, and entered into force on May 19, 2015 (published in the Official Gazette of November 25, 2015).

On the other hand, the tariffs in force for the subsidiary **Essel** for the period 2016-2021 were approved by Decree No. 143 dated August 25, 2016, published in the Official Gazette of January 21, 2017.

7.2. Market risk

Our company has a favorable situation in terms of risk, which is mainly due to the particular characteristics of the water utility sector. Our business is seasonal and operating earnings may vary from half to half. 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 the warmer months than in the milder ones, mainly due to the additional water needs generated by irrigation systems and other external water uses.

Adverse climatic conditions can eventually affect the optimal delivery of water utility services, because the processes of collection and production of potable water depend to a large extent on the weather conditions in the river basins. Factors such as meteorological precipitation (snow, hail, rain, and fog), temperature, humidity, sediment carry-over, river flows and turbidity determine not only the volume, quality and continuity of raw water available in each intake, but also the possibility that it can be properly treated in potable water treatment plants.

In the event of a drought, we have important water reserves that we maintain in 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 adverse weather conditions could generate for our operations. In the current period, the drought that has existed since 2010 persists, which means applying contingency plans such as the purchase of raw water, intensive use of wells, leasing and purchase of water rights, among others. All this in order to reduce the impact of the drought and provide our services normally, both in terms of quality and continuity.

7.3. Market analysis

The Company does not have any variation in the market in which it participates due to the nature of its services and the legal regulations in force, which mean that it has no competition in its area of concession.

Aguas Andinas S.A. has 100% coverage in potable water, 98.8% in sewerage services and 100% in wastewater treatment in the Santiago basin.

Aguas Cordillera S.A. has 100% coverage in potable water, 98.9% in sewerage services and 100% in wastewater treatment.

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

Essal S.A. has 100% coverage in potable water, 96.2% in the sewerage service in the X Region and 93.3% in the XIV Region; and 100% in wastewater treatment.

7.4. Capital investments

One of the variables that most affects the earnings of our operations and our financial position is Capital Investments. These investments are of two kinds:

Committed Investments. We are required to agree to an investment plan with the S.I.S.S., which describes the investments we are required to undertake during the 15 years following the date on which the investment plan enters in force. Specifically, the investment plan reflects a commitment on our side 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 amendments may be requested when certain relevant facts are verified:

Aguas Andinas S.A.

Greater Santiago: December 23, 2015

Locations: December 31, 2014, January 12m 2015, November 17, 2015, December 12, 2016 and April 6, 2018.

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: December 6, 2018.

Essal S.A.

Locations in the X and XIV Regions: June 1, 2016, June 14, 2016, August 12, 2016 and January 16, 2017.

Uncommitted Investments. Uncommitted Investments are those that are not covered by the investment plan and that we undertake voluntarily in order to ensure the quality of our services and replace obsolete assets. These are generally related to the replacement of network infrastructure and other assets, the acquisition of water rights and investments in non-regulated businesses, among others.

In accordance with international financial reporting standards in force in Chile, in particular IAS 23, interest on capital investments in work in progress is capitalized. IAS 23 establishes that when a company acquires debt to finance investments, the interest on that debt must be deducted from the interest expense and included in the construction work financed, 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. Consequently, the financial costs associated with our capital investment plan affect the amount of interest expense recorded in the income statements, and these financial costs are recorded together with the work in progress under "property, plant and equipment" in our financial position statement.

7.5. Financial aspects

a) Currency risks

Our revenue is largely linked to the evolution of the local currency. As a result, our debt is mainly issued in the same currency and, therefore, we do not have significant foreign currency risks.

b) Interest rate risks

As of December 31, 2018, the interest rate risk held by Aguas Andinas S.A. was 89.8% at a fixed rate and 10.2% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issuing (77.8%) and reimbursable financial contributions (22.2%), while variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2017, the interest rate risk that used to be held by Aguas Andinas S.A. was 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 issuing (76.1%) and repayable financial contributions (23.9%), while variable-rate debt corresponds to loans with domestic banks.

The company maintains a policy monitoring and management of interest rates, which in order to optimize financing costs, it continuously evaluates the hedging instruments available in the financial market.

All this favorable situation has meant that the risk rating agencies ranked us with an AA+ risk rating for our long-term debt. In the case of the shares: Fitch and ICR ranked us with a first-class level 1 rating for our A share series and a first-class rating level 4 for our B share series.
