



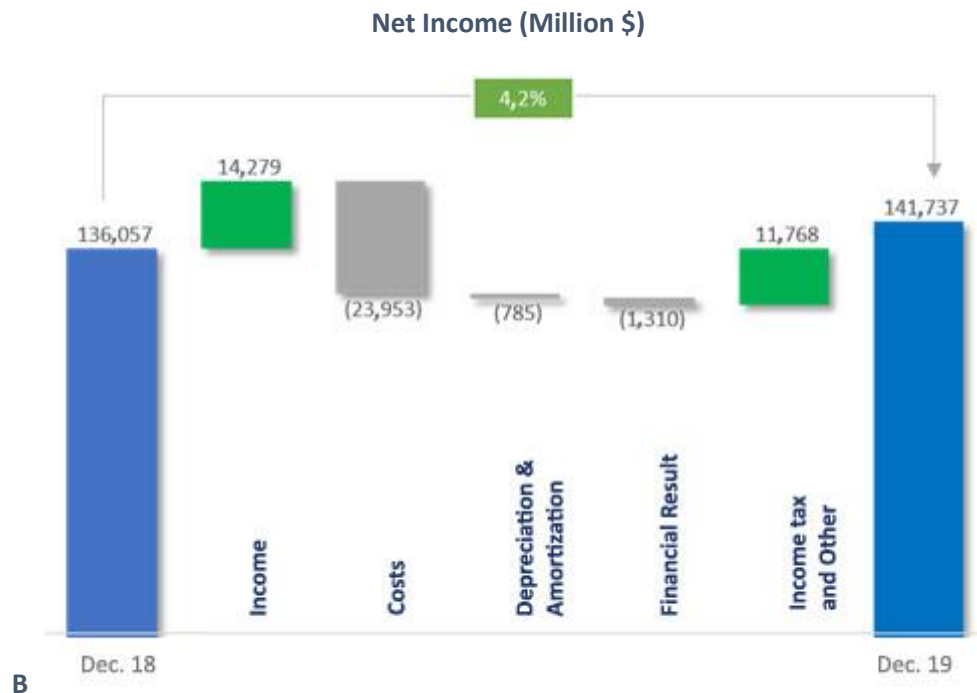
Aguas Andinas' Earnings Release

Year ended 31 December 2019



1. Summary of the fiscal year

- Net income as of December 31, 2019 amounted to \$141,737 million, representing a 4.2% increase over the previous year. The main variations for the year are shown in the following chart:



- The Company obtained an EBITDA of \$299,990 million at the end of the fiscal year 2019. Revenues increased by 2.7% reaching \$544,684 million, higher by \$14,279 million, mainly associated with the growth of the regulated business. Additionally, an active management of containment and cost reduction was carried out that allowed to partially compensate the higher direct costs generated by the Osorno event and severe drought.
- ESSAL's outage in Osorno.** The total cost recognized by ESSAL as of December 31, 2019 was \$10,864 million, mainly associated with operating expenses to restore the drinking water supply, compensations to affected customers and other costs derived from the contingency. It should be noted that possible insurance refunds related to these expenses are being assessed.
- Severe Drought.** Due to the fact that the region is going through the greatest drought of the last century and the one that has already lasted for more than a decade, the Company has recorded higher reflected costs in water and electricity purchases associated with increased groundwater collection, for a total of \$4,597 million.

In this scenario of extreme drought, and taking into account that 2019 was the driest of the last 50 years, Aguas Andinas together with the Maipo River Surveillance Board requested to declare the Maipo River basin a water shortage zone. In the same way, Aguas Cordillera asked the Metropolitan Intendancy to decree a water scarcity area in the communes through which the Mapocho River flows in its First Section.

- 💧 At the non-operating level, there was a higher profit on sale of the Company's expendable assets, partially offset by higher bank interest expenses and interest on bonds associated with the higher volume of debt obtained to finance the investment plan together with an increase in the revaluation of debt in *Unidades de Fomento* (UF).
- 💧 **Results VII Tariff Process.** The tariff processes for the five-year period 2020-2025 for Aguas Andinas, Aguas Cordillera and Aguas Manquehue have been completed, representing 70%, 10% and 3% of consolidated revenues, respectively. In the case of Aguas Andinas, a reduction in the tariff for drinking water and wastewater treatment of -3% was determined. Within this new tariff framework, the execution of various investments that will progressively increase the autonomy of the capital before episodes of extreme turbidity up to 48 hours, and new fundamental works to address the drought and climate change, such as the **Pirque Tanks** and Works to remove nutrients in the La Farfana Biofactory, projects that are expected to be operational in the first quarter of 2020. These investment projects will generate a tariff increase of 1.6% and 0.5% respectively.
- 💧 **Important investment effort.** As of December 31, 2019, the Company has executed investments of \$135,071 million, highlighting that the construction of the Pirque tanks is practically finished, for a total of 1.5 million cubic meters, which will allow to increase the resilience capacity of Santiago from 11 to 34 continuous hours.

Operating Income

- 💧 Regulated revenues were higher by \$9,116 million (a 1.9% increase) mainly due to tariff indexation recorded over the course of 2018 and 2019, the last one in July 2019 (ESSAL) and for Aguas Andinas in September 2018, together with a customer growth of 2.2%.
- 💧 Non-regulated income increased by \$5,163 million at year-end 2019 (10.2% increase). This variation was mainly explained by higher income in non-sanitary subsidiaries, agreements with developers, technical advice for the rural drinking water segment and increased activity in home services.
- 💧 The main variations in operating costs are as follows:
 - 📄 *ESSAL Company water outage event in the city of Osorno:* The total impact as of December 31, 2019 was \$10,864 million, mainly associated with operating expenses to restore the drinking water supply, compensation to affected customers and other costs derived from the contingency.
 - 📄 *Costs associated with the drought:* due to the extreme drought affecting the central area of the country, increases in expenses have been recorded mainly in the following lines:
 - *Purchase of raw water:* it has been necessary to purchase more raw water to increase the security of supply for our customers due to the low flow in the Maipo River basin. This implied a higher cost of \$3.276 million.
 - *Electrical power:* there was a net cost increase of \$1,321 million, associated with higher groundwater collection, which is partially offset by the improvement in the average price for the entry into force of supply contracts for free customers for 52 Company facilities.

📁 *Efficiency Improvement Projects:* the development of process improvement and digital transformation projects has continued, which have made it possible to contain and reduce certain cost items such as the following:

- *Biosolids Management:* a saving of \$279 million was obtained from the beneficial use of sludge as a fertilizer and soil improver.
- *Other projects:* improvements in customer management, general and administration services costs of \$446 million.

📁 *Personnel costs:* at the consolidated level, there was an increase of 1.0%, equivalent to \$618 million, a percentage lower than the annual inflation for the year, mainly associated with the reorganization and retirement plans carried out in the Company.

📁 *Raw materials and consumables:* There is a higher cost of materials of \$1,488 million, mainly associated with the higher cost of sales of materials of the subsidiary Gestión y Servicios, and in chemical inputs, due to the higher consumption in operation of plants of the subsidiary EcoRiles.

📁 Finally, higher costs have been recognized for maintenance of drinking water and wastewater networks, maintenance of facilities and equipment, fines and higher sales costs associated with home services.

Non-Operating Income

- 💧 The financial result presented a net expense of \$48,556 million, higher by \$1,310 million with respect to the previous year, as a consequence of higher interest associated with a higher level of indebtedness to finance the company's investment plan together with a higher appreciation of the debt in UF.
- 💧 The line other profit/loss recorded a better performance of \$15,357 million compared to that obtained in 2018, mainly due to higher sales of expendable land located in the Metropolitan Region.

Investments

💧 As of December 31, 2019, investments of \$135,071 million were executed. The main projects developed were:

- 🔧 Construction of Pirque Tanks
- 🔧 Renewal of Wastewater and Drinking Water networks
- 🔧 Asset Replacement at La Farfana and Mapocho-Trebal Biofactories
- 🔧 Nitrate Treatment at La Farfana and Mapocho-Trebal Biofactories
- 🔧 Connections and meters
- 🔧 Mapocho-Trebal Biofactory Cogeneration

💧 *Progress in relevant investment projects* - The construction of Pirque tanks is almost finished, a project that will increase the autonomy of the capital city from 11 to 34 hours of drinking water, to cope with the effects of climate change, and thereby minimize the drinking water cuts caused by increased levels of turbidity caused by rainfall in the high mountain range.

OTHER HIGHLIGHTS

 **Result Tariff Process 2020-2025** – On 14 November 2019, the result of the tariff setting for the five-year period 2020-2025 was communicated, in the framework of the seventh tariff process of Aguas Andinas. Within this new tariff framework, it is worth highlighting the execution of different investments that will progressively increase the autonomy of the capital before episodes of extreme turbidity up to 48 hours, and new fundamental works to address the drought and climate change.

In accordance with current legislation, tariffs are determined based on a "model company", which operates efficiently in the geographical area of service provision and is self-financing. In this sense, the base indicator for determining the Company's tariffs is the Total Net Long-Term Cost (CTLPN, for its acronym in Spanish), which corresponds to the constant annual value required to cover the costs of efficient operation and those of investment of an optimized replacement project of the concessionary, dimensioned to satisfy the demand, which is consistent with a net present value of said project equal to zero, in a horizon of no less than 35 years.

As a result of the aforementioned, the agreed tariff level as of December 31, 2018 (reference date established in the Tariff Bases set by the Superintendency of Sanitary Services (SISS, for its acronym in Spanish), amounts to a CTLPN of \$397,058 million, which represents a downward variation of -3% compared to the tariffs agreed for the five-year period 2010-2015 for the services and standards in force.

Also, additional works in construction are contemplated, which will apply with the entry into operation of the works, among them the Pirque tanks, for a total of 1.5 million cubic liters, which will increase the capacity of resilience of Santiago from 11 to 34 continuous hours, and investments in works of nutrient removal in La Farfana and Trebal Biofactories, aimed at improving the quality of treated wastewater and its disposal.

Additionally, works to face extreme turbidity events for up to 48 hours are considered, as well as Aguas Andinas has committed new fundamental works to address the drought and climate change, which will be incorporated in the updated Development Plan of the Company, prior approval of the SISS, highlighting the following:

- (i) Works to reuse 3 m3/s of wastewater
- (ii) Expansion by 1 m3/s of the La Florida Drinking Water Production Plant
- (iii) Probing in the central aquifer for 1.8 m3/s
- (iv) Investments for reduction of losses in the network and re-purification of wastewater

It should be noted that it is not possible to determine exactly the magnitude of the impact on results that the new tariffs will have on the financial statements of our subsidiary Aguas Andinas S.A., given that this tariff regime is only one of many elements that contribute to determine the results of each year, counting also factors such as the consumption of drinking water, costs, expenses, the applicable indexation polynomial, among others.

Finally, on 15 January 2020, the result of the tariff process for the companies Aguas Cordillera and Aguas Manquehue was announced, which considers a decrease of -1.5% compared to the tariffs agreed for the previous five-year period. Likewise, the agreement included works to ensure the quality and continuity of the service in the context of climate change and water scarcity, in order to extend the companies' times of operational autonomy.

- On April 11, 2019, the Company successfully placed the **second Green and Social Bond** issued in the local market. Aguas Andinas, a pioneer company in issuing green and social bonds, will use these funds to finance investment projects that have a positive impact on the country's environmental and social area. The characteristic of the bond was the following:

 Green and Social Bond, AE series for UF 2.0 million, structured for a 25-year term with a coupon rate of 2.5%.

The spread achieved by the Green and Social Bond was the lowest in recent years for an equivalent term issue and demand exceeded the amount offered to the market by 2.7 times.

- New General Manager** – On April 17, 2019, Narciso Berberana Sáenz presented his resignation to the Company's Board of Directors. On the same occasion, the Board of Directors appointed **Marta Colet Gonzalo as the new General Manager**, who took office as of this date.
- Renewal of the Board of Directors** – At the Ordinary Shareholders' Meeting held on April 23, 2019, matters proper to this meeting were discussed, among them the renewal of the Board of Directors, with the following persons being elected:

Regular Directors

1. Guillermo Pickering de la Fuente
2. Loreto Silva Rojas
3. Giorgianna Cuneo Queirolo
4. Claudio Muñoz Zúñiga
5. Narciso Berberana Sáenz
6. Rodrigo Manubens Moltedo
7. Luis Mayol Bouchon

Alternate Directors

Jorge Manent Codina
Sonia Tschorne Berestesky
Tomás Uauy Cuneo
Cosme Sagnier Guimón
Fernando Samaniego Sangroniz
Gonzalo Rojas Vildósola
Mauricio Rojas Mullor

The Company's Board of Directors, in a meeting held on the same day, unanimously agreed to appoint Guillermo Pickering de la Fuente as Chairman of the Board. Likewise, it was agreed that the Directors' Committee will be formed by Rodrigo Manubens Moltedo, Luis Mayol Bouchon and Narciso Berberana Sáenz.

- New President of Aguas Andinas Board of Directors:** On August 6, 2019, Mr. Guillermo Pickering de La Fuente presented his resignation as President and Director of the Company, effective as of this date. On August 8, the Board of Directors agreed to elect Mr. **Claudio Muñoz Zúñiga** as the new president.
- Sale of ESSAL stake** – At the Ordinary Meeting of Shareholders held on 22 January 2020, it was agreed to initiate an open and competitive process for the sale of the 53.5% stake that Aguas Andinas directly and indirectly holds in ESSAL S.A. With this, the Company aims to focus its business activity on its current strategic priorities.

ESSAL

- On July 11, 2019, the subsidiary ESSAL S.A. had to interrupt the supply of the service in the city of Osorno, affecting 50 thousand customers, due to the presence of hydrocarbons in the productive systems of drinking water. The Company carried out repairs in the processing plant, starting the restoration of service progressively from July 17th, normalizing the supply for all customers in Osorno on July 21st.

As a result of this operational contingency, the Superintendency of Sanitary Services announced the investigation of the facts and establishment of responsibilities, in order to determine the corresponding sanctions or fines according to the regulations in force.

The known economic impacts as of December 31, 2019, arising from the Osorno event, amount to \$10,864 million:

• Compensation Law No. 19,496-Sernac	\$2,914 million
• Compensation to customers	\$3,605 million
• Extraordinary operating expenses	\$ 967 million
• Other direct costs	\$3,378 million

Finally, it should be noted that there are committed insurances that have been activated with the respective insurance companies, whose scope of coverage is in the process of analysis and evaluation.

- New General Manager of ESSAL** – On July 30, 2019, Gustavo Gomez Jimenez presented his resignation to the Company's Board of Directors. In view of this, the Board of Directors agreed to appoint **José Sáez Alborno** as the new General Manager, who assumed his duties as of this date.

- Renewal of the Board of Directors** – At the Extraordinary Shareholders' Meeting held on September 9, 2019, the Board of Directors was renewed with the following persons being elected:

Regular Directors	Alternate Directors
1. Gustavo Alcalde Lemarie	Víctor de la Barra Fuenzalida
2. Joaquín Brahm Barril	Mauricio Fehrmann Miranda
3. Katia Trusich Ortíz	Juan Pablo Díaz de Valdés
4. Camilo Larraín Sánchez	Iván Yarur Sairafi
5. Domingo Cruzat Amunátegui	María Gracia Cariola Cubillos
6. Eduardo Novoa Castellón	Nicole Porcile Yanine
7. Andrés Fernández Fernández	Eduardo Abuauad Abujatum

The Company's Board of Directors, in a meeting held on the same day, unanimously agreed to appoint Gustavo Alcalde Lemarie as President of the Board and of the Company and Camilo Larraín Sánchez as Vice President.

2. Earnings for the fiscal year

2.1. Accumulated earnings

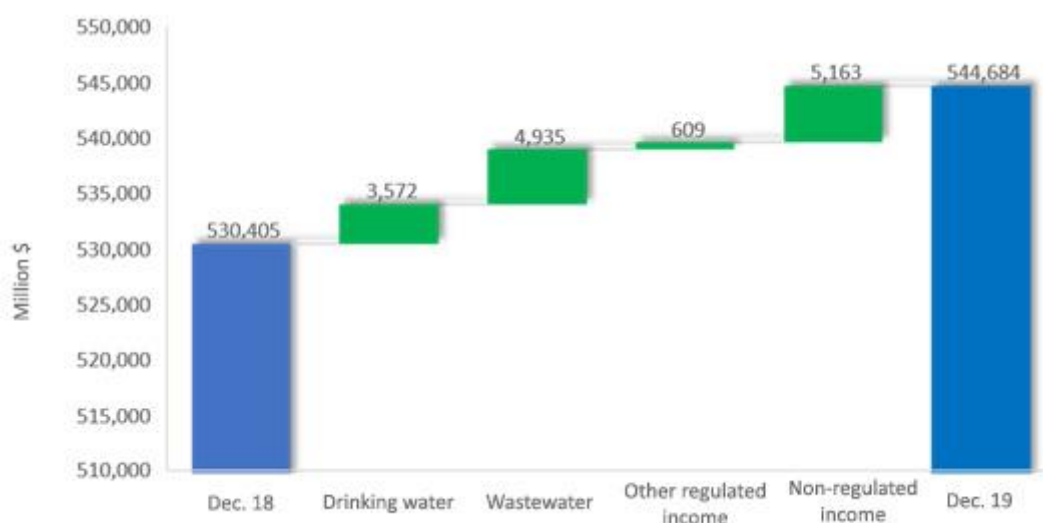
3. Income Statement (Th \$)	Dec. 19	Dec. 18	% Var.	2019 / 2018
Ordinary revenues	544,683,867	530,404,680	2.7%	14,279,187
Operating costs and expenses	(244,693,933)	(220,740,945)	10.9%	(23,952,988)
EBITDA	299,989,934	309,663,735	(3.1%)	(9,673,801)
Depreciation and amortization	(76,252,365)	(75,467,585)	1.0%	(784,780)
Operating income	223,737,569	234,196,150	(4.5%)	(10,458,581)
Other earnings	14,232,177	(1,124,474)	<(200%)	15,356,651
Financial result*	(48,556,427)	(47,246,899)	2.8%	(1,309,528)
Tax expense	(49,662,947)	(46,506,422)	6.8%	(3,156,525)
Net earnings	141,737,188	136,056,517	4.2%	5,680,671

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

2.2. Revenue analysis

The variation in revenues with respect to the fiscal year 2018 is presented in the following graph:

	Dec. 19		Dec. 18	
	Sales		Sales	
	Th \$	Participation	Th \$	Participation
Drinking water	212,038,943	38.9%	208,467,089	39.3%
Wastewater	259,018,728	47.5%	254,083,790	47.9%
Other regulated income	17,739,192	3.3%	17,130,203	3.2%
Non-regulated income	55,887,004	10.3%	50,723,598	9.6%
Total	544,683,867	100.0%	530,404,680	100.0%



Sales Volume (thousands of m3 invoiced)	Dec. 19	Dec. 18	% Var.	Difference
Drinking water	597,583	597,648	0.0%	(65)
Wastewater collection	572,081	573,323	(0.2%)	(1,242)
Wastewater treatment and disposal	498,101	499,221	(0.2%)	(1,120)
Interconnections*	128,500	128,054	0.3%	446
Customers	Dec. 19	Dec. 18	% Var.	Difference
Agua potable	2,366,009	2,316,107	2.2%	49,902
Wastewater collection	2,312,808	2,263,039	2.2%	49,769

* Interconnections include the Treatment and Disposal of Wastewater from other Water Utility Companies

Regulated Businesses

a) Drinking water

Drinking water income at the end of the fiscal year 2019 reached Th\$212,038,943, showing an increase of 1.7% compared to 2018. The increase of Th\$3,571,854 was mainly due to tariff indexation during 2018 and 2019, the last one being in July 2019 for the company Essal.

b) Wastewater

Wastewater income at the end of the fiscal year 2019 reached Th\$259,018,728, which represented an increase of Th\$4,934,938 compared to the previous year, as a result of tariff indexation during the course of 2018 and 2019. The last indexation was recorded in July 2019 (Essal).

c) Other regulated income

This line item presented an increase of Th\$608,989, mainly explained by the variation in the provision for unbilled consumption together with fixed charge income associated with a 2.2% growth in customers.

Unregulated Income

a) Sanitary services

An increase of Th\$2,353,285 mainly due to greater agreements with developers, increased technical advice on rural drinking water and increased activity in home services, partially offset by lower activity in sanitary infrastructure modifications.

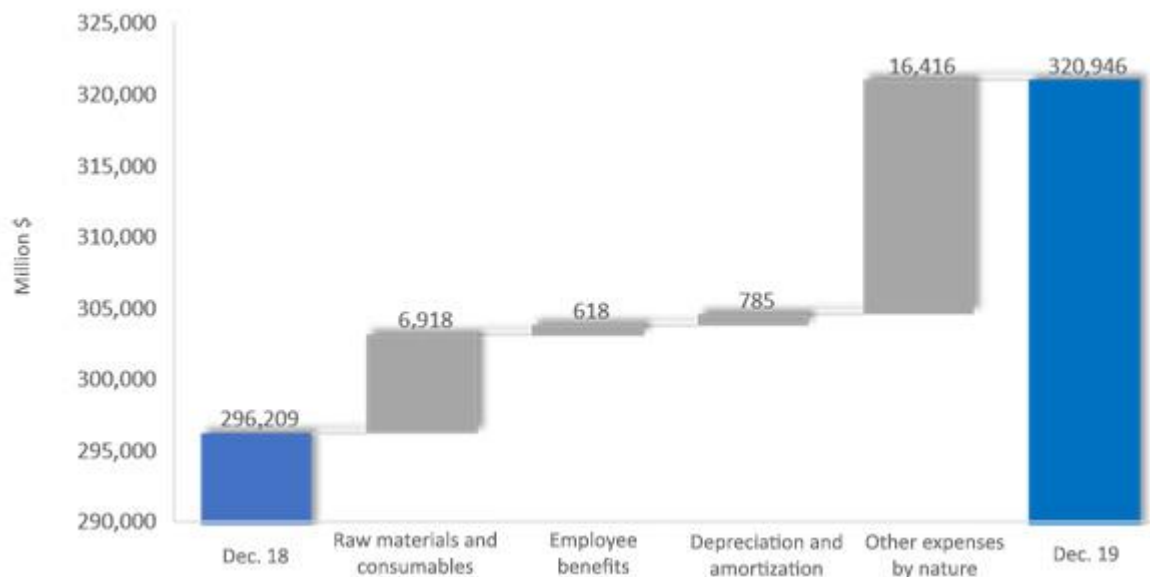
b) Non-sanitary services

An increase of Th\$2,810,121 was mainly explained by higher sales of materials in Gestión y Servicios together with higher plant operation income in EcoRiles.

(Thousands de \$)	Dec. 19	Dec. 18	% Var.
EcoRiles S.A.	14,394,635	13,211,404	9,0%
Gestión y Servicios S.A.	8,359,396	6,720,684	24,4%
Anam S.A.	4,614,670	4,636,479	(0,5%)
Aguas del Maipo S.A.	1,071,511	1,061,523	0,9%
Non-regulated non-sanitary products	28,440,212	25,630,090	11,0%

2.3. Expense analysis

The variation in expenses with respect to the previous year is shown in the following graph:



a) Raw materials and consumables

As of December 31, 2019, the costs of raw materials and consumables reached Th\$ 46,147,628, Th\$ 6,918,396 higher than in the previous year. The increase in these costs was mainly due to higher cost of sales of materials by the subsidiary Gestión y Servicios of Th\$1,488,464, higher use of chemical inputs of Th\$470,016 mainly due to higher consumption in operation of plants of the subsidiary EcoRiles and purchase of raw water of Th\$3,276,362, to increase the security of supply of our customers due to the low flow in the Maipo river basin. Finally, a higher cost of electric power of Th\$1,320,944, associated with a higher collection of groundwater, which is partially offset by an improvement in the average price due to the entry into force of supply contracts for free customers for 52 of the Company's facilities.

b) Employee benefits

At the end of fiscal year 2019, employee benefit expenses reached Th\$ 59,771,461, which was Th\$ 618,074 (1.0%) higher than in the previous year. This increase was below the annual CPI, mainly associated with reorganization and retirement plans carried out by the Company.

c) Depreciation and amortization

As of December 31, 2019, depreciation and amortization amounted to Th\$ 76,252,365, Th\$ 784,780 higher than in the previous year. This was the result of depreciation associated with new assets added during the year.

d) Other expenses by nature

At the end of fiscal year 2019, these expenses amounted to Th\$138,774,844, which was Th\$16,416,518 higher mainly due to

- Efficiency and process improvement projects have been carried out which have resulted in lower costs mainly in biosolids management for Th\$279,211 and customer management, other general and administration services for Th\$445,720.
- Higher costs have been recognized in maintenance of drinking water and wastewater networks for Th\$1,957,325, maintenance of equipment and facilities for Th\$1,710,526, associated cost of sale of new home services for Th\$485,606 and fines for Th\$714,581.
- ESSAL: as a result of the water outage event in the city of Osorno, the company has incurred operating costs to restore the supply of drinking water, along with compensation to customers who were affected and other costs arising from the contingency. This has generated a higher cost of Th\$10,864,412. It should be noted that possible insurance refunds related to these expenses have not been considered.

2.4. Analysis of Financial revenues and others

a) Other earnings (losses)

As of December 31, 2019, higher profits of Th\$ 15,356,651 were obtained than in 2018, mainly associated with higher sales of expendable land located in the Metropolitan Region.

b) Financial income

At the end of fiscal year 2019, financial income of Th\$ 5,767,246 was obtained, which is Th\$ 88,934 less than that obtained in 2018, mainly explained by lower interest on customer debt, which is partially offset by the gain from inflation insurance equivalent to Th\$ 875,144.

c) Financial costs

As of December 31, 2019, financial costs reached Th\$ 30,313,017, which represented an increase of Th\$ 316,232 over those obtained in 2018. This was explained by higher bank interest and interest on bonds as a result of the higher volume of debt obtained to finance the company's investment plan, partially offset by higher financial activation.

d) Results per readjustment unit

At the end of fiscal year 2019, readjustment unit charges were Th\$23,529,104 resulting in higher expenses of Th\$506,368 compared to 2018, mainly explained by a higher level of indebtedness, which is partially offset by a lower revaluation of debt due to lower variation in the Unidad de Fomento (2.70% in 2019 versus 2.86% in 2018).

e) Income tax expense

Income tax expense as of December 31, 2019 was Th\$49,662,947, Th\$3,156,525 higher than the previous year, mainly explained by higher income before taxes.

f) Earnings

Net income as of December 31, 2019 amounted to Th\$141,737,188, Th\$5,680,671 higher than in the previous year, representing an increase of 4.2%.

2.5. Results by segment

a) Accumulated income, Water segment

Income statement (Th\$)	Dec. 19	Dec. 18	% Var.	2019 - 2018
External revenue	516,106,826	504,692,040	2.3%	11,414,786
Segment revenues	1,086,210	1,172,343	(7.3%)	(86,133)
Operating costs and expenses	(223,140,532)	(201,813,048)	10.6%	(21,327,484)
EBITDA	294,052,504	304,051,335	(3.3%)	(9,998,831)
Depreciation and amortization	(74,546,528)	(74,224,202)	0.4%	(322,326)
Operating income	219,505,976	229,827,133	(4.5%)	(10,321,157)
Other earnings (losses)	14,489,407	(825,519)	<(200%)	15,314,926
Financial results *	(48,017,116)	(47,224,679)	1.7%	(792,437)
Tax expense	(48,696,013)	(45,486,954)	7.1%	(3,209,059)
Net earnings	139,269,070	133,028,143	4.7%	6,240,927

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

The results of this segment showed an increase of 4.7% over the previous year, mainly due to:

- An increase in external income, mainly associated with tariff indexation registered during the year 2018 and 2019, together with variations in non-billed consumption and fixed charge income associated with a 2.2% growth in customers. In addition, there were greater agreements with developers, greater technical advice on rural drinking water and an increase in home service activity, partially offset by lower activity in sanitary infrastructure modifications.
- Costs increased mainly due to higher expenses for maintenance of equipment and facilities of Th\$ 1,750,074, maintenance of drinking water and wastewater networks of Th\$ 1,615,376 and associated cost of sale of new home services of Th\$ 485,606. Additionally, due to the extreme drought affecting the central area of the country, there have been increases in water purchase expenses of Th\$ 3,276,362 due to the low flow rate in the Maipo river basin and higher electric power costs of Th\$ 1,320,944 associated with increased groundwater collection, which is partially offset by an improvement in the average price due to the entry into force of supply contracts for free customers for 52 of the Company's facilities.

- ESSAL: as a result of the water outage event in the city of Osorno, the company has incurred operating costs to restore the supply of drinking water, compensation to customers who were affected and other costs arising from the contingency. This has generated a higher cost of Th\$10,864,412.
- Additionally, projects have been generated which have allowed the generation of efficiencies, such as biosolids management with savings of Th\$279,211 and customer management, other general and administration services for Th\$445,720.
- The line other profit/loss recorded a better performance of Th\$15.314.926 million compared to that obtained in 2018, mainly due to higher sales of expendable land located in the Metropolitan Region.
- The financial result presented a net expense of Th\$ 48,017,116, which was Th\$ 792,437 higher than in the previous year, as a consequence of higher interest rates associated with a higher level of indebtedness to finance the company's investment plan together with a higher appreciation of the debt.
- Income tax expense as of December 31, 2019 was Th\$ 48,696,013, Th\$ 3,209,059 higher than the previous year, mainly explained by higher income before taxes.

b) Accumulated income, Non-Water segment

Income statement (Th\$)	Dec. 19	Dec. 18	% Var.	2019 - 2018
External revenue	28.577.039	25.712.641	11,1%	2.864.398
Segment revenues	4.709.044	4.311.876	9,2%	397.168
Operating costs and expenses	(27.183.218)	(24.412.117)	11,4%	(2.771.101)
EBITDA	6.102.865	5.612.400	8,7%	490.465
Depreciation and amortization	(1.869.315)	(1.271.095)	47,1%	(598.220)
Operating income	4.233.550	4.341.305	(2,5%)	(107.755)
Other earnings (losses)	(257.230)	(271.241)	(5,2%)	14.011
Financial results *	(541.277)	(22.222)	>200%	(519.055)
Tax expense	(966.925)	(1.019.468)	(5,2%)	52.543
Net earnings	2.468.118	3.028.374	(18,5%)	(560.256)

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

The income of the Non-Water segment showed a decrease of 18.5% in relation to the previous fiscal year, mainly due to

- An increase in income which was mainly due to greater sales of materials to third parties by the company Gestión y Servicios together with increased activity by EcoRiles.
- The 11.4% increase in costs is associated with the sales cost of materials by the company Gestión y Servicios, higher chemical input expenses associated with EcoRiles and higher personnel costs.
- An increase in the cost of depreciation and amortization, mainly due to new assets incorporated in the year, mainly the methanization plant of Aguas del Maipo.
- The financial result presented a higher expense with respect to the previous year of Th\$519,055, mainly associated with exchange rate differences.

3. Quarterly results

Income Statement (Th \$)	4Q19	4Q18	% Var.	4Q19 – 4Q18
Ordinary revenues	139,305,201	139,713,278	(0.3%)	(408,077)
Operating costs and expenses	(64,857,723)	(57,638,366)	12.5%	(7,219,357)
EBITDA	74,447,478	82,074,912	(9.3%)	(7,627,434)
Depreciation and amortization	(19,945,576)	(18,601,137)	7.2%	(1,344,439)
Operating income	54,501,902	63,473,775	(14.1%)	(8,971,873)
Other earnings	16,074,378	(2,690,228)	<(200%)	18,764,606
Financial result*	(15,092,425)	(12,826,165)	17.7%	(2,266,260)
Tax expense	(14,364,199)	(12,243,554)	17.3%	(2,120,645)
Net earnings	41,790,831	34,491,006	21.2%	7,299,825

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

3.1. Income analysis

a) Operating income

Ordinary income for the fourth quarter of 2019 amounted to Th\$ 139,305,201, which is Th\$ 408,077 (0.3%) lower than the amount obtained in the same quarter of the previous year. This variation was mainly due to lower volume supplied.

3.2. Expense analysis

a) Raw materials and consumables used

During the fourth quarter of 2019, costs of raw materials and consumables amounted to Th\$13,287,663, Th\$3,499,661 more than in the same quarter of 2018, mainly associated with the purchase of water for Th\$2,719,863 and higher cost of electric power for Th\$556,064.

b) Employee benefits

Employee benefit expenses for the fourth quarter reached Th\$ 16,047,230, Th\$ 466,826 more than in 2018, mainly associated with higher CPI.

c) Depreciation and amortization

Depreciation and amortization for the fourth quarter of 2018 amounted to Th\$ 19,945,576, Th\$ 1,344,438 higher than that obtained in the same quarter of 2018, mainly associated with new assets incorporated in that period.

d) Other expenses

In the fourth quarter of 2019, other expenses amounted to Th\$35,522,830, which was Th\$3,252,871 higher than that obtained in 2018, mainly explained by expenses for the outage event in the city of Osorno for Th\$3,446,845.

3.3. Financial result analysis

a) Other earnings (losses)

As of the fourth quarter of 2019, higher profits of Th\$18,764,606 were obtained compared to 2018, mainly explained by higher sales of expendable land located in the Metropolitan Region.

b) Financial result

The financial result for the fourth quarter of 2019 showed losses of Th\$ 15,092,425, which increased by Th\$ 2,266,260 compared to 2018, mainly explained by the higher appreciation of the debt, due to the lower variation of the UF compared to the same quarter of 2018.

c) Income tax expenses

Income tax expense at the end of the fourth quarter of 2019 was Th\$ 14,364,199, Th\$ 2,120,645 higher than the same quarter of the previous year, mainly associated with higher income before taxes of Th\$ 7,526,473.

d) Profit

Net income for the fourth quarter of 2019 amounted to Th\$41,790,831, which is Th\$7,299,825 (21.2%) higher than that obtained in the same quarter of 2018.

4. Statement of financial position

	Dec. 19 Th\$	Dec. 18 Th\$	% Var.
Assets			
Current assets	197,676,646	168,513,972	17.3%
Non-current assets	1,803,767,656	1,737,538,127	3.8%
Total assets	2,001,444,302	1,906,052,099	5.0%
Liabilities and equity			
Current liabilities	242,137,717	242,318,524	(0.1%)
Non-current liabilities	1,071,833,122	976,742,178	9.7%
Total liabilities	1,313,970,839	1,219,060,702	7.8%
Equity attributable to the owners of the parent company	644,453,334	638,620,655	0.9%
Non-controlling interests	43,020,129	48,370,742	(11.1%)
Total shareholders' equity	687,473,463	686,991,397	0.1%
Total liabilities and shareholders' equity	2,001,444,302	1,906,052,099	5.0%

4.1. Assets analysis

The total assets of Aguas Andinas at consolidated level at December 31, 2019 showed an increase of 5.0% compared to December 31, 2018, equivalent to Th\$95,392,203.

Current assets increased by Th\$29,162,674, mainly due to an increase in cash and cash equivalents of Th\$32,082,284. This is partially offset by a decrease in recoverable taxes of Th\$2,284,081.

Non-current assets increased by Th\$ 66,229,530 mainly explained by an increase in property, plant and equipment of Th\$ 58,984,187 associated with investments made during the year. The main investment works are reflected in the following table:

Investments (Th\$)	Dec-19
Pirque tank construction	37,146,728
Renewal of drinking water networks	10,569,961
Renewal of wastewater networks	9,722,736
Replacement of assets of La Farfana and Mapocho-Trebal Biofactories	7,205,771
Nitrate treatment La Farfana and Mapocho-Trebal Biofactories	5,587,198
Connections and meters	5,265,336
Mapocho-Trebal Biofactory Cogeneration	4,552,515

4.2. Liabilities and equity analysis

Current liabilities as of December 2019 increased by Th\$ 94,910,137 compared to December 2018.

Current liabilities decreased by Th\$ 180,807. Non-current liabilities increased by Th\$ 95,090,944 (9.7%). This variation corresponds mainly to an increase in bond debt of \$68,070,658 associated with the issuance of

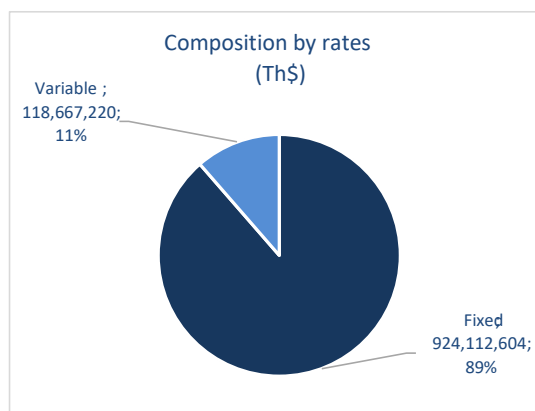
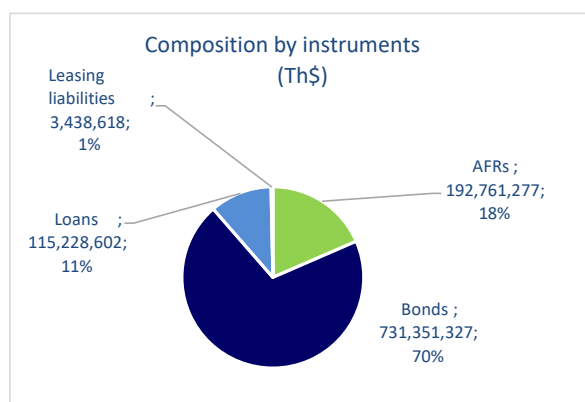
💧 "Green and Social Bond" AE series for UF 2.0 million, structured for 25-year terms at a coupon rate of 2.5%.

Total shareholders' equity increased by Th\$482,066 and shareholders' equity attributable to the owners of the parent company increased by Th\$5,832,679, mainly explained by the profit at the end of 2019.

The maturity profile of the financial debt as of December 31, 2019 is as follows:

Financial Debt Th\$	Currency	Total	12 months	1 a 3 years	3 to 5 years	More than 5 years
AFRs	\$	192,761,277	6,313,401	50,796,719	40,669,845	94,981,311
Bonds	\$	731,351,327	16,320,558	36,417,303	31,105,086	647,508,380
Loans	\$	115,228,602	13,876,507	59,227,642	37,699,562	4,424,891
Leasing Liabilities	\$	3,438,618	1,496,534	1,815,066	127,018	-
Total		1,042,779,824	38,007,000	148,256,730	109,601,511	746,914,582

4.3. Structure of Financial Liabilities



5. Cash flow statement

Cash Flow Statement (Th\$)	Dec. 19	Dec. 18	% Var.
Operating activities	232.298.663	245.501.004	(5,4%)
Investment activities	(125.768.548)	(135.451.049)	(7,1%)
Financing activities	(74.447.831)	(88.877.821)	(16,2%)
Net cash flow for fiscal year	32.082.284	21.172.134	51,5%
Final cash balance	72.062.758	39.980.474	80,2%

Cash flow from operating activities decreased by Th\$13,202,341 when compared to December 2019 and December 2018.

The main variations were the following:

- 💧 Increase in payments to suppliers of Th\$28,918,023, mainly associated with infrastructure suppliers.
- 💧 Increase in income taxes paid of Th\$ 3,634,925, this variation was mainly explained by an increase in the rate for the payment of Provisional Monthly Payments (PPMs, for its acronym in Spanish).
- 💧 Increase in premium and benefit payments, annuities and other obligations arising from policies subscribed for Th\$ 1,634,617, associated with the payment of all-risk insurance for physical assets.
- 💧 Increase in other payments for operating activities of Th\$1,574,729, due to a higher value added tax payment.
- 💧 Increase in other cash inflows and outflows of Th\$919,201, mainly associated with the payment of fines and donations.

These variations were partially offset by the following concepts:

- 💧 Increase in collections from sales of goods and service provision of Th\$15,560,601 mainly due to a higher volume of sales, together with the tariff indexations recorded in 2018 and 2019, the last being in July 2019.
- 💧 Increase in other operating activity charges of Th\$ 3,048,566 due to a refund of overpayment of real estate contract.
- 💧 Decrease in employee benefit payments of Th\$ 3,948,058, mainly due to the fact that the lower net staffing level offsets the higher costs resulting from the agreed inflation readjustments and the benefits obtained from the collective bargaining processes completed during the year 2018.
- 💧 Decrease in interest paid of Th\$1,488,649, due to lower payments for bond interest.

Disbursements for investment activities decreased by Th\$ 9,682,501, mainly associated with increased sales of expendable land located in the Metropolitan Region for Th\$ 13,098,342, offset by an increase in purchases of property, plant and equipment for Th\$ 4,703,149.

Financing activities generated a net cash flow (decrease) of Th\$ 14,429,990, which is mainly explained by a lower payment of loans and financing instruments.

6. Financial ratios

		Dec. 19	Dec. 18
Liquidity			
Current liquidity	times	0.82	0.70
Acid test ratio	times	0.30	0.16
Indebtedness			
Total indebtedness	times	1.91	1.77
Current debt	times	0.18	0.20
Non-current debt	times	0.82	0.80
Annualized financial expense coverage	times	7.25	7.19
Profitability			
Annualized equity profitability attributable to the owners of the parent company	%	22.09	21.24
Annualized asset profitability	%	7.25	7.35
Annualized earnings per share	\$	23.16	22.24
Dividend yield (*)	%	6.81	5.89

Current liquidity: current assets/current liabilities

Acid test ratio: cash and cash equivalents/current liabilities

Total indebtedness: total liabilities / total shareholders' equity.

Current debt: current liabilities / total liabilities

Non-current debt: non-current liabilities / current liabilities

Financial expense coverage: annualized profit before tax and interest / annualized financial expense.

Equity profitability: annualized profit for the year/annualized average total equity for the year.

Asset profitability: annualized profit for the year / average total assets for the year annualized.

Earnings per share: annualized profit for the year/ number of shares subscribed and paid.

Dividend yield: dividends paid per share / share price.

(*) The share price as of December 2019 amounts to \$319, while as of December 2018 it amounts to \$381.72.

As of December 2019, current liquidity increased by 17.3%, due to the increase in current assets of Th\$ 29,162,674, mainly explained by higher cash and cash equivalents, resulting from the sale of expendable land in the Metropolitan Region.

The indebtedness ratio increased by 7.9%, mainly due to an increase in current liabilities of Th\$ 94,910,137 as a result of the issuance of the Green and Social Bond for UF 2.0 million.

The profitability of shareholders' equity attributable to the owners of the parent company increased by 4.0% due to the increase in income for the fiscal year of Th\$ 5,680,671.

7. Other background information

7.1. Tariffs

The most important factor determining the results of our operations and financial condition is the tariffs set for our regulated sales and services. As a water utility, we are regulated by the S.I.S.S. and our tariffs are established in accordance with the D.F.L. No. 70 of 1988 on Sanitation Service Tariffs Law.

Our tariff levels are reviewed every five years and, during that period, are subject to additional readjustments linked to an indexation polynomial, which are applied when the accumulated variation since the previous adjustment is 3.0% or higher, as calculated based on various inflation indexes. Specifically, adjustments are applied based on a formula that includes the Consumer Price Index (IPC, for its acronym in Spanish), the Price Index for Imported Goods in the Manufacturing Sector and the Manufacturing Producer Price Index, all measured by the Chilean National Institute of Statistics. The latest indexations made by each Company of the Group were applied on the following dates:

Aguas Andinas S.A.:

Group 1	September 2018
Group 2	September 2018
Rinconada de Maipú	January 2018 and May 2019

Aguas Cordillera S.A.: June 2018 and November 2018

Aguas Manquehue S.A.:

Santa María	February 2018 and November 2018
Los Trapenses	February 2018 and November 2018
Chamisero	May 2018 and November 2018
Chicureo	August 2018
Valle Grande 3	January 2018 and May 2019

Essal S.A.:

Group 1	July 2018 and July 2019
Group 2	July 2018 and July 2019
Group 3	July 2018 and July 2019
Los Alerces	July 2018 and July 2019
Chinquihue	July 2018 and July 2019

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

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

Meanwhile, for the Essal subsidiary, the current tariffs for the period 2016-2021 were approved by Decree No. 143 dated August 25, 2016, published in the Official Gazette on January 21, 2017.

On November 30, 2018, the process of setting the tariffs of the companies Aguas Andinas, Aguas Cordillera and Aguas Manquehue began. On March 15, 2019, the Superintendence of Sanitary Services published the Definitive Terms and Conditions that rule this process. The new tariffs of Aguas Andinas will come into force on March 1, 2020.

7.2. Market risk

Our company presents 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 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, water demand is higher in the warmer months than in the temperate ones, mainly due to additional water requirements generated by irrigation systems and other external water uses.

Adverse climatic conditions may eventually affect the optimal delivery of water utility services, because the processes of collecting and producing drinking water depend to a large extent on the climatic conditions that develop in the river basins. Factors such as meteorological precipitation (snow, hail, rain, fog), temperature, humidity, dragging of sediments, river flows and turbidity determine not only the quantity, quality and continuity of raw water available in each intake, 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 adverse weather conditions could generate for our operations. In the current period, the drought that has existed since 2010 persists, which means that contingency plans are being applied, such as the purchase of raw water, intensive use of wells, and the lease and purchase of water rights, among others. All of this is aimed at reducing the impact of the drought and to provide our services normally, both in terms of quality and continuity.

7.3. Market analysis

The Company has no change in the market in which it participates because, due to the nature of its services and current legal regulations, it does not have competitors in its concession area.

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

Aguas Cordillera S.A. has 100% coverage of drinking water, 98.9% of sewerage service and 100% of wastewater treatment.

Aguas Manquehue S.A. has 100% coverage in drinking water, 99.5% in sewerage service and 100% in wastewater treatment.

Essal S.A. has 100% coverage in drinking water, 96.6% in the sewerage service in the X Region and 93.6% in the XIV Region; and 100% in wastewater treatment.

7.4. Capital investments

One of the variables that most affect the result of our operations and financial situation is 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 comes into force. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to maintaining certain standards of quality and coverage of services. The aforementioned investment plan is subject to review every five years, with the possibility of requesting amendments when certain relevant facts are verified.

Approval and update dates of the Aguas Group's development plans

Aguas Andinas S.A.

Greater Santiago: December 23, 2015

Locations: December 31, 2014, January 12, 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 contemplated in the investment plan and that we make voluntarily in order to ensure the quality of our services and replace

obsolete assets. These generally relate 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 works in progress is capitalized. IAS 23 establishes that when an entity acquires debt to finance investments, interest on that debt must be deducted from interest expense and included in the financed construction work, up to the total amount of such interest, applying the respective rate to disbursements made at the date of submission of the financial statements. Accordingly, financial costs associated with our capital investment plan affect the amount of interest expense recorded in the income statement and are reported along with the work in progress under the line item "property, plant and equipment" in our statement of financial position. Financial aspects

7.5. Financial aspects

a) Currency risks

Our revenues are largely linked to the evolution of the local currency. As a result, our debt is primarily issued in local currency so we do not have significant foreign currency risks.

b) Interest rate risks

As of December 31, 2019, the interest rate risk held by Aguas Andinas S.A. was 88.9% at a fixed rate and 11.1% at a variable rate. The fixed-rate debt is made up of: issues of short- and long-term bonds (78.8%), reimbursable financial contributions (20.8%) and lease liabilities (0.4%), while the variable-rate debt corresponds to loans with domestic banks.

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. The fixed-rate debt is made up of: issues of short- and long-term bonds (77.8%) and reimbursable financial contributions (22.2%), while the variable-rate debt corresponds to loans with 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.

All this favorable situation has meant that the credit rating agencies have assigned us a risk rating of AA+ for long-term debt. In the case of shares, Feller Rate and ICR assigned us a first class level 1 rating for series A and first class level 4 for series B.