



Aguas Andinas' Earnings Release

Period ending September 30, 2019



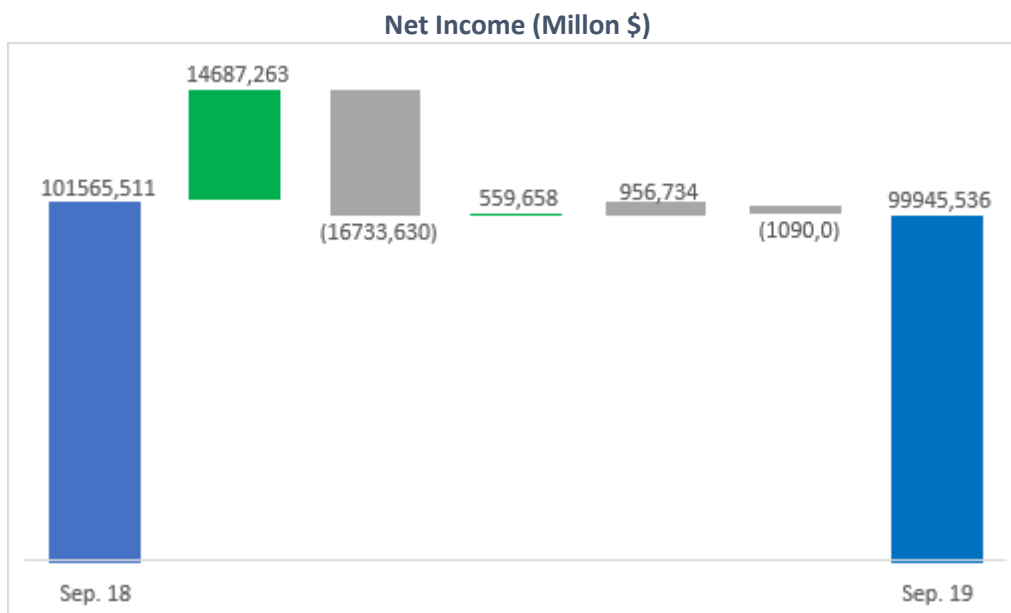
1. Period's summary

- 💧 **ESSAL's outage in Osorno hits Aguas Andinas results at a consolidated level.** The company held an EBITDA decrease during third quarter of 2019 in 0.9%, negatively influenced by the event of water outage of ESSAL company in *Osorno* city. The total cost recognized by ESSAL at September 30 was Ch\$7,417 million, mainly associated to operating expenses to restore the drinking water supply, compensations to the customers who were affected and other costs derived from the contingency.
- 💧 **Results VII Aguas Andinas Tariff Process.** This was partially offset by the indexation registered during 2018 and 2019 together with higher sale volume, added to the results of active management of costs containment and reduction which allowed partially offset the higher cost product of the drought intensification in Metropolitan Region, reflected in water and electric power purchase associated to a higher groundwater collection.
- 💧 **Severe Drought.** The Company has registered higher costs due to the intensification of the drought in the Metropolitan Region, reflected in the purchase of water and electricity associated with greater groundwater collection, for a total of Ch\$ 1,321 million.

Due to this scenario, in which the region is going through the greatest drought of the last century and the one that has been going on for more than a decade, Aguas Andinas together with the Maipo River Surveillance Board requested to declare a water shortage zone in the basin of the Maipo river. In the same way, Aguas Cordillera asked the Metropolitan Intendancy to decree an area of water scarcity, in the communes through which the Mapocho river flows through its First Section.

- 💧 **Important investment effort.** As of September 30, 2019, the Company has executed investments of \$ 93,142 million, highlighting the 93% progress achieved in the construction of the Pirque Tanks, for a total of 1.5 million cubic liters, which will increase the capacity of Santiago resilience from 11 to 34 continuous hours.
- 💧 Revenues increased 3.8%, reaching Ch\$ 405,379 million, mainly due to the indexations recorded during the years 2018 and 2019 together with higher sales volumes, which, added to the results of an active containment and reduction management of costs, partially offsetting the higher drought costs.
- 💧 At the non-operating level, a lower result is presented in expendable assets sale of the Company together with a lower financial result, mainly related to a lower revaluation of the debt in *Unidades de Fomento* (UF).

Net income as of September 30, 2019 amounted to \$99,946 million. The main variations with respect to the same quarter of the previous year are presented in the following graph:



Operating Income

- 💧 **EBITDA as of September 30, 2019 was \$225,542 million, representing a decrease of 0.9% over the same quarter of the previous year.**
- 💧 Regulated revenues were over \$9,457 million (2.7% increase) mainly due to the rate indexations recorded during 2018, the last being in July 2019 (ESSAL) and for Aguas Andinas in September 2018, along with a higher sale volume.
- 💧 Non-regulated revenues increased by \$5,230 million during the third quarter of 2019 (4.5% increase). This variation was mainly explained by higher income in non-sanitary subsidiaries, agreements with developers, technical advice to rural drinking water and higher activity in home services requested by customers.
- 💧 The main variations of operating costs are the following:
 - 👉 *Water outage event of ESSAL Company in Osorno city:* The total impact as of September 30 was \$7,417 million, mainly associated to operating expenses to restore the drinking water supply, customers compensations who were affected and other costs derived from the contingency.
 - 💧 *Costs associated with the drought:* At third quarter of 2019, the drought that affects the central area of the country has been maintained, which implied increases in expenses mainly in the following lines:
 - *Purchase of raw water:* it has been necessary to buy more raw water to ensure the security of our customers' supply due to the low flow in the *Maipo* river basin. This implied a higher cost of \$556 million.

- *Electric power:* there was a net increase in costs of \$765 million, associated with higher elevation of drinking water along with greater groundwater collection, which is partially offset by an improvement in the average price for the entry into force of supply contracts for Free customers for 52 Company enclosures.
- 💧 *Efficiency Improvement Projects:* the development of process improvement and digital transformation projects has continued, which have allowed to contain and reduce certain cost items such as the following:
 - *Biosolids Management:* a saving of \$413 million was obtained from the beneficial use of sludge as fertilizer and soil recuperator.
 - *Other projects:* improvements in the costs of customers management, general and administrative services for \$391 million.
- 💧 *Personnel costs:* at consolidated level an increase has presented by 0,3%, equivalent to \$151 million, mainly due to higher costs originated by agreed readjustments for inflation, obtained benefits in collective bargaining process ended during 2018 and higher staffing in Group's subsidiaries. This is partially offset by the reorganization made in *Aguas Andinas* the previous year.
- 💧 *Raw materials and consumables:* There is a higher cost of materials for \$1,331 million mainly associated with the higher cost of selling materials of the subsidiary *Gestión y Servicios*, and in chemical inputs, due to the higher consumption in operation of plants of the *EcoRiles* subsidiary.
- 🔧 Finally, higher costs have been recognized mainly in maintenance of drinking water and wastewater networks, facilities-equipment maintenance, consultancies and studies and higher sale cost associated to new services required by customers.

Non-operating income

- 💧 The financial result presented a net expense of \$33,464 million, higher by \$957 million in the same quarter of the previous year, as a consequence of a lower revaluation of the debt due to a lower variation in the *Unidad de Fomento*, partially offset by higher interests associated with a higher indebtedness level.
- 💧 In Other Profit/Loss line item presents lower profits by \$3,408 million than obtained in 2018, mainly because at third quarter of previous year were sold lands located in various municipalities of the Metropolitan Region.

Investments

- 💧 As of September 30, 2019, investments were implemented for \$93,142 million. The main projects developed are:
 - 🔧 Construction of *Pirque* Tanks
 - 🔧 Renewal of Wastewater and Drinking Water networks
 - 🔧 Asset replenishment at *La Farfana* and *Mapocho-Trebal* Biofactories

-  Cogeneration of *Mapocho-Trebal* Biofactory
-  Meters and starters
-  Treatment of nitrates at *La Farfana and Mapocho-Trebal* Biofactories

-  **Advance in relevant investment projects** – The construction of *Pirque* Tanks shows a progress of 93%. 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.

OTHER HIGHLIGHTS

-  **Result Tariff Process 2020-2025** – On November 14, 2019, the result of tariff setting was communicated for the five-year period 2020-2025, in the framework of the 7th tariff process of *Aguas Andinas*. Within this new framework, highlights the implementation of different investments that will allow increase progressively the autonomy of the capital city before extreme turbidity episodes from 34 to 48 hours, and important new works to address the drought and the climate change.

In accordance with current legislation, the tariffs are determined based in a “model company”, that operates efficiently in the geographic area of the service provision and which is self-financing. In this sense, the base indicator to determine the tariffs of the Company is the Total Net Long-Term Cost (CTLPN), which corresponds to the constant annual value required to cover the efficient operation costs and investment costs of an optimized replacement project of the concessionary, dimensioned to satisfy the demand, which is consistent with a net updated value of said project equal to zero, on a horizon not less than 35 years.

As a result of the aforementioned, the tariff level agreed as of December 31, 2018 (reference date established in the Tariffs Bases set by the SISS), amounted to a CTLPN of \$397,058 million of pesos, which represents a downward variation of -3% compared to the tariffs agreed for the five-year period 2010-2015 for the services and current standards.

Also, additional works in construction are contemplated, which will apply with entry into operation of the works, between them the *Pirque* Tanks by a total of 1.5 million of cubic liters, which will increase the resilience capacity of Santiago from 11 to 34 hours continued, and investments in works of nutrient removal in *La Farfana* and *Trebal* Biofactories, destined to improve the quality of treated wastewater and its disposal.

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

- (i) Works to reuse 3 m³/s of wastewater
- (ii) Expansion in 1 m³/s of the *La Florida* Drinking Water Production Plant
- (iii) Probes in the central aquifer for 1.8 m³ / s
- (iv) Investments to reduce 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 in results that will have the new tariffs in the financial statements of our subsidiary *Aguas Andinas S.A.*, due to this tariff regime is only one of the many elements that contributes to determine the results of each period, counting factors such as the drinking water consumption, costs, expenses, applicable indexing polynomial, among other things.

Finally, the established tariffs formulas will be set through decree of Ministry of Economy, Promotion and Tourism, which must be published in the Official Gazette before the date of application, this is, March 2020.

💧 In April 11, 2019, the Company successfully made the placement of the **second Green and Social Bond** issued in local market. *Aguas Andinas*, pioneer company in green and social bonds issuance, will allocate these funds to finance investment projects that has positive impact in environmental and social areas of the country. The bond feature was the following:

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

The spread accomplished by Green and Social Bond was the lower in the latest years for an issuance of equivalent terms and the request exceeded in 2.7 times the amount offered to the market.

💧 **New General Manager** – In April 17, 2019 Narciso Berberana Sáenz presented his resignation before the Company's Board. In the same opportunity, the Board named **Marta Colet Gonzalo as new General Manager**, who assumed her functions from that date.

💧 **Renewal of the Board** – In Ordinary Shareholders' Meeting held in April 23, 2019, were treated subjects inherent of it, between them, the renewal of the Board, being elected the following people:

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

1. Jorge Manent Codina
2. Sonia Tschorne Berestesky
3. Tomás Uauy Cuneo
4. Cosme Sagnier Guimón
5. Fernando Samaniego Sangroniz
6. Gonzalo Rojas Vildósola
7. Mauricio Rojas Mullor

The Board of the Company, at the meeting held on the same day, agreed unanimously named as Guillermo Pickering de la Fuente as a President. Likewise, agreed that the Board of Directors will be integrated by Rodrigo Manubens Moltedo, Luis Mayol Bouchon and Narciso Berberana Sáenz.

💧 **New President of the Board *Aguas Andinas***: At August 6, 2019, Guillermo Pickering de La Fuente presented his resignation as Chairman and Director of the Company, that becomes effective from this date. At August 8, the Board agreed to choose Mr. **Claudio Muñoz Zúñiga** as president.

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 the repairs at the processing plant, initiating the restitution of the service progressively from July 17, normalizing the supply for all *Osorno* customers on July 21.

Following this operational contingency, the Superintendence of Sanitary Services announced a research of the facts and assignment of responsibilities, in order to determine the sanctions or fines that correspond according to current regulations.

The economic impacts known as of September 30, 2019, arising from the *Osorno* event, amounted to \$7,417 million:

• Compensation Law 19,496-Sernac	\$2,915 million
• Compensation to customers	\$2,863 million
• Extraordinary operating costs	\$967 million
• Other costs	\$672 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 Jiménez submitted his resignation to the Board of Directors of the Company. In view of the above, the Board of Directors agreed to appoint **José Sáez Alborno** as the new General Manager, who assumed his duties as of that date.

- Renewal of the Board** - In Extraordinary Shareholders' Meeting held on September 9, 2019, a renewal of the Board was made, resulting in the election of the following persons:

Regular Directors

1. Gustavo Alcalde Lemarie
2. Joaquín Brahm Barril
3. Katia Trusich Ortíz
4. Camilo Larraín Sánchez
5. Domingo Cruzat Amunátegui
6. Eduardo Novoa Castellón
7. Andrés Fernández Fernández

Alternate Directors

Víctor de la Barra Fuenzalida
Mauricio Fehrmann Miranda
Juan Pablo Díaz de Valdés
Iván Yarur Sairafi
María Gracia Cariola Cubillos
Nicole Porcile Yanine
Eduardo Abuaud Abujatum

The Board of the Company, at the meeting held on the same day, agreed unanimously to name Gustavo Alcalde Lemarie as Chairman of it and the Company and Camilo Larraín Sánchez as Vice-President.

2. Period's earnings

2.1. Accumulated earnings

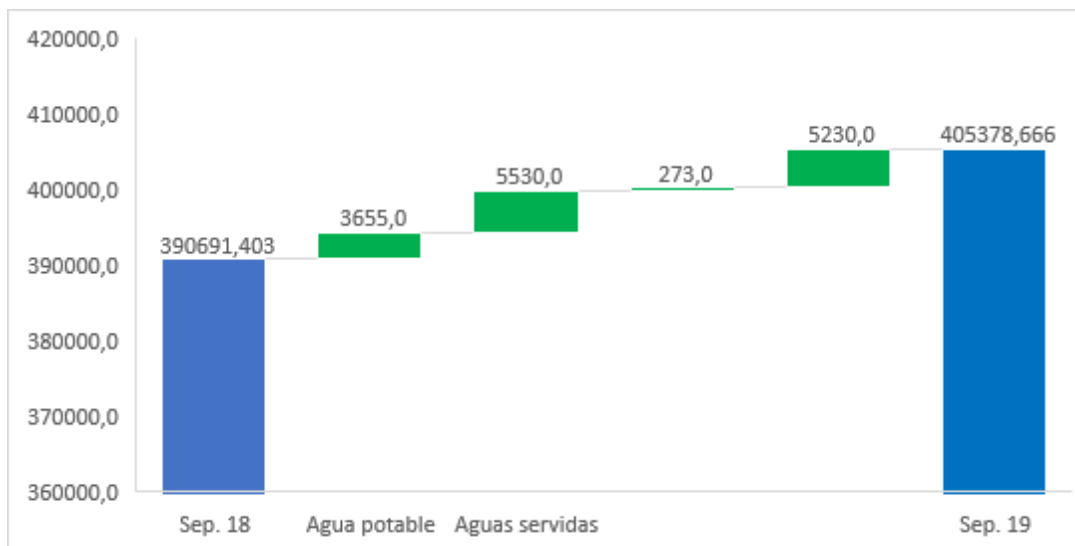
Income Statement (Th\$)	Sep. 19	Sep. 18	% Var.	2019 / 2018
Ordinary revenues	405,378,666	390,691,403	3.8%	14,687,263
Operational costs and expenses	(179,836,210)	(163,102,580)	10.3%	(16,733,630)
EBITDA	225,542,456	227,588,823	(0.9%)	(2,046,367)
Depreciation and amortization	(56,306,789)	(56,866,447)	(1.0%)	559,658
Income from operations	169,235,667	170,722,376	(0.9%)	(1,486,709)
Other earnings	(1,842,201)	1,565,754	<(200%)	(3,407,955)
Financial result*	(33,464,002)	(34,420,736)	(2.8%)	956,734
Tax expense	(35,298,749)	(34,262,868)	3.0%	(1,035,881)
Net earnings	99,946,358	101,565,511	(1.6%)	(1,619,153)

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

2.2 Revenue analysis

	Sep. 19		Sep. 18	
	Sales Th\$	Participation	Sales Th\$	Participation
Drinking water	161,913,451	39.9%	158,258,199	40.5%
Wastewater	194,767,661	48.0%	189,238,165	48.4%
Other regulated income	7,462,581	1.9%	7,189,980	1.9%
Non-regulated income	41,234,973	10.2%	36,005,059	9.2%
Total	405,378,666	100.0%	390,691,403	100.0%

The variation of expenses regarding to the quarter of previous year is presented in the following graphic:



Sales volume (thousands of m ³)	Sep. 19	Sep. 18	% Var.	Difference
Drinking water	449,550	448,541	0.2%	1,009
Wastewater collection	430,247	429,613	0.1%	634
Wastewater treatment and disposal	374,815	373,833	0.3%	982
Interconnections*	96,751	96,706	0.0%	45
Customers	Sep. 19	Sep. 18	% Var.	Difference
Drinking water	2,356,342	2,303,852	2.3%	52,490
Wastewater collection	2,303,122	2,250,716	2.3%	52,406

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

Regulated Businesses

a) Drinking water

Drinking water income at third quarter of 2019 reached Th\$161,913,451, showing an increase of 2.3%, regarding to same quarter of previous year. The Th\$3,655,252 increase was mainly due to the higher volume supplied, together with the indexing of rates occurring during 2018 and 2019, being the last one in July 2019 for the company ESSAL.

b) Wastewater

Wastewater income at third quarter of 2019 reached Th\$194,767,661, which meant an increase of Th\$5,529,496, regarding to previous year, as an income of the higher volume supplied, together with the indexing of rates occurring during 2018 and 2019. *Aguas Andinas'* latest indexing was recorded in July 2019 (ESSAL).

c) Other regulated income

This line item presented an increase of Th\$272,601, which was explained mainly by the variation of the provision of unvoiced consumption together with higher income associated with fixed charge to customers.

Unregulated Income

a) Sanitary services

An increase of Th\$3,372,055 mainly due to more agreements with developers, higher technical consultancies to rural drinking water activity, increase in home services requested by customers and higher activity in sanitary infrastructure modifications requested by customers.

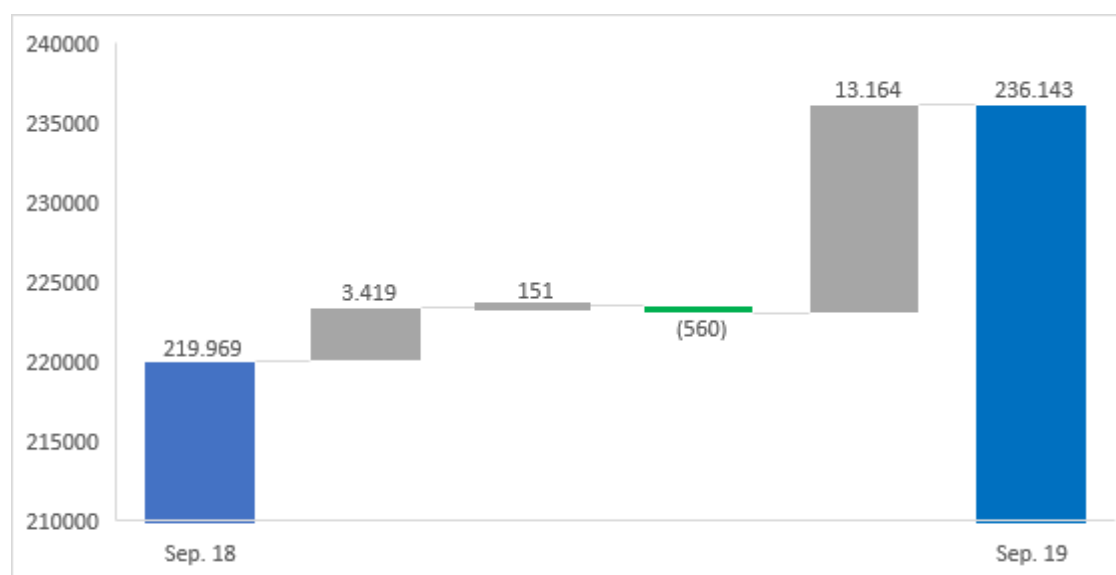
b) Non-sanitary services

An increase of Th\$1,857,859 was mainly explained by higher materials sales in *Gestión y Servicios* together with higher plants operation income in *EcoRiles*.

(M\$)	Sep. 19	Sep. 18	% Var.
EcoRiles S.A.	10,143,846	9,872,252	2.8%
Gestión y Servicios S.A.	6,396,925	4,722,254	35.5%
Anam S.A.	3,291,328	3,312,815	(0.6%)
Aguas del Maipo S.A.	756,574	823,493	(8.1%)
Non-sanitary non-regulated products	20,588,673	18,730,814	9.9%

2.3 Expense analysis

The variation of expenses regarding to the quarter of previous year is presented in the following graphic:



a) Raw materials and consumables

As of September 30, 2019, the costs of raw materials and consumables reached Th\$32,859,966, higher in Th\$3,418,736 than the one obtained in the third half of 2018. The increase in these was mainly due to higher cost of sales of materials by the subsidiary *Gestión y Servicios* for Th\$1,331,422, greater use of chemical inputs for Th\$646,321 because of the higher consumption in operation of plants of the *EcoRiles* subsidiary and purchase of water for Th\$556,499. Finally, a higher cost of electric energy for Th\$764,880, associated with a higher drinking water lifting due to a greater collection of groundwater, which is partially offset by an improvement in the average price for the entry into force of supply contracts for free customers for 52 Company enclosures.

b) Employee benefits

At the end of the third quarter of the year 2019, employee benefits expenses reached Th\$43,724,231, increased by Th\$151,248 than the one obtained the previous year, mainly due to

adjustments by CPI and increases in endowment in ESSAL and unregulated subsidiaries. The above is partially offset by the reorganization carried out in *Aguas Andinas* during the year 2018.

c) Depreciation and amortization

At the end of the first quarter of 2019, depreciation and amortization amounted to Th\$56,306,789, a decrease by Th\$559,658 than the one obtained in the same quarter of the previous year.

d) Other expenses by nature

As of September 30, 2019, these expenses amounted to Th\$103,252,013, a higher figure of Th\$13,163,646 mainly due to:

- Efficiency projects and process improvements have been carried out that have resulted in lower costs, mainly in biosolids management for Th\$412,912 and customers management, other general and administrative services for Th\$391,075.
- Higher consulting and study costs have been recognized for Th\$1,816,953, maintenance of drinking water networks and wastewater by Th\$1,192,686, equipment and facilities maintenance by Th\$897,790, cost of sale related to new services required by customers by Th\$510,671, fines by Th\$879,998 and higher activity in sanitary infrastructure modification by Th\$168,490.
- *ESSAL*: Due to water outage event in the city of *Osorno*, the company has incurred in operating costs to restore the drinking water supply, compensations to customers who were affected and other costs derived from the contingency. This has generated a higher cost of Th\$7,417,567.

2.4 Analysis of Financial revenues and others

a) Other earnings (losses)

As of September 30, 2019, lower profits were obtained for Th\$3,407,955 to that obtained in 2018, mainly associated with the fact that in the third quarter of 2018, expendable land located in the Metropolitan Region was sold.

b) Financial income

At the end of the third quarter of 2019, financial income was obtained in the amount of Th\$4,015,743, lower in the amount of Th\$515,357 to that obtained in the year 2018, mainly explained by lower interest on customer debt.

c) Financial costs

As of September 30, 2019, the financial costs reached Th\$22,770,338, which meant an increase of Th\$628,545 to those obtained in the same quarter of the year 2018. The above was explained by higher bank interests and interest on bonds due to greater volume of debt obtained in order to finance the company's investment plan, together with a lower financial activation.

d) Results per readjustment unit

At the end of the third quarter of 2019, the results for readjustment units were Th\$14,622,873, determining a lower expense of Th\$2,159,994 compared to the first half of the year 2018, mainly explained by a lower revaluation of the debt due to lower variation of the Unidad de Fomento (1.75% in 2019 versus 2.09% in 2018), partially offset by a higher level of indebtedness.

e) Income tax expense

The income tax expense as of September 30, 2019 was Th\$35,298,749, higher by Th\$1,035,881 compared to the same quarter of the previous year.

f) Earnings

Net income as of September 30, 2019 amounted to Th\$99,946,358, a figure lower in Th\$1,619,153 than the one obtained in the previous year, this represents a 1.6% decrease.

2.5. Result by segment

a) Accumulated incomes, water segment

Income statement (Th\$)	Sep. 19	Sep. 18	% Var.	2019 / 2018
External revenue	384,744,564	371,934,736	3.4%	12,809,828
Revenues segments	853,362	911,630	(6.4%)	(58,268)
Operating costs and expenses	(163,829,362)	(149,446,166)	9.6%	(14,383,196)
EBITDA	221,768,564	223,400,200	(0.7%)	(1,631,636)
Depreciation and amortization	(55,034,906)	(55,978,415)	(1.7%)	943,509
Income from operations	166,733,658	167,421,785	(0.4%)	(688,127)
Other earnings (losses)	(1,631,158)	1,842,091	(188.5%)	(3,473,249)
Financial results*	(33,273,511)	(34,390,235)	(3.2%)	1,116,724
Tax expense	(34,761,543)	(33,512,258)	3.7%	(1,249,285)
Net earnings	98,383,088	99,322,368	(0.9%)	(939,280)

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

Net income from this segment showed a decrease of 0.9% regarding to the same quarter of previous period, mainly due to:

- An increase in external income, mainly associated with higher volumes supplied together with the positive variations in rates recorded over 2018 and 2019.
- Costs increased mainly due to higher consulting and study expenses of Th\$1,748,373, maintenance of equipment and enclosures for Th\$788,259 maintenance of drinking water and wastewater networks by Th\$788,259, cost of sale associated to new services required by customers by Th\$510,671, higher fines by Th\$879,998, higher activity in sanitary infrastructure modifications by Th\$168,490, water purchase by Th\$556,499 and higher cost of electric power by Th\$808,893 related to drinking water lifting together with higher groundwater collection, which is partially offset by the

improvement in the average price due to entry into force of supply contracts for free customers to 52 facilities of the Company.

- 💧 **ESSAL:** Due to water outage event in the city of *Osorno*, the company has incurred in operating costs to restore the drinking water supply, compensations to customers who were affected and other costs derived from the contingency. This has generated a higher cost of Th\$7,417,567.
- 💧 Additionally, the development of projects has generated efficiencies, such as biosolids management with savings of Th\$412,912 and customers management, other general and administrative services for Th\$391,075.
- 💧 In Other earnings (losses) is presented a lower income by Th\$3,473,249 than obtained in 2018, mainly associated that in the third quarter of 2018 were sold expendable land properties located in various municipalities of the Metropolitan Region.
- 💧 The financial result presented a net expense by Th\$33,273,511, Th\$1,116,724 lower than the same quarter of previous year, as a mainly consequence of a lower revaluation of adjustable debt in *Unidades de Fomento* (1.75% in 2019 versus 2.09% in 2018), partially offset by a higher indebtedness level.

b) Accumulated incomes, non-water segment

Income statement (Th\$)	Sep. 19	Sep. 18	% Var.	2019 / 2018
External revenue	23,306,561	18,756,667	24.3%	4,549,894
Revenues segments	853,362	3,276,667	(74.0%)	(2,423,305)
Operating costs and expenses	(20,278,180)	(17,844,711)	13.6%	(2,433,469)
EBITDA	3,881,743	4,188,623	(7.3%)	(306,880)
Depreciation and amortization	(1,398,996)	(908,817)	53.9%	(490,179)
Income from operations	2,482,747	3,279,806	(24.3%)	(797,059)
Other earnings (losses)	(189,980)	(255,553)	(25.7%)	65,573
Financial results*	(192,397)	(30,501)	530.8%	(161,896)
Tax expense	(537,102)	(750,610)	(28.4%)	213,508
Net earnings	1,563,268	2,243,142	(30.3%)	(679,874)

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

The incomes of the Non-Water segment showed a decrease of 30.3% regarding to the same period of previous year, mainly due to:

- 💧 An increase in income, which was mainly given by higher materials sales to third parties by company *Gestión y Servicios* and greater activity in *EcoRiles*.
- 💧 The costs increase by 13.6% is associated with the cost of materials sales of company *Gestión y Servicios*, higher expense of chemical inputs associated to *EcoRiles* and higher personnel costs.

- An increase in the cost of depreciation and amortization, mainly due to new assets incorporated in the period, mainly in the methanization plant of *Aguas del Maipo*.
- An increase in other earnings is mainly explained by costs of 2018 associated to organizational restructuring, which is offset with higher costs in *Gestión y Servicios*, due to a lower recovery of Performance Bond, which had been provisioned for being over 4 years old.

3. Balance sheet

Income Statement (Th\$)	3Q19	3Q18	% Var.	3Q19 - 3Q18
Ordinary Revenues	120,478,718	114,384,402	5.3%	6,094,316
Operational Costs and Expenses	(65,918,672)	(53,556,124)	23.1%	(12,362,548)
EBITDA	54,560,046	60,828,278	(10.3%)	(6,268,232)
Depreciation and Amortization	(18,737,503)	(19,248,372)	(2.7%)	510,869
Income From Operations	35,822,543	41,579,906	(13.8%)	(5,757,363)
Other (Loss) Earnings	(593,062)	(1,002,853)	>200%	409,791
Financial Result*	(10,315,880)	(12,331,286)	(16.3%)	2,015,406
Tax expense	(8,482,553)	(7,001,764)	21.1%	(1,480,789)
Net earnings	19,336,161	20,400,449	(5.2%)	(1,064,288)

*It includes financial income, financial costs, exchange differences and results for readjustment units.

3.1 Income Analysis

a) Operating income

The ordinary income of the third quarter of 2019 amounted to Th\$120,478,718, higher by Th\$6,094,316 (5.3%) than that obtained in the same quarter of the previous year. This variation was mainly due to a higher supplied volume together with positive variations in tariffs recorded over 2018 and 2019. The last indexation was recorded in July 2019 (ESSAL). Additionally, there were more agreements with developers together with higher activity in home services requested by major customers.

3.2 Expenses analysis

a) Raw materials and consumables used

During the third quarter of 2019, raw materials and consumables costs amounted to Th\$11,344,427, Th\$1,327,595 higher than obtained in the same quarter of 2018, mainly related to cost of materials sale by subsidiary *Gestión y Servicios* by Th\$315,875, higher use of chemical inputs by Th\$55,975, water purchase by Th\$224,888 and higher cost of electric power by Th\$609,594.

b) Employee benefits

Expenses for benefits to employees in the third quarter amounted to Th\$13,825,371, lower by Th\$446,267 to that obtained in 2018.

c) Other expenses

In third quarter of 2019, other expenses amounted to Th\$40,748,875, Th\$11,481,222 higher than obtained in 2018, mainly explained by maintenance of drinking water and wastewater networks by Th\$1,020,415, higher fines by Th\$979,644 mainly associated to subsidiary *ESSAL*, higher activity in home services required by customers by Th\$954,400, higher costs of consultancies and studies by Th\$810,116.

ESSAL: Due to water outage event in the city of *Osorno*, the company has incurred in operating costs to restore the drinking water supply, compensations to customers who were affected and other costs derived from the contingency. This has generated a higher cost of Th\$7,417,567.

3.3 Financial result analysis

a) Financial result

In the financial result of the third quarter of 2019, losses of Th\$10,315,880 were obtained, a figure that decreased by Th\$2,015,406 compared to the year 2018, mainly explained by lower revaluation of the debt, due to the lower variation of the UF compared to the same quarter of the year 2018, partially offset by higher indebtedness level.

b) Income tax expenses

The income tax expense at the end of the third quarter of 2019 was Th\$8,482,553, higher by Th\$1,480,790 compared to the same quarter of the previous year.

c) Profit

Net income for the third quarter of 2019 amounted to Th\$19,336,161, lower by Th\$1,064,288 (5.2%) than that obtained in the same quarter of 2018.

4. Balance Sheet

	Sep. 19	Dec. 18	% Var.
	M\$	M\$	
Assets			
Current assets	146,536,995	168,513,972	(13.0%)
Non-current assets	1,776,284,738	1,737,538,127	2.2%
Total assets	1,922,821,733	1,906,052,099	0.9%
Assets and equity			
Current liabilities	178,855,181	242,318,524	(26.2%)
Non-current liabilities	1,051,362,750	976,742,178	7.6%
Total liabilities	1,230,217,931	1,219,060,702	0.9%
Shareholders' equity	648,940,083	638,620,655	1.6%
Minority interest	43,663,719	48,370,742	(9.7%)
Total shareholders' equity	692,603,802	686,991,397	0.8%
Total liabilities and shareholders' equity	1,922,821,733	1,906,052,099	0.9%

4.1. Assets analysis

The total assets of *Aguas Andinas* at consolidated level as of September 30, 2019 presented an increase of 0.9% regarding December 31, 2018, equivalent to Th\$16,769,634.

Current assets decreased in Th\$21,976,977, mainly due to the decrease of cash and cash equivalents in Th\$11,671,117 together with lower trade debtors and other accounts receivable in \$18,304,536, mainly explained by seasonality of sales cycle. This is partially offset by an increase of other current financial assets by Th\$5,851,960 due to the record of advance payment of capital and bonds interest payable on October 1st of this year.

Non-current assets increased by Th\$38,746,611 mainly explained by greater property, plant and equipment by Th\$36,358,338, associated to the investments materialized during the period. The main investment works are shown in the following table:

Investments (Th\$)	Sep. 19
Pirque tank construction	28,306,840
Renewal of drinking water networks	7,430,858
Renewal of wastewater networks	5,850,928
Asset replenishment <i>La Farfana-Trebal</i> Biofactories	5,378,160
Cogeneration of <i>Mapocho-Trebal</i> Biofactory	4,483,319
Starters and meters	4,145,087
Treatment of nitrates <i>La Farfana-Trebal</i> Biofactories	3,429,335

4.2 Liabilities and equity analysis

Current liabilities as of September 2019 increased by Th\$11,157,229 regarding to December 2018.

Current liabilities decreased by Th\$63,463,343. This variation was mostly attributable to the distribution of interim dividends made during the first quarter of 2019 together with lower payable accounts associated to investment providers, partially offset with an increase in financial liabilities, mainly associated to bank debt.

Non-current liabilities presented an increase of Th\$74,620,572 (7.6%). This variation mainly corresponds to an increase in bonds debt by Th\$63,202,493 associated to the issue of:

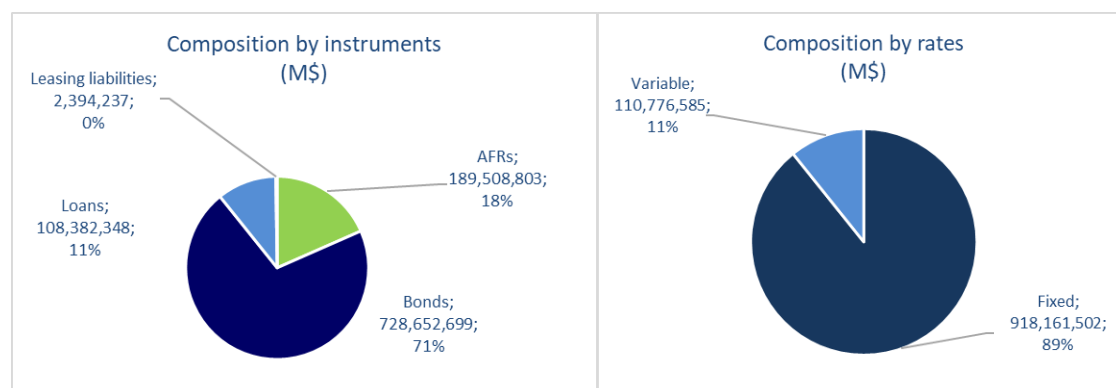
- 💧 Green and Social Bond AE series of UF 2.0 million, structured to a 25-year term at a 2.5% rate.

Total equity increased in Th\$5,612,405 and the net equity attributable to the owners of the controller increased in Th\$10,319,428, essentially explained by the income generated to third quarter of 2019, which is partially offset with the distribution of dividends corresponding to period 2018.

The maturity profile of the financial debt as of September 30, 2019 is the following:

Financial debt Th\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	More than 5 years
AFRs	\$	189,508,803	10,321,067	42,906,926	44,857,057	91,423,753
Bonds	\$	728,652,699	18,490,095	38,704,985	30,809,775	640,647,844
Loans	\$	108,382,348	11,704,698	50,128,307	37,699,562	8,849,781
Leasing liabilities	\$	2,394,237	1,125,006	1,254,846	14,385	-
Total		1,028,938,087	41,640,866	132,995,064	113,380,779	740,921,378

4.3. Structure of Financial Liabilities



5. Cash flow statement

Cash Flow Statement (Th\$)	Sep. 19	Sep. 18	% Var.
Operating activities	189,646,909	174,084,724	8.9%
Investment activities	(122,097,994)	(99,412,300)	22.8%
Financing activities	(79,220,032)	(59,788,163)	32.5%
Net cash flow for the period	(11,671,117)	14,884,261	(178.4%)
Final cash balance	28,309,357	33,692,601	(16.0%)

The flow from operating activities experienced an increase of Th\$15,562,185 when comparing September 2019 with September 2018.

The main variations were the following:

- Increase in receipts from the sale of goods and provision of services for Th\$12,724,816, mainly due to a higher volume of sales, together with the rate indexations recorded in 2018 and 2019, being the last in the month of July 2019.
- Increase in other charges for operating activities by Th\$2,170,364, due to a return by excess payment of real estate contract.
- Decrease in payments for employee benefits for Th\$3,700,886, mainly due to the fact that the lower net staffing compensates for the higher costs caused by the adjustments adjusted for inflation and the benefits obtained in the collective bargaining processes completed during the year 2018.
- Decrease in interest paid by Th\$2,794,275, due to lower payments by concept of bonds interest.

These variations were partially offset by the following concept:

- Increase in payments for premiums and benefits, annuities and other obligations arising from the policies subscribed for Th\$1,887,167, associated with the payment of all-risk insurance for physical assets.
- Increase in payment to suppliers by Th\$1,215,338, mainly related to infrastructure suppliers.
- Increase in income taxes paid by Th\$711,652, this variation was mainly explained by an increase of rate for payment of PPM.
- Increase in other payments for operating activities by Th\$814,524, due to higher value-added tax payment.
- Increase in other cash inflows and outflows by Th\$784,209, mainly associated to payment of fines and donations.

Disbursements for investment activities increased by Th\$22,685,694, associated to the investments materialized during the period.

Financing activities generated a net flow (increase) of Th\$19,431,869, this is mainly explained by a lower obtaining of loans and financing instruments.

6. Financial ratios

		Sep. 19	Dec. 18
Liquidity			
Current liquidity	times	0.82	0.70
Acid test ratio	times	0.16	0.16
Indebtedness			
Total indebtedness	times	1.78	1.77
Current debt	times	0.15	0.20
Non-current debt	times	0.85	0.80
Annualized financial expenses coverage	times	6.94	7.19
Profitability			
Annualized equity profitability attributable to the controller's property owners	%	20.72	21.24
Annualized asset profitability	%	7.12	7.35
Annualized earnings per share	\$	21.97	22.24
Dividend yield (*)	%	5.44	5.89

Current liquidity: Currents Assets / Current Liabilities.

Acid test ratio: Cash and Cash Equivalents / Current Liabilities.

Total indebtedness: Total Liabilities / Total Shareholders' Equity.

Current indebtedness: Current Liabilities / Total Liabilities.

Non-current indebtedness: Non-current Liabilities / Current Liabilities.

Financial expenses 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 September 2019 was \$398.80, whereas that of December 2018 was \$381.72.

As of September 2019, current liquidity increased by 17.1%, due to a decrease in current liabilities of Th\$63,463,343 as a result of the distribution of provisional dividends made during the first quarter of 2019, together with lower accounts payable associated to investment providers; partially offset by a decrease in current assets of Th\$21,976,977, due to the seasonality in the sales cycle.

The debt ratio increased by 0.6%, due to an increase in current liabilities of Th\$11,157,229, product of the issuance of the Green and Social bond by UF 2.0 million, offset by the distribution of interim dividends and lower accounts payable associated to investment suppliers. On the other hand, the total equity has an increase by Th\$5,612,405, essentially explained by the income generated to the third quarter of 2019, which was partially offset with the distribution of corresponding dividends as of 2018.

The profitability of the equity attributable to the owners of the parent company showed an increase of 2.5%, due to the increase in the average equity of Th\$8,096,261 and a lower result of the annualized period of Th\$1,619,153.

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	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 adjustment to reflect additional services previously authorized by the S.I.S.S.

The current tariffs 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 current tariffs for the subsidiary *ESSAL* for the period 2016-2021 were approved by Decree No. 143 dated August 25, 2016, published in the Official Gazette of January 21, 2017.

On November 30, 2018 was started to tariff-setting process of companies *Aguas Andinas*, *Aguas Cordillera* and *Aguas Manquehue*. The Superintendence of Sanitary Services, dated March 15, 2019, published the Definitive Bases that rule this process. The new tariffs of *Aguas Andinas* will entered into force on March 1, 2020.

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 one quarter to another. 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 largely 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 to 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, 99.5% in sewerage services and 100% in wastewater treatment.

ESSAL S.A. has 100% coverage in potable 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 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.

Approvals dates and update of development plans of *Aguas Group*:

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 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 "properties, 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 September 30, 2019, the interest rate risk held by *Aguas Andinas S.A.* was 89.5% at a fixed rate and 10.5% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issuing (79.2%), reimbursable financial contributions (20.6%) and leasing liabilities (0.2%), while variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2018, the interest rate risk that *Aguas Andinas S.A.* held is comprised by 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 repayable financial contributions (22.2%), 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 cost, 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: Feller Rate and ICR ranked us with a first-class level 1 rating for our A series and a first-class rating level 4 for our B series.
