# Aguas Andinas Reasoned Analysis

## First Quarter 2022

## 1. Summary of the exercise

**Aguas Andinas is focused on the management and mitigation of climate change impacts.**

- The Company continues to face the challenge of climate change. The profound situation of drought and water scarcity in the country, which has been going on for more than 13 years and has deepened in the last 3 years, continues to strongly affect the availability of river flows that supply the city, the Maipo and Mapocho Rivers, which in the current summer 2022 have seen their flows reduced by 70% to 80% regarding averages of the last 10 years. Both rivers maintain the condition of Shortage Decree granted by the regulatory authority.
- The above situation raises the need to consider that we are in the presence of a structural change in the condition of the water sources, which is beginning to be irreversible. In this context, the Company has continued to make a significant operational, financial, technical and human effort to maintain the city's water supply.
- In recent years, a major action plan has been deployed to address water scarcity and the effects of climate change:
    - Signing of a historic collaboration agreement with the Irrigation Associations of the First Section of the Maipo River that establishes a series of measures to lay the foundations for a solution that reinforces the supply of water to the population and, at the same time, the use necessary to sustain the agri-food industry, improving the water efficiency of the basin.
    - New Lo Mena - Cerro Negro well system, which will provide a flow of 1,500 l/s to supply 400,000 customers, which is currently more than 95% complete.
    - Modernization and expansion of the Padre Hurtado Potable Water Plant, which supplies more than one million people.
    - Expansion of the Quilicura Potable Water Plant to increase water availability in the northern sector of the capital.
    - Modernization of the Vizcachitas plant, generating greater efficiency in water consumption due to the implementation of new filters.
    - New ponds in San Antonio, San Enrique, Talagante and Parque Bicentenario.
    - Water efficiency plan, with deployment of all available technologies for water recovery.

- Likewise, actions have been carried out to raise awareness and sensitize the public on the importance of caring for water, such as the "Every drop count" communication campaign, with a call to modify behavior in favor of the environment and responsible consumption, which has led to a decrease in residential and municipal consumption in the first quarter of the year.
- In this context, the Company has continued to manage water scarcity by prioritizing water transfer agreements with other users, which has allowed it to ensure supply during the summer of 2022 and maintain the security level of the El Yeso reservoir at 154.1 hm3, in line with the Company's objective.

- In order to face this emergency, the Company has maintained its investment efforts, executing an investment plan that reached $26,214 million during the first quarter of 2022.

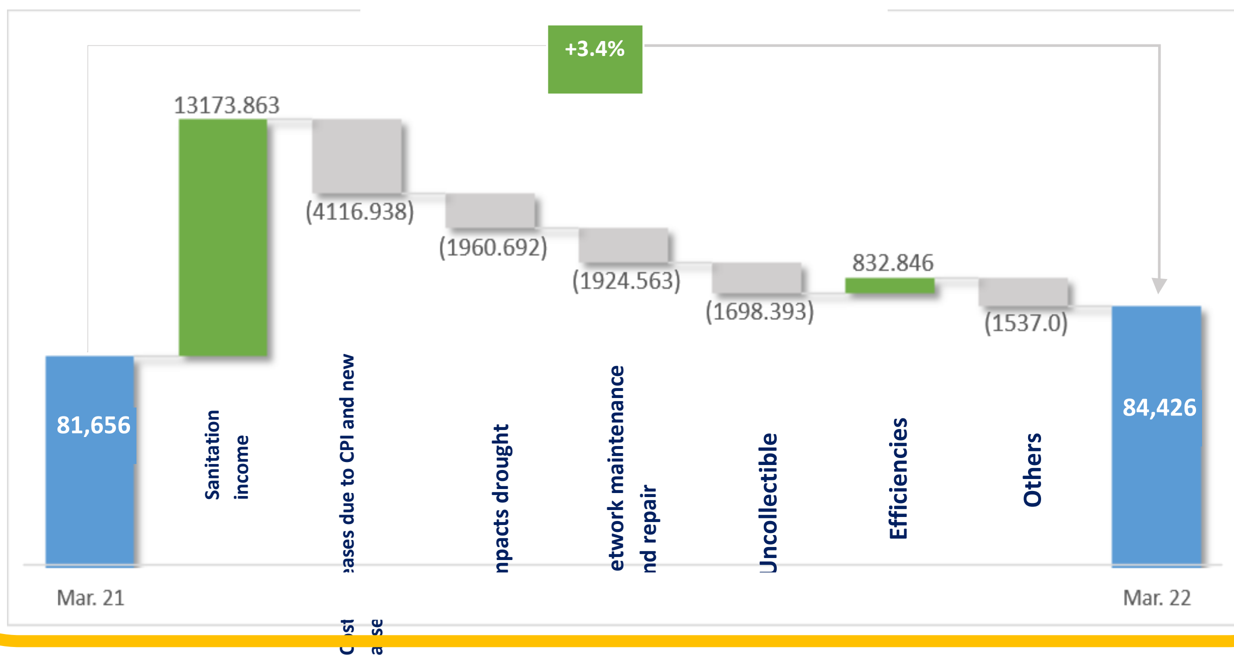
**Basic Services Law:**

- On February 11, 2022, Law 21,423 was published in the Official Gazette, which partially solves the debt incurred during the Covid-19 pandemic by sanitation service customers in a more vulnerable situation and who have an average consumption of no more than 15 cubic meters of potable water per month. The debt and subsidy will be prorated in 48 monthly and successive installments. Each installment may not exceed 15% of the average monthly consumption. The portion of the debt not covered by the subsidy will be extinguished, which will be recognized as a tax accepted expense.

**Global context and operational costs:**

- In the current context of extreme drought, generalized increase in the costs of raw materials, labor and transportation, the Company has experienced higher operating costs at the end of the first quarter of 2022, mainly associated with the purchase of water due to the effects of the drought, and maintenance of networks as a result of the significant increase in customer requirements and workload, together with higher prices due to the increase in labor costs, construction materials, service contracts in UF and compensation adjustments.
- In addition, the significant increase in the CPI of 3.4% had a negative impact on our financial costs associated with the readjustment of the UF debt.
- **EBITDA as of March 31 2022 amounted to $84,426 million,** an increase of 3.4% compared to the previous year. The main variations are shown in the following chart:

**EBITDA Evolution** (Million of $)



- Higher sanitation revenues of $13,174 million, mainly associated with higher average tariffs of $15,814 million due to the latest tariff indexations by polynomial and the entry into operation of new investment projects (La Farfana Nitrates and Aguas Cordillera safety ponds). However, lower sales volumes were recorded for $2,819 million, mainly explained by a decrease in sales to residential customers by -3.9%, which is partially offset by higher sales to non-residential customers by +1.7%.

- The Company's costs have been increased by the CPI, mainly due to higher labor costs, construction materials, service contracts in UF and compensation adjustments. As of March 2022, the index accumulated an increase of 3.4% in the first quarter and 9.4% in 12 months. Additionally, operating costs for the entry into operation of new facilities and assets are considered.

- Higher raw water and electric power purchase costs of $1,961 million necessary to continue facing the extreme drought situation that the region has been experiencing for the last 13 years.

  It is important to note that the volume stored in the El Yeso Reservoir as of March 2022 was 154.1 hm3 vs. 173.8 hm3 as of March 2021. Also, in August 2021 a historic collaboration agreement was signed with the Irrigation Associations of the First Section of the Maipo River, which includes commitments to develop a Master Plan for the Management of the Maipo River Basin, and will allow promoting new investments to provide additional resources to the system, such as the reuse of treated water from the Biofactories for exchange with raw water.

  The collaboration agreement with the Irrigation Associations is in operation, and thus, the Board of Directors of the Junta de Vigilancia de la Primera Sección del Río Maipo (Maipo River First Section Oversight Board) has coordinated water transfers during the summer period, ensuring sufficient reserves in the El Yeso Reservoir to face the winter of 2022.

  The agreement has also established an update in the price of transfers, making it consistent with the value of raw water from the Maipo River used in the tariff processes. In addition, it includes thresholds that define high and low demand prices based on the river's water scarcity.

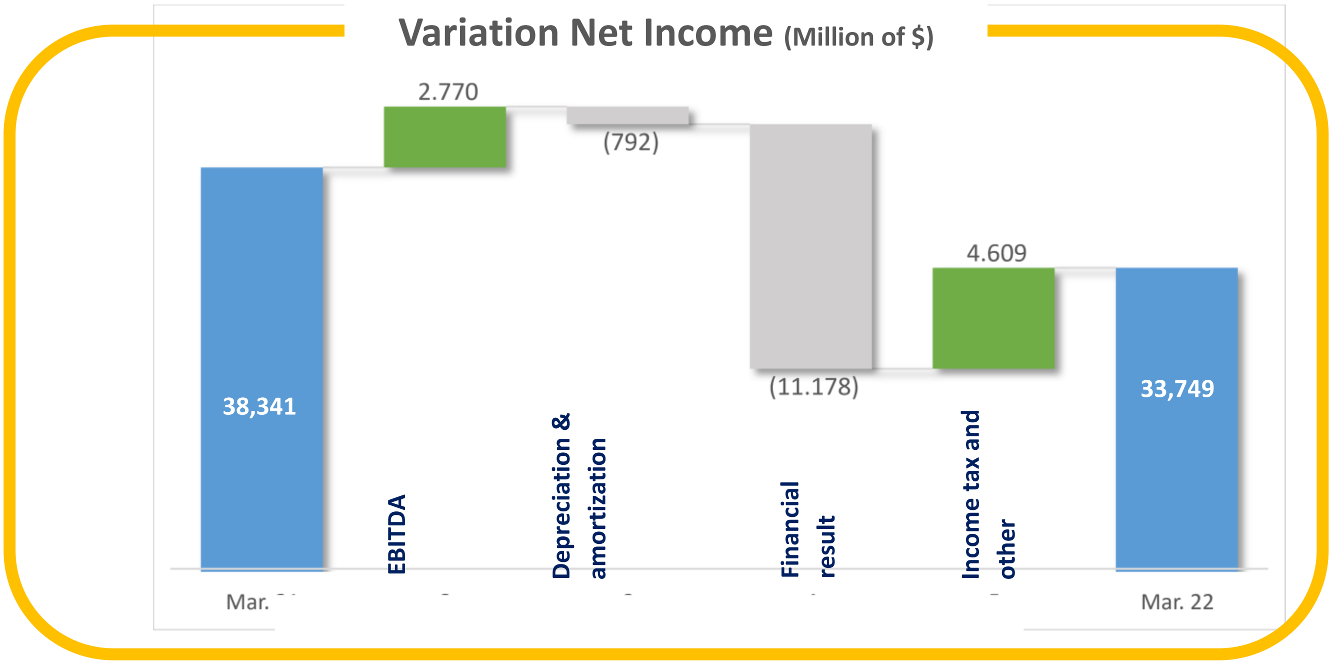
- Higher network maintenance costs of $1,925 million were generated due to a significant increase in customer requirements and workload.

- At the end of the first quarter of 2022, an allowance for doubtful accounts of $5,080 million was recorded, generating a higher bad debt expense of $1,698 million regarding 2021, resulting a % of bad debt on revenues of 3.4% vs. 2.5% of the previous year (it is important to note that in the first quarter of 2021, the compensation associated with the settlement through SERNAC was deducted from customer accounts, which had a positive impact on the bad debt ratio for that period).

- In addition, it should be noted that historically this indicator has increased in the first quarter due to seasonal factors; however, it is projected to decrease as the year progresses, in line with the Company's objective.

- The Company is implementing a Transformation plan, with a vision of a new sustainable business model focused on mitigating risks, capturing efficiencies, prioritizing investments and incorporating technology, supported by a new organizational culture. In line with the above, initiatives have been developed to improve processes and digital transformation that have allowed us to generate **Efficiencies** for $833 million at the end of the first quarter of 2022.

- **Net income as of March 31 2022 amounted to $33,749 million,** representing a decrease of 12.0% compared to the previous year. The main variations are presented in the following chart:



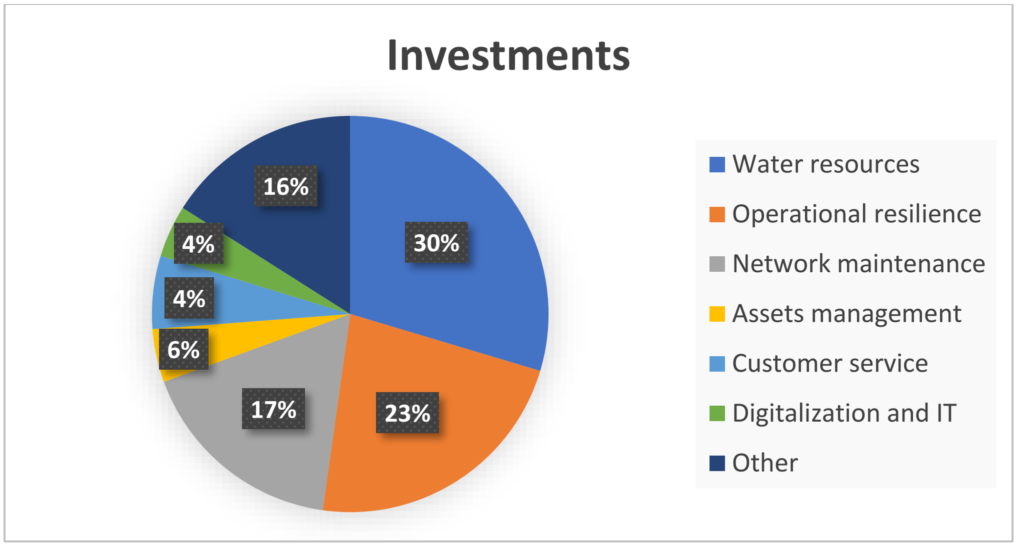

- At the non-operating level, there is a lower financial result of $11,178 million compared to the previous year, mainly associated with a higher revaluation of the financial debt due to the variation of the Unidad de Fomento (2.4% in 2022 versus 1.1% in 2021).

- Income tax and other presented an improvement of $4,609 million, mainly explained by lower income before taxes, together with the effect of the price-level restatement of the Tax Equity.

- **Cash Generation and Position.** During the first quarter of 2022, the balance of cash and cash equivalents was $129,884 million, decreasing by $33,629 million compared to the end of December 2021. The decrease in this item is mainly explained by the payment of investments for $39,640 million together with the payment of dividends made as of March 2022 for $40,767 million, which was partially offset by the higher operating cash flow for the period. The Company's current cash stock, which continues to be higher than the minimum requirements to meet short-term obligations, is maintained at these levels in order to face possible liquidity shocks in the current volatile context.

## Investments

- As of March 31, 2022, investments of $26,214 million were executed, as detailed in the following chart:




- The main projects developed in the first quarter of 2022 were as follows:

  - It should be noted that work began on the **Cerro Negro - Lo Mena Wells project**, which is currently more than 95% complete. This infrastructure will strengthen the supply of potable water to the southern sector of the city and consists of 14 wells for the extraction of groundwater, in addition to a 20,000 m3 tank, a lifting plant and a chlorination and fluoridation unit. This backup infrastructure will be activated only in case of emergencies and will have a flow of 1,500 l/s.
  - Renovation of potable water and wastewater networks
  - Nitrate Treatment Mapocho-Trebal Biofactory
  - Renewal of starters and meters
  - Expansion and modernization of Padre Hurtado Potable Water Treatment Plant
  - Filter Renovation Vizcachitas - Tagle

- To face the effects of the prolonged Megadrought, which has lasted more than 13 years, the Company is developing an investment plan to ensure the security of supply standards committed for Greater Santiago under climate change conditions, which includes new boreholes in wells, reinforcements in the potable water supply system, the expansion of the Padre Hurtado Potable Water Treatment Plant. Additionally, the Hydraulic Efficiency Plan is being implemented to reduce potable water losses in the network and the new Operational Control Center for the constant monitoring of the networks.

On the other hand, projects are being developed that will allow facing extreme turbidity events, going from the current 34 hours of autonomy to 37 hours and then to 48 hours, works that include the construction of the Cerro Negro - Lo Mena Wells (95% complete) and the Manzano - Toma Independiente Connection, respectively.

In the medium and long term, Aguas Andinas has an ambitious plan of new fundamental works to address the impacts of climate change and a scenario of structural scarcity, infrastructure aimed at increasing the service standards currently committed and that require an agreement with the SISS regarding its financing and execution deadlines:

(i) Infrastructure for the reuse of 3.0 m3/s of treated water in the Biofactories.

(ii) New drilling in the Central aquifer for 1.2 m3/s.

(iii) Drilling in canal strips for water exchange with canal associations under conditions of scarcity decree.

## KEY FACTS

- **Renewal of the Board of Directors.** At the Ordinary Shareholders' Meeting held on March 2, 2022, matters pertaining to it were discussed, including the renewal of the Board of Directors, and the following persons were elected:

| | Regular Directors | Alternate Directors |
|---|---|---|
| 1. | Claudio Muñoz Zúñiga | Cosme Sagnier Guimón |
| 2. | Narciso Berberana Sáenz | Fernando Samaniego Sangroniz |
| 3. | Jorge Manent Codina | Ignacio Escudero García |
| 4. | Loreto Silva Rojas | Sonia Tschorne Berestesky |
| 5. | Giorgianna Cuneo Queirolo | Tomás Uauy Cuneo |
| 6. | Jaime Arellano Quintana | Víctor Selman Biester |
| 7. | Rodrigo Manubens Moltedo | Gonzalo Rojas Vildósola |

- **Dividend distribution:** On March 2, 2022, at the Company's Ordinary Shareholders' Meeting, it was agreed to distribute 89.4% of the recurring profits for the year 2021, excluding the interim dividend paid in November 2021 by an amount of $40,000 million. Therefore, the amount to be distributed was set at $43,000 million (additional dividend), which meant a final dividend of $7.03 per share, payable as of March 29, 2022.

- **Change of indirect control over Aguas Andinas S.A.** On March 14, 2022, it was communicated through an Essential Fact that the Takeover Bid launched by Veolia in France was declared successful last January, and that the operation was approved by the European Commission in accordance with the EU Merger Regulation of the Council of the European Union, and, also, that, on March 11, 2022, it has been notified that the Competition & Markets Authority of the United Kingdom (the "CMA"), has permitted the integration of Veolia with certain business units of Suez outside the United Kingdom, subject to certain conditions and as an effect of the foregoing, the change of control by Veolia has occurred.

- **Internalization of Operation and Maintenance of Biofactories.** On March 31, 2022, the contract for the "Development of the Biofactories Plan for the Wastewater Treatment Plants of Greater Santiago and Management of Generated Resources" between Aguas Andinas and SUBIAN was terminated in advance. This means that Aguas Andinas has internalized the operation and maintenance of the La Farfana and Mapocho/Trebal Biofactories, managing these service infrastructures with its own resources and personnel as of April 1, 2022. This decision aims to guarantee in the best possible way, the sanitation service that the Company provides to its users in a context of extreme drought affecting our country, which requires an integral management of the water cycle, while favoring the extension of the successful model of Biofactories to all the other treatment plants of the company.

## 2. Results for the year

### 2.1. Accumulated results

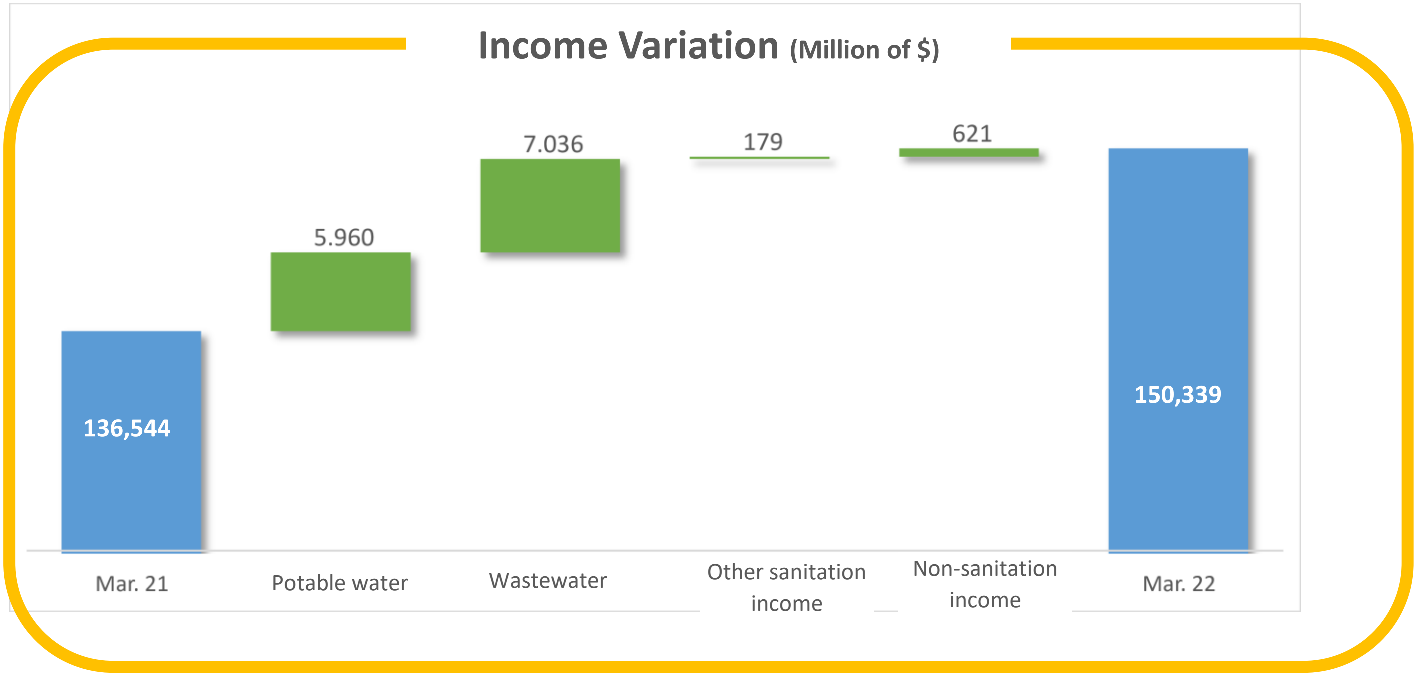
| Income Statement (Th$) | Mar. 22 | Mar. 21 | % Var. | 2022 / 2021 |
|---|---|---|---|---|
| Ordinary Revenues | 150,338,677 | 136,543,512 | 10.1% | 13,795,165 |
| Operational Costs and Expenses | (65,912,848) | (54,887,300) | 20.1% | (11,025,548) |
| **EBITDA** | **84,425,829** | **81,656,212** | **3.4%** | **2,769,617** |
| Depreciation and Amortization | (17,524,956) | (16,733,074) | 4.7% | (791,882) |
| **Income From Operations** | **66,900,873** | **64,923,138** | **3.0%** | **1,977,735** |
| Other Earnings | (233,823) | (1,032,946) | (77.4%) | 799,123 |
| Financial Result* | (26,653,517) | (15,475,705) | 72.2% | (11,177,812) |
| Tax expense | (6,263,403) | (10,073,218) | (37.8%) | 3,809,815 |
| Minority interest | (698) | (710) | (1.7%) | 12 |
| **Net earnings** | **33,749,432** | **38,340,559** | **(12.0%)** | **(4,591,127)** |

** Includes financial income, financial costs, exchange differences and results from readjustment units.*

### 2.2. Revenue analysis

Revenues increased by 10.1% with respect to the previous year, as follows:

| | Mar. 22 | | Mar. 21 | |
|---|---|---|---|---|
| | Sales Thousands $ | Participation | Sales Thousands $ | Participation |
| Potable Water | 67,383,610 | 44.8% | 61,423,831 | 45.0% |
| Wastewater | 66,593,415 | 44.3% | 59,557,850 | 43.6% |
| Other Regulated Income | 3,597,270 | 2.4% | 3,418,752 | 2.5% |
| Non-Regulated Income | 12,764,382 | 8.5% | 12,143,079 | 8.9% |
| **Total** | **150,338,677** | **100.0%** | **136,543,512** | **100.0%** |




| Sales Volume (Thousands of m³ accrued) | Mar 22 | Mar 21 | % Var. | Difference |
|---|---|---|---|---|
| Potable Water | 143,143 | 146,526 | (2.3%) | (3,383) |
| Wastewater Collection | 135,923 | 138,940 | (2.2%) | (3,017) |
| Wastewater Treatment and Disposal | 115,283 | 117,661 | (2.0%) | (2,379) |
| Interconnections* | 35,670 | 36,071 | (1.1%) | (402) |

| Customers | Mar 22 | Mar 21 | % Var. | Difference |
|---|---|---|---|---|
| Potable Water | 2,217,487 | 2,181,609 | 1.6% | 35,878 |
| Wastewater Collection | 2,172,872 | 2,138,005 | 1.6% | 34,867 |

** Interconnections include the treatment and disposal of Sewage from other sanitation companies.*

## Sanitation income

### a) Potable Water

Potable water revenues in the first quarter of 2022 amounted to ThCh$67,383,610, which represents an increase of 9.7% regarding the same quarter of the previous year, due to polynomial indexing applied during 2021 and 2022, which is partially offset by lower volume supplied (residential customers in -3.9% and non-residential customers in +1.7%).

### b) Wastewater

Revenues from wastewater as of March 31, 2022, amounted to ThCh$66,593,415, an increase of ThCh$7,035,565 compared to the previous year, due to higher average rate associated to the latest polynomial tariff indexing, together with the tariff associated with nitrate treatments at La Farfana Biofactory, which is partially offset by lower sales volume.

### c) Other sanitation income

This item increased by ThCh$178,518 due to higher activity in services not associated with sales volume.

## Non-Sanitation income

### a) Services

A decrease of ThCh$31,523 was reflected, mainly due to lower activity in agreements with developers and sanitation infrastructure modifications, partially offset by increase in the sale of materials.

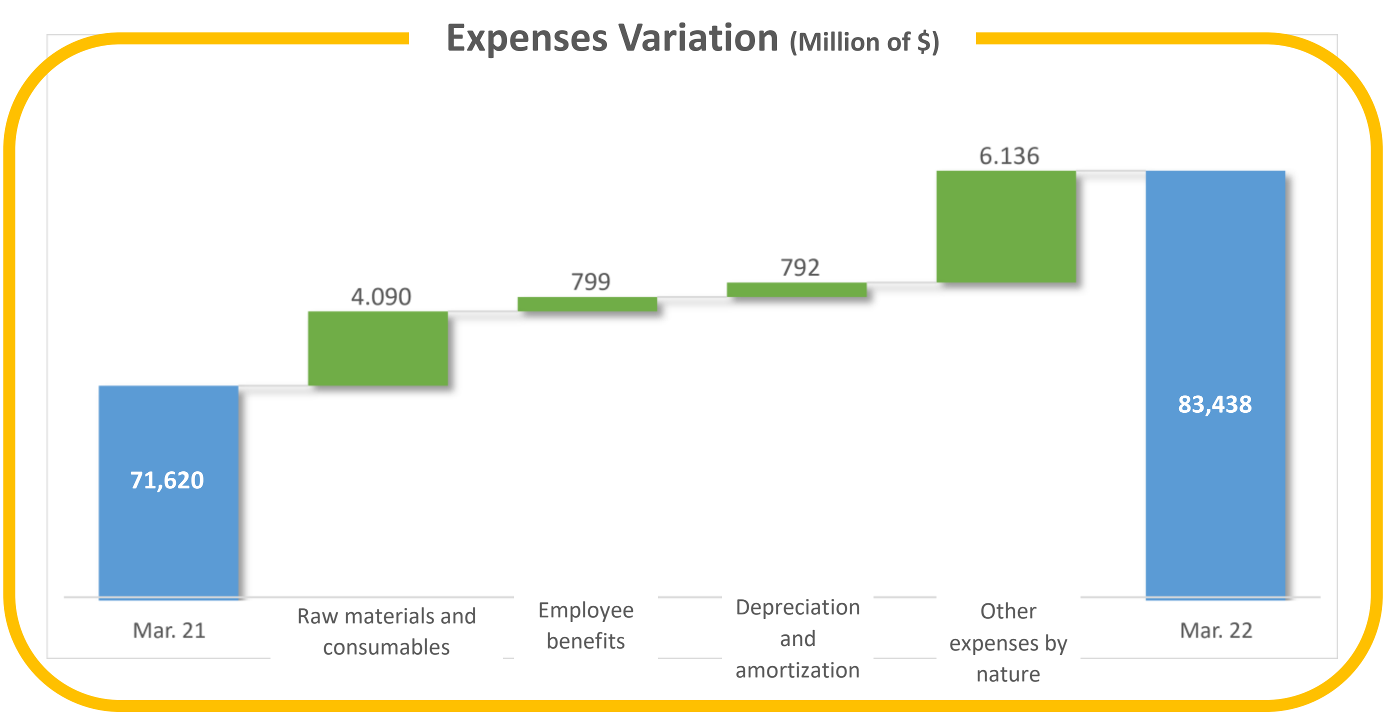
### b) Non-sanitation subsidiaries

The increase of ThCh$652,825 was mainly explained by higher activity and new projects of company EcoRiles, together with increased analysis and sampling of Potable Water in Environmental analysis.

| **(Thousands of $)** | **Mar. 22** | **Mar. 21** | **% Var,** |
|---|---|---|---|
| EcoRiles S.A. | 5,003,877 | 4,060,689 | 23.2% |
| Anam S.A. | 1,701,425 | 1,544,687 | 10.1% |
| Gestión y Servicios S.A. | 1,231,090 | 1,688,864 | (27.1%) |
| Aguas del Maipo S.A. | 263,628 | 252,954 | 4.2% |
| **Total subsidiaries** | **8,200,019** | **7,547,195** | **8.6%** |

## *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 March 31, 2022, raw materials and consumables costs amounted to ThCh$15,552,658. The main variations are explained by the increase in the purchase of water for ThCh$1,676,409 to increase the security of supply of our customers due to the low flow in the Maipo River basin, higher CPI costs in ThCh$418,151 and higher costs of sale of materials.

## b) Employee benefits

At the end of the first quarter of 2022, employee benefit expenses amounted to ThCh$13,527,564, which was ThCh$799,467 higher than the one obtained in the first quarter of the previous year. The increase is mainly associated with CPI adjustments, which is partially offset by lower average staffing.

## c) Depreciation and amortization

As of March 31, 2022, depreciation and amortization amounted to ThCh$17,524,956, ThCh$791,882 higher than the one obtained the same period of the previous year. This was the result of depreciation associated with the new assets incorporated in the period.

## d) Other expenses by nature

At the end of the first quarter of 2022, these expenses amounted to ThCh$36,832,626, ThCh$6,135,712 higher than the previous year, mainly due to higher CPI adjustments in ThCh$1,924,792, higher uncollectible accounts in ThCh$1,698,393, higher expenses in maintenance of potable water and sewage networks in ThCh$1,924,563 and higher expenses in services to customers in ThCh$368,984. The above is partially offset by lower cost of sales of non-sanitation services activity in ThCh$519,801, mainly associated with a decrease in modifications of sanitation infrastructure.

# *2.4. Analysis of financial results and others*

## a) Other gains (losses)

As of March 31, 2022, the Company obtained a higher result than the previous year by ThCh$799,123 mainly due to lower expenses for retirement plan.

## b) Financial income

At the end of the first quarter of 2022, financial income amounted to ThCh$3,007,511, which meant an increase of ThCh$2,293,035 compared to the previous year, mainly explained by higher financial interest, higher interest on customer debt and higher repurchase of promissory notes for AFRs (refundable financial contributions).

## c) Financial costs

As of March 31, 2022, financial costs amounted to ThCh$8,186,722, which meant an increase of ThCh$1,382,168 regarding the same period of 2021. The above was mainly explained by higher interest on debt, which is partially offset by higher activation of financial expenses.

### d) Results per readjustment unit

At the end of the first quarter of 2022, the adjustment unit charge was ThCh$21,139,463, resulting in a higher expense of ThCh$11,686,602, mainly due to the higher revaluation of the debt as a result of the variation of the Unidad de Fomento (2.4% in 2022 versus 1.1% in 2021).

### e) Income tax expense

The income tax expense as of March 31 2022 was ThCh$6,263,403, a figure lower by ThCh$3,809,815, mainly explained by lower income before taxes together with the effect of the price-level restatement of tax equity.

### f) Earnings

Net income as of March 31, 2022, amounted to ThCh$33,749,432, which was ThCh$4,591,127 lower than the figure obtained in the previous year, representing a decrease of 12.0%.

## *2.5. Results by segment*

### a) Accumulated results Water segment

| Income Statement (Th$) | Mar. 22 | Mar. 21 | % Var. | 2022 - 2021 |
|---|---|---|---|---|
| External Revenue | 142,137,110 | 128,996,307 | 10.2% | 13,140,803 |
| Revenues Segments | 230,631 | 211,846 | 8.9% | 18,785 |
| Operating Costs and Expenses | (59,586,371) | (48,989,333) | 21.6% | (10,597,038) |
| **EBITDA** | **82,781,370** | **80,218,820** | **3.2%** | **2,562,550** |
| Depreciation and Amortization | (17,006,336) | (16,250,224) | 4.7% | (756,112) |
| **Income from Operations** | **65,775,034** | **63,968,596** | **2.8%** | **1,806,438** |
| Other Earnings (Losses) | (182,545) | (917,324) | (80.1%) | 734,779 |
| Financial Results* | (26,646,171) | (15,459,652) | 72.4% | (11,186,519) |
| Tax Expense | (6,102,440) | (10,113,253) | (39.7%) | 4,010,813 |
| Minority interest | (698) | (710) | (1.7%) | 12 |
| **Net earnings** | **32,843,180** | **37,477,657** | **(12.4%)** | (4,634,477) |

** Includes financial income, financial costs, exchange differences and results from readjustment units.*

The net result of this segment showed a decrease of 12.4%, mainly due to:

- Increase in external revenues, mainly associated with sanitation revenues due to higher average tariffs associated with the latest indexations, which was partially offset by lower sales volumes recorded in the period.

- Costs increased mainly due to higher CPI expenses, potable water and sewage network maintenance, higher level of uncollectibility and higher customer service expenses.

  Additionally, due to the extreme drought affecting the central zone of the country, there have been increases in raw water purchase expenses of ThCh$1,676,409 due to the low flow in the Maipo river basin.

- Depreciation was ThCh$756,112 higher than the one obtained in the same period of the previous year, as a result of the depreciation associated with the new assets incorporated in the period.

- In other gains (losses), there was a higher result than the previous year, mainly due to lower expense for retirement plans.

- The financial result presented a net expense of ThCh$26,646,171, higher by ThCh$11,186,519 compared to the previous year, mainly due to the higher revaluation of the debt as a result of the variation of the Unidad de Fomento (2.4% in 2022 versus 1.1% in 2021).

- The income tax expense as of March 31, 2022 was ThCh$6,102,440, a figure lower by ThCh$4,010,813, mainly explained by lower income before taxes together with the effect of the price-level restatement of tax equity.

## b) Accumulated results of the Non-Water segment

| **Income Statement (Th$)** | **Mar. 22** | **Mar. 22** | **% Var.** | **2022 - 2021** |
|---|---|---|---|---|
| External Revenue | 8,201,567 | 7,547,205 | 8.7% | 654,362 |
| Revenues Segments | 1,014,101 | 796,900 | 27.3% | 217,201 |
| Operating Costs and Expenses | (7,571,210) | (6,899,792) | 9.7% | (671,418) |
| **EBITDA** | **1,644,458** | **1,444,313** | **13.9%** | **200,145** |
| Depreciation and Amortization | (529,687) | (489,771) | 8.1% | (39,916) |
| **Income from Operations** | **1,114,771** | **954,542** | **16.8%** | **160,229** |
| Other Earnings (Losses) | (40,210) | (115,622) | (65.2%) | 75,412 |
| Financial Results* | (7,346) | (16,053) | (54.2%) | 8,707 |
| Tax Expense | (160,963) | 40,035 | <(200%) | (200,998) |
| **Net Earnings** | **906,252** | **862,902** | **5.0%** | **43,350** |

** Includes financial income, financial costs, exchange differences and results from readjustment units.*

The results of the Non-Water segment showed an increase of ThCh$43,350 compared to the previous year, mainly due to:

- The higher revenues were mainly explained by higher activity and new projects of the company EcoRiles together with increased analysis and sampling of Potable Water at Environmental Analysis.

- The increase in costs of 9.7% is mainly associated with higher sales activity together with higher CPI expenses.

- Depreciation was ThCh$39,916 higher than the one obtained in the previous year, as a result of the depreciation associated with the new assets incorporated in the period.

- In other gains (losses), a higher result was obtained than in the previous year, mainly due to lower expense for retirement plans.

- The income tax expense as of March 31, 2022 was ThCh$160,963, which is ThCh$200,998 higher than the same period of the previous year, mainly explained by a higher income before taxes.

## 3. Statement of financial position

| Assets | Mar. 21 | Dec. 21 | % Var. |
|---|---|---|---|
| Current Assets | 266,804,423 | 283,854,689 | (6.0%) |
| Non-Current Assets | 1,963,014,520 | 1,945,366,921 | 0.9% |
| **Total assets** | **2,229,818,943** | **2,229,221,610** | **0.0%** |
| **Liabilities and Equity** | | | |
| Current Liabilities | 252,381,690 | 248,642,211 | 1.5% |
| Non- Current Liabilities | 1,144,084,846 | 1,138,031,686 | 0.5% |
| **Total liabilities** | **1,396,466,536** | **1,386,673,897** | **0.7%** |
| | | | |
| Shareholders' Equity | 833,323,609 | 842,520,215 | (1.1%) |
| Minority Interest | 28,798 | 27,498 | 4.7% |
| **Total Shareholders' Equity** | **833,352,407** | **842,547,713** | **(1.1%)** |
| **Total Liabilities and Shareholders' Equity** | **2,229,818,943** | **2,229,221,610** | **0.0%** |

### *3.1. Asset analysis*

The total assets of Aguas Andinas at the consolidated level as of March 31, 2022 presented an increase of ThCh$597,333 regarding December 31, 2021.

Current assets decreased by ThCh$17,050,266, mainly due to a lower balance of cash and cash equivalents in ThCh$33,628,830. This is partially offset by an increase in trade debtors and other receivables of ThCh$12,566,158, mainly explained by the seasonality of the sales cycle, together with an increase in other current financial assets of ThCh$5,769,021, associated with the recording of the advance payment of principal and interest on bonds payable on April 1, 2022.

Non-current assets increased by ThCh$17,647,599, mainly explained by higher deferred taxes of ThCh$7,411,469 together with higher property, plant and equipment of ThCh$9,954,315, associated with investments made during the period. The main investment works are reflected in the following table:

| Investments (Th$) | Mar-22 |
|---|---|
| Cerro Negro - Lo Mena Wells | 5,861,043 |
| Renovation of wastewater networks | 3,219,429 |
| Treatment of nitrates Mapocho-Trebal Biofactory | 2,287,373 |
| Renewal of starters and meters | 1,561,936 |
| Renovation of potable water networks | 1,295,603 |
| Expansion and modernization of potable water treatment plant Padre Hurtado | 1,173,912 |
| Filter Renovation Vizcachitas - Tagle | 1,021,239 |

### *3.2. Analysis of liabilities and equity*

Liabilities payable as of March 2022 increased by ThCh$9,792,639 regarding December 2021.

Current liabilities increased by ThCh$3,739,479. This variation was mainly due to higher current financial liabilities of ThCh$3,660,633, mainly associated with the increase in debt in bonds and banks, due to the revaluation of UF and higher interest rates, respectively.

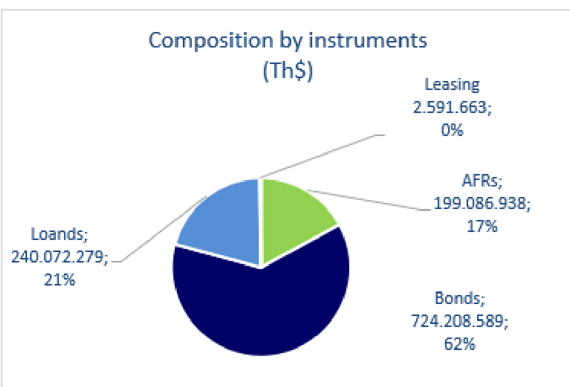
Non-current liabilities presented an increase of ThCh$6,053,160. This variation corresponds mainly to higher debt in bonds of ThCh$6,370,455, associated with the revaluation of the UF for the period.

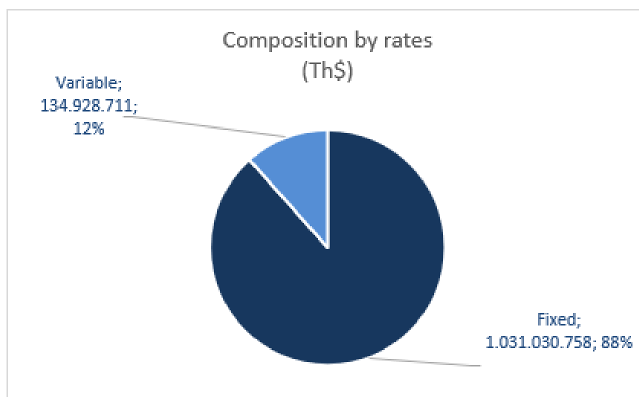
Total shareholders' equity decreased by ThCh$9,195,306, mainly explained by the distribution of dividends, which was partially offset by the income for the period.

The maturity profile of the financial debt as of March 31, 2022 is as follows:

| Financial Debt Th$ | Currency | Total | 12 months | 1 to 3 years | 3 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| AFRs | $ | **199,086,938** | 33,552,035 | 43,827,147 | 32,419,167 | 89,288,588 |
| Bonds | $ | **724,208,589** | 28,074,821 | 23,735,273 | - | 672,398,495 |
| Loans | $ | **240,072,279** | 11,057,567 | 122,925,551 | 106,089,161 | - |
| **Total other financial liabilities** | | **1,163,367,806** | **72,684,423** | **190,487,971** | **138,508,328** | **761,687,083** |
| Leasing liabilities | $ | **2,591,663** | 1,039,214 | 820,658 | 437,529 | 294,262 |
| **Total leasing liabilities** | | **2,591,663** | **1,039,214** | **820,658** | **437,529** | **294,262** |
| **Total** | | **1,165,959,469** | **73,723,637** | **191,308,629** | **138,945,857** | **761,981,345** |

### *3.3. Structure of financial liabilities*



## 4. Cash flow statements

| Cash Flow Statement (Th$) | Mar. 22 | Mar. 21 | % Var. |
|---|---|---|---|
| Operating Activities | 60,529,133 | 50,087,311 | 20.8% |
| Investment Activities | (39,602,985) | (39,364,601) | 0.6% |
| Financing Activities | (54,554,978) | (4,445,139) | 1127.3% |
| **Net Cash Flow for the Period** | **(33,628,830)** | **6,277,571** | **(635.7%)** |
| **Final Cash Balance** | **129,884,484** | **181,223,157** | **(28.3%)** |

Cash flows from operating activities increased by ThCh$10,441,822 when comparing March 2022 with March 2021.

The main variations were as follows:

- Collections from sales of goods and provision of services generated an increase of ThCh$16,819,799, associated with higher average tariffs due to the latest tariff indexations, as well as an increase in sales to residential customers.

- Decrease in the payment of income taxes of ThCh$3,831,706.

- Interest received generated an increase of ThCh$1,699,301, due to higher interest rates in the first quarter of 2022.

These variations were partially offset by the following items:

- Increase in payments to suppliers of ThCh$11,473,242, mainly associated with higher payments to infrastructure suppliers.

The disbursement for investment activities increased by ThCh$238,384, associated to the investments made in the period.

Financing activities generated a negative cash flow of ThCh$50,109,839. This is mainly explained by a higher payment of bank loans, in addition to a dividend payment of ThCh$43,000,049.

## 5. Financial ratios

| | | Mar. 22 | Dec. 21 |
|---|---|---|---|
| **Liquidity** | | | |
| Current liquidity | times | 1.06 | 1.14 |
| Acid ratio | times | 0.51 | 0.66 |
| **Indebtedness** | | | |
| Total indebtedness | times | 1.68 | 1.65 |
| Current debt | times | 0.18 | 0.18 |
| Non-current debt | times | 0.82 | 0.82 |
| Coverage of financial expenses annualized | times | 4.83 | 5.32 |
| **Profitability** | | | |
| Annualized return on equity attributable to owners of the controlling company | % | 12.61 | 11.96 |
| Annualized return on assets | % | 4.45 | 4.60 |
| Annualized earnings per share | $ | 15.70 | 16.45 |
| Dividend return (*) | % | 8.07 | 11.09 |

***Current liquidity:** current assets/current liabilities.*
***Acid ratio:** cash and cash equivalents / current liabilities.*
***Total indebtedness: total** liabilities / total equity.*
***Current debt:** current liabilities / liabilities due.*
***Non-current debt:** non-current liabilities / liabilities payable.*
***Financial expense coverage:** annualized earnings before interest and taxes / annualized financial expenses.*
***Return on equity:** annualized income for the year/average total equity for the year.*
***Return on assets:** annualized income for the year/average total assets for the year.*
***Earnings per share:** annualized income for the year/ number of subscribed and paid-in shares .*
***Dividend yield:** dividends paid per share / share price.*
*(*) The share price as of March 2022 amounts to $167.99, while as of December 2021 it amounts to $155.*

As of March 2022, current liquidity decreased by 7.0%, due to a decrease in current assets of ThCh$17,050,265, as a result of a decrease in tax assets, essentially associated with the tax refund made in 2021, together with a decrease in cash and cash equivalents of ThCh$33,628,830, which is partially offset by an increase in trade debtors and other accounts receivable of ThCh$12,566,159. Additionally, current liabilities increased by ThCh$3,739,479, as a result of an increase in accounts payable to suppliers of expenses and investments.

Indebtedness presented an increase of 1.8%, due to an increase in demandable liabilities of ThCh$9,792,638, mainly associated to higher debt from Banks associated with loans, together with the revaluation of debt in UF. Meanwhile, total shareholders' equity shows a decrease by ThCh$9,195,305.

The return on equity attributable to owners of the controlling company showed an increase of 5.4%, due to a decrease in average equity of ThCh$79,663,464, mainly explained by the payment of dividends and a decrease in income for the year of ThCh$4,591,127.

## 6. Other background information

### *6.1 Tariffs*

The most important factor that determines our results of operations and financial position are the tariffs set for our sales and regulated services. As a sanitation company, we are regulated by the S.I.S.S. and our tariffs are set in accordance with the Ley de Tarifas de los Servicios Sanitarios (Sanitation Services Tariff Law) D.F.L. No. 70 of 1988.

Our tariff levels are reviewed every five years and, during that period, are subject to readjustments linked to an indexation polynomial, if the accumulated variation since the previous adjustment is equal to or greater than plus or minus 3.0% (absolute value), as calculated based on various inflation indexes.

Specifically, the adjustments are applied based on formulas that include the Consumer Price Index, the Manufacturing Sector Imported Goods Price Index and the Manufacturing Industry Sector Producer Price Index, all measured by the Chilean National Institute of Statistics. The latest indexations made by each Group Company were applied on the following dates:

| | |
|---|---|
| Aguas Andinas S.A. | |
| Group 1 | March 2021, August 2021, November 2021 and February 2022 |
| Group 2 | March 2021, July 2021, October 2021 and January 2022 |
| | |
| Aguas Cordillera S.A. | May 2021, September 2021, December 2021 and March 2022 |
| | |
| Aguas Manquehue S.A. | |
| Santa Maria | June 2021, September 2021, December 2021 and March 2022 |
| Los Trapenses | June 2021, September 2021, December 2021 and March 2022 |
| Chamisero | July 2021, October 2021 and January 2022 |
| Chicureo | June 2021, September 2021, December 2021 and February 2022 |
| Valle Grande 3 | October 2021 and January 2022 |

Additionally, the tariffs were increased due to investment works that were approved in the respective tariff decrees. The works mentioned are as follows:

Aguas Andinas S.A.

La Farfana Nitrate Treatment (March 2021)

Aguas Cordillera S.A.

Safety works (September 2021)

The tariffs in force for the period 2020-2025 were approved by Decree No. 33 dated May 5, 2020, for Aguas Andinas S.A., of the Ministry of Economy, Development and Tourism and came into effect on March 1, 2020 (published in the Official Gazette on December 2, 2020). The current tariffs of Aguas Cordillera S.A. for the five-year period 2020-2025 were approved by Decree No. 56 dated September 11, 2020 and became effective as of June 30, 2020 (published in the Official Gazette on February 24, 2021) and the current tariffs of Aguas Manquehue S.A. for the five-year period 2020-2025 were approved by Decree No. 69 dated October 27, 2020 (published in the Official Gazette on March 13, 2021) and became effective as of May 19, 2020 for the Santa María and Trapenses systems, April 22, 2019 for Group 3 Chamisero, July 9, 2020 for Group 2 Chicureo and June 22, 2021 for Group 4 Valle Grande III.

## 6.2 Market risk

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

Adverse weather conditions may eventually affect the optimal delivery of sanitation services, because the processes of catchment and production of Potable Water depend to a large extent on the weather conditions that develop in the watersheds. Factors such as meteorological precipitation (snow, hail, rain, and fog), temperature, humidity, sediment entrainment, river flows and turbidity determine not only the quantity, quality and continuity of raw water available at each intake, but also the possibility that it will be properly treated at the Potable Water treatment plants.

In case of drought, we have significant water reserves that we maintain in the El Yeso, Laguna Negra and Lo Encañado reservoirs, in addition to the contingency plans we have developed, which allow us to reduce the possible negative impacts that could generate adverse weather conditions 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.

## 6.3 Market analysis

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

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

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

Aguas Manquehue S.A. has 100% coverage in potable water, 99.5% of sewage service and 100% in sewage treatment.

## 6.4 Capital investments

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

**Committed Investments.** We are required to agree on an investment plan with S.I.S.S., which describes the investments we are required to make during the 15 years following the date on which the related investment plan becomes effective. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to the maintenance of certain quality standards and service coverage. The aforementioned investment plan is subject to review every five years, and we may request modifications when certain relevant events occur.

Dates of approval and update of the Water Group's development plans:

**Aguas Andinas S.A.**
Greater Santiago: October 29, 2020
Locations: April 06, 2018, October 29, 2020, November 16, 2020, March 26, 2021, June 09, 2021 and August 19, 2021.

**Aguas Cordillera S.A.**
Aguas Cordillera and Villa Los Dominicos: October 29, 2020

**Aguas Manquehue S.A.**
Santa Maria and Los Trapenses: November 09, 2020
Chicureo, Chamisero and Valle Grande III: March 11, 2021
Alto Lampa: December 6, 2018

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

In accordance with international financial reporting standards in force in Chile, in particular IAS 23, interest on equity investments in construction work in progress is capitalized. The aforementioned IAS 23 establishes that when the entity acquires debt in order to finance investments, the interest on such debt must be deducted from the financial expense and incorporated to the financed construction work, up to the total amount of such interest, applying the respective rate to the disbursements made at the date of presentation of the financial statements. Accordingly, the financing costs associated with our capital investment plan affect the amount of interest expense recorded in the statements of operations, and such financing costs are recorded together with construction in progress in "property, plant and equipment" in our statement of financial position.

## *6.5 Financial aspects*

### a) Currency risks

Our revenues are largely linked to the evolution of the local currency. Therefore, our debt is mainly issued in local currency, and we do not have significant foreign currency risks.

### b) Interest rate risk

As of March 31, 2022, the interest rate risk held by Aguas Andinas S.A. is comprised of 88.4% at a fixed rate and 11.6% at a variable rate. The fixed-rate debt is composed of short and long-term bond issues (70.2%), refundable financial contributions (19.3%), bank loans (10.3%) and lease liabilities (0.2%), while the variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2021, the interest rate risk held by Aguas Andinas S.A. is comprised of 88.5% at a fixed rate and 11.5% at a variable rate. The fixed-rate debt is composed of short- and long-term bond issues (70.0%), refundable financial contributions (19.5%), bank loans (10.3%) and lease liabilities (0.2%), while the variable-rate debt corresponds to loans with domestic banks.

The company maintains a policy of interest rate monitoring and management, 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 risk 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 rating for series B. Subsequent to the close of the first quarter, Fitch Ratings assigned AA+ to Aguas Andinas S.A.'s solvency rating and public debt issuance.