

AGUAS ANDINAS



AGUAS
andinas.

Innovando contigo y con Santiago

**Earnings Report
FY 2019**



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💧 **Financial Summary**

💧 **Investments**

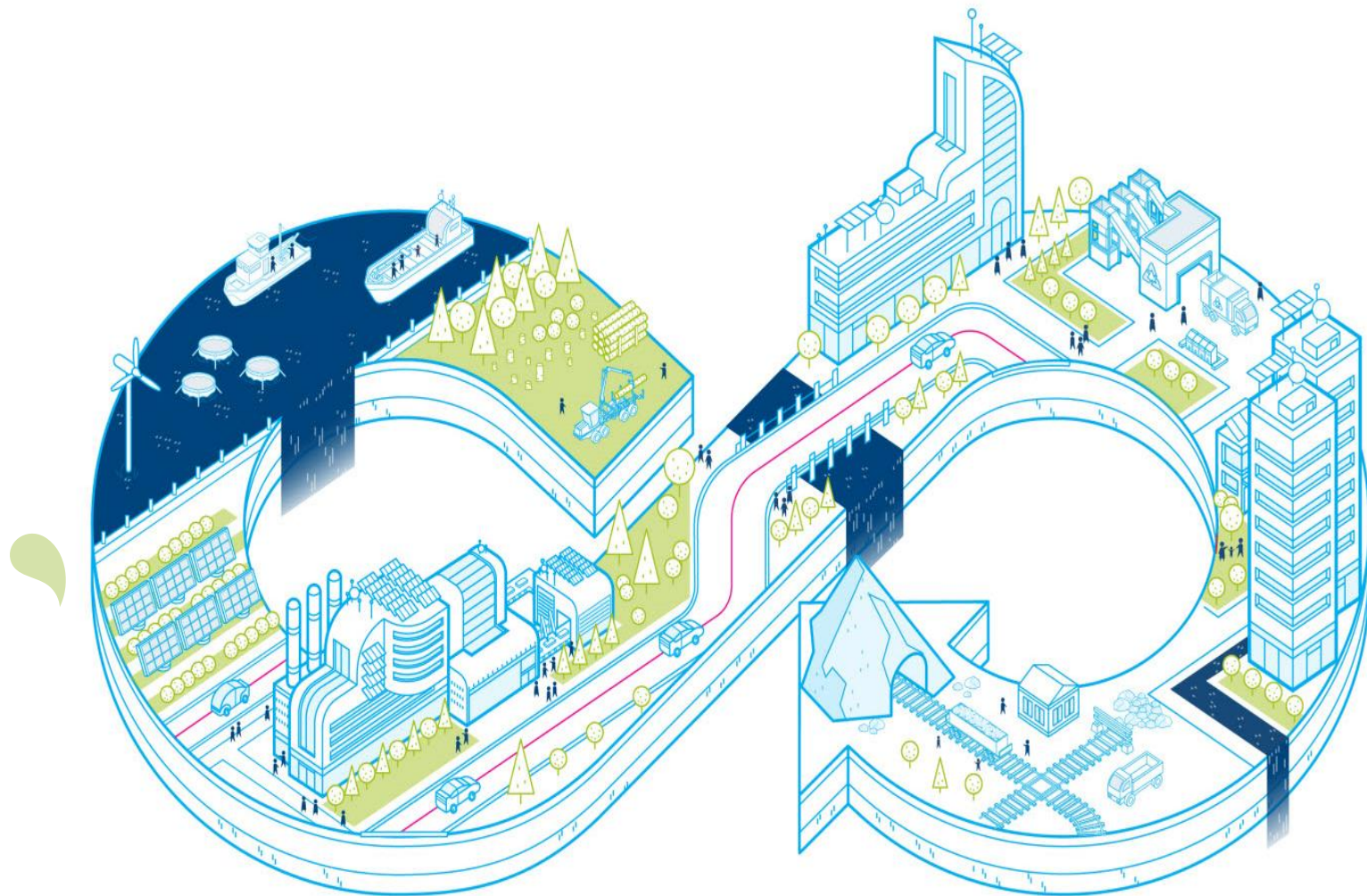
💧 **Water Situation**

💧 **Tariff Revision**

💧 **ESSAL's sale process**

💧 **COVID-19**

💧 **Other topics**



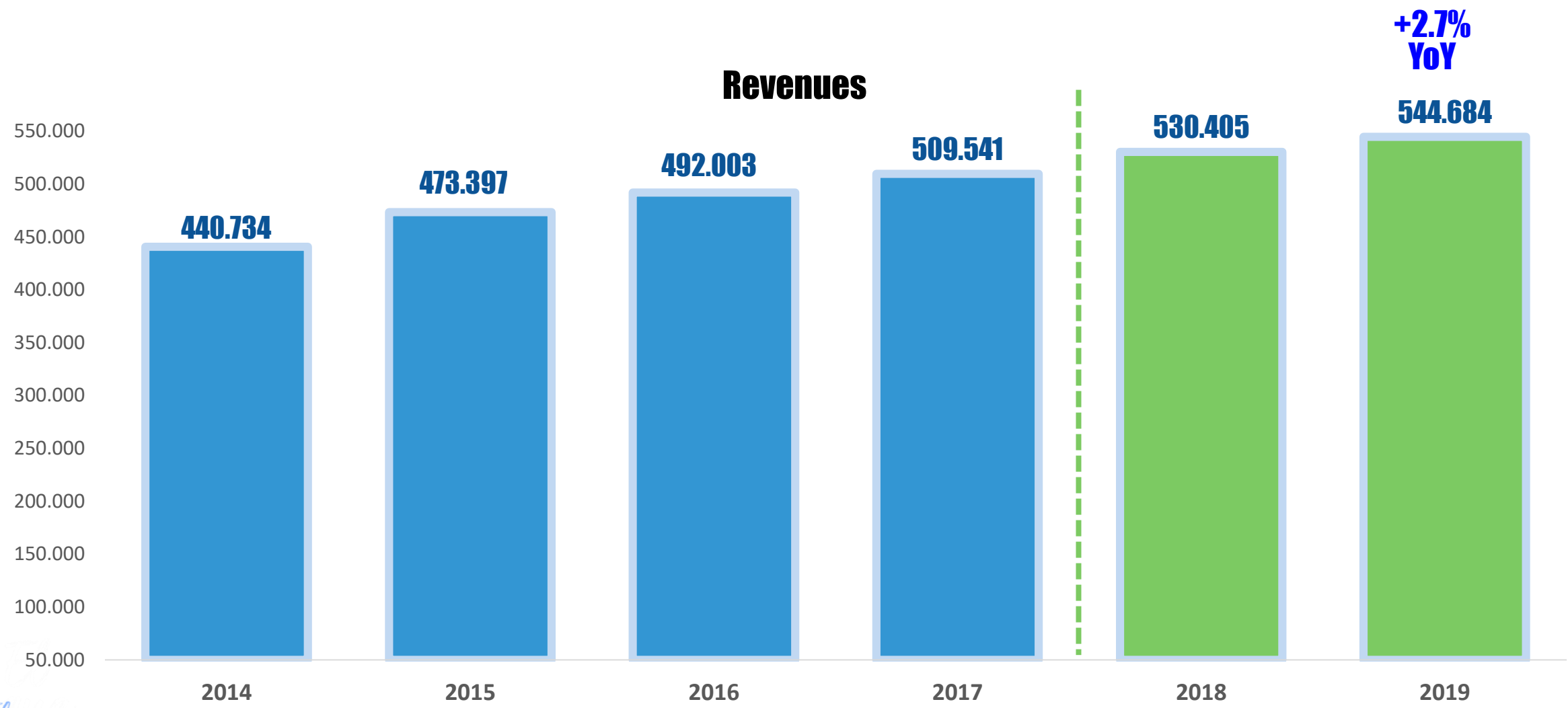
FINANCIAL SUMMARY



Financial Results

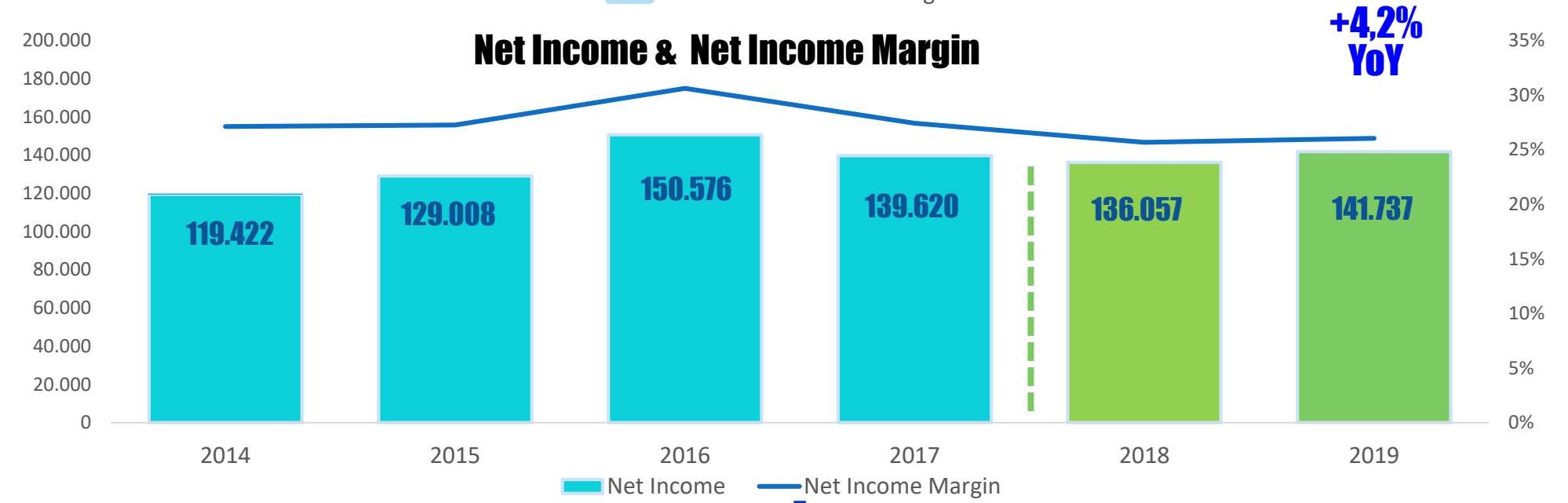
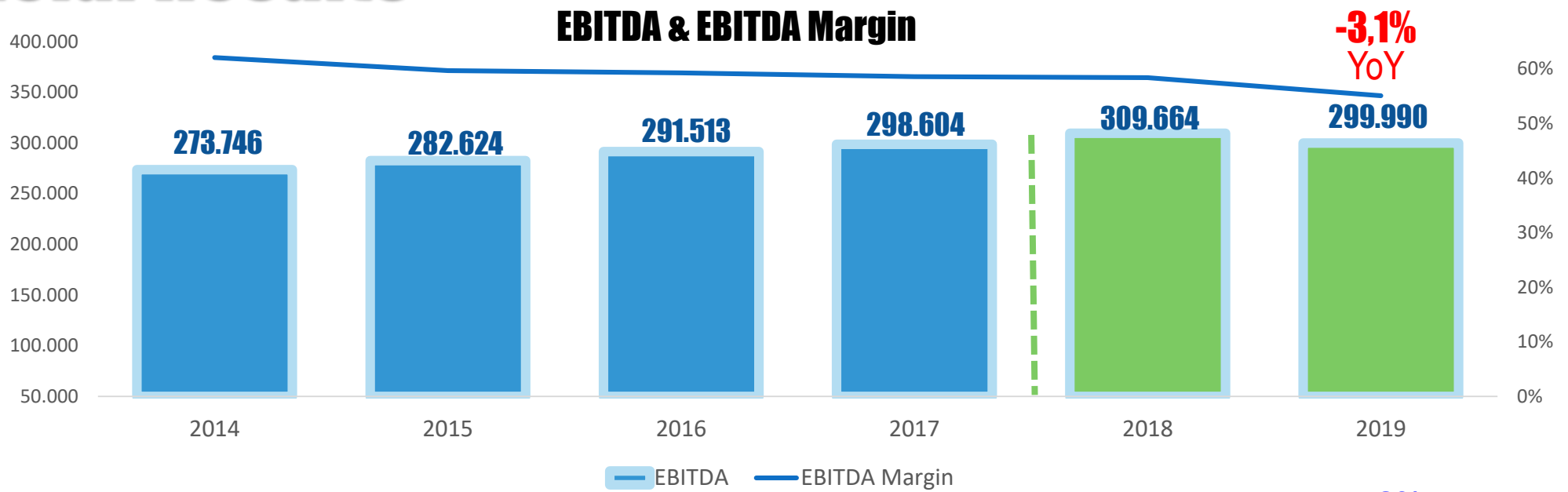
Figures in CLP million

Revenues



Financial Results

Figures in CLP million

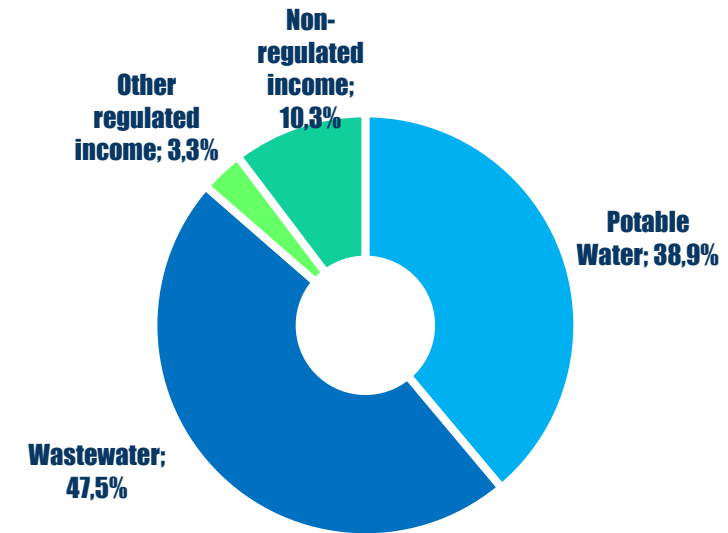
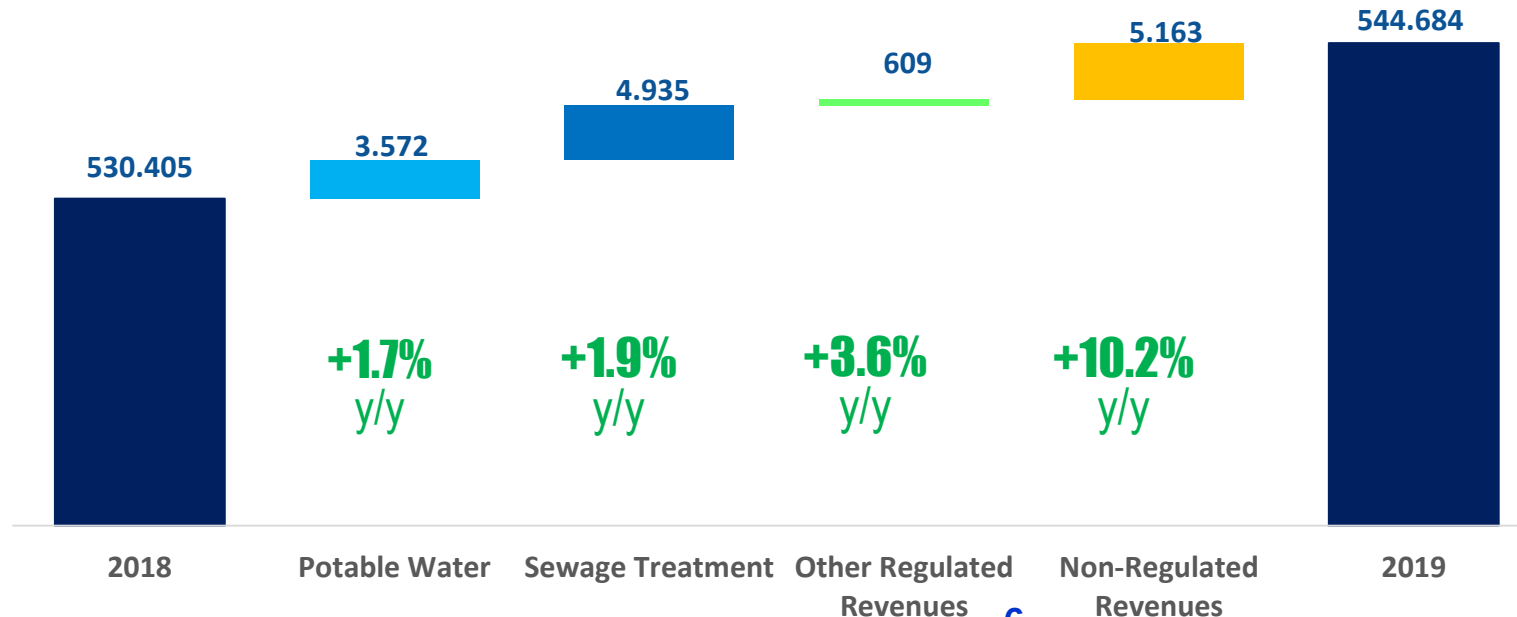


Revenues Increased by 2.7%

Company's revenues increased to \$545 billion

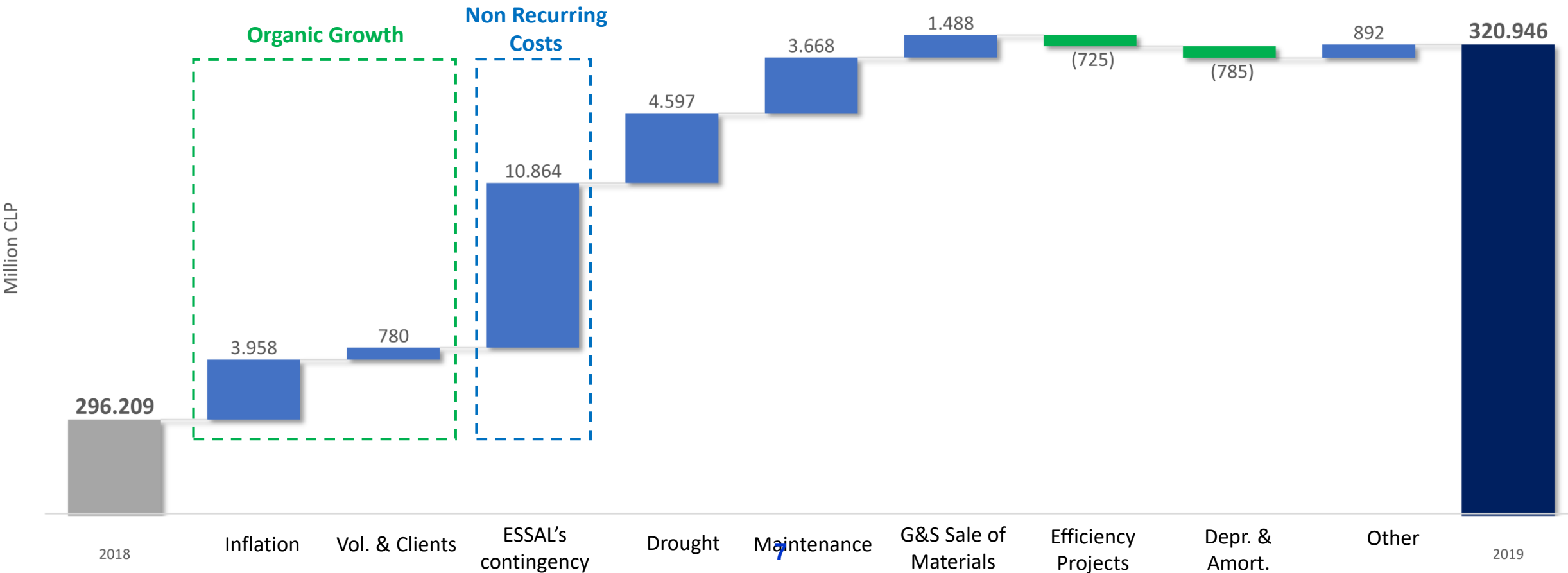
- Regulated Revenue:** +\$9,116 million (increase of 1.9%) mainly due to the rate indexations recorded during 2018 and 2019, the last being in July 2019 (ESSAL) and for Aguas Andinas in September 2018 plus customers increase of 2.2% (2,366,009 in 2019 vs 2,316,107 in 2018).
- Non-Regulated Revenue:** +\$5,163 million during 2019 (10.2% 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.

Operational Revenues (Million Ch\$)



Costs increased by 8.4%*

- 💧 **Contingency in Osorno (ESSAL):** total impact as of December 31, 2019 was \$ 10,864 million, mainly associated with operating expenses to restore the supply of drinking water, compensations to affected customers and other costs derived from the contingency.
- 💧 **Costs associated with Organic Growth:** higher costs associated with a larger customers' base and demand.
- 💧 **Drought Management:** higher cost of \$ 3,276 million for the purchase of raw water and higher cost of electricity (\$ 1,321 million) associated with greater collection of groundwater.



Efficiency Projects

💧 Efficiency improvement projects:

- 💧 The development of process improvement projects and digital transformation has continued, that have allowed containing and reducing certain cost line items such as the following:

Biosolid management

Savings of \$279 million were made from the beneficial use of sludge as fertilizer and soil recuperator.

Other projects

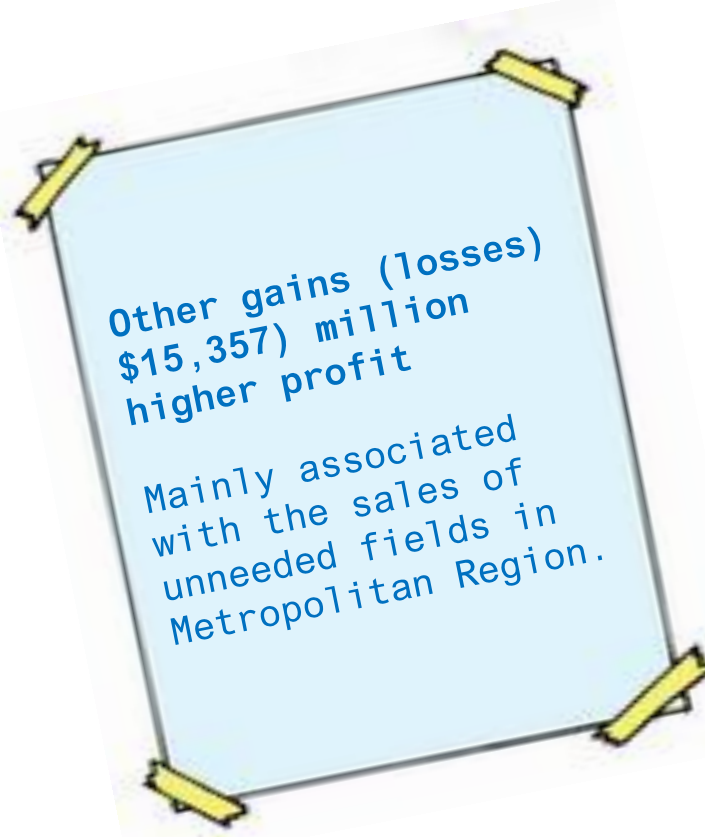
Improvements in costs of customers management services by \$446 million .

Lower electric rates

Savings obtained as a result of the migration plan for clients regulated to free clients, for 52 company enclosures.

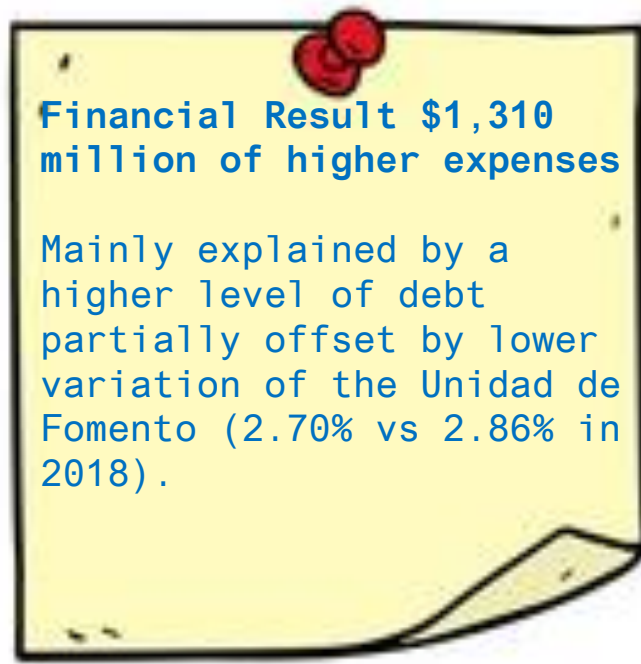


Other Highlights



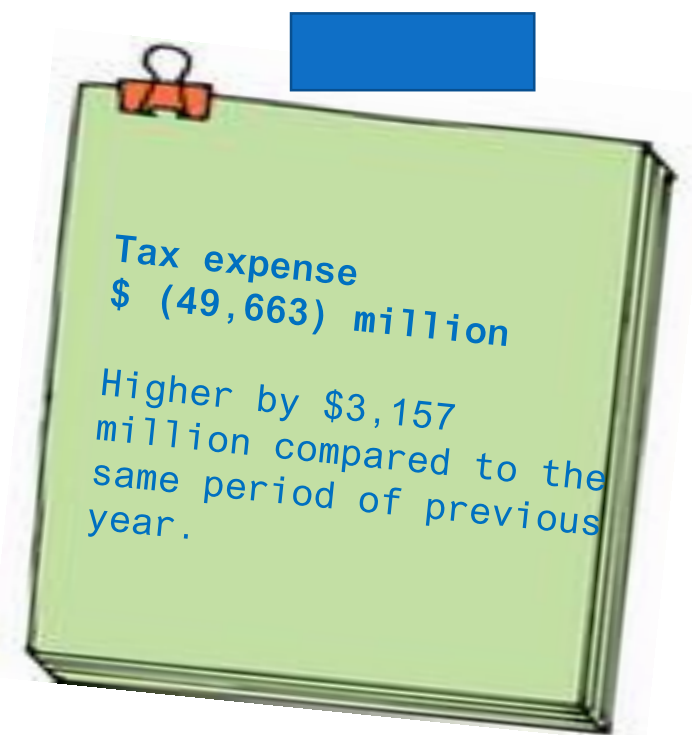
Other gains (losses)
\$15,357) million
higher profit

Mainly associated
with the sales of
unneded fields in
Metropolitan Region.



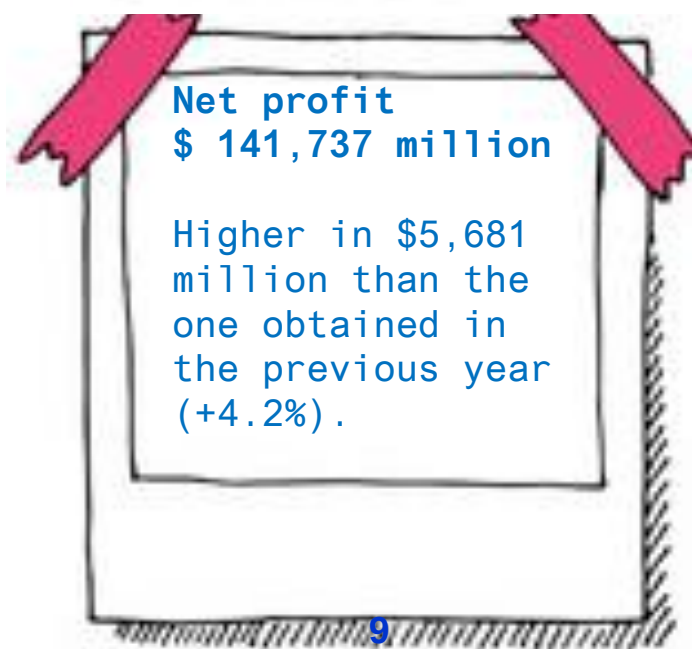
Financial Result \$1,310
million of higher expenses

Mainly explained by a
higher level of debt
partially offset by lower
variation of the Unidad de
Fomento (2.70% vs 2.86% in
2018).



Tax expense
\$ (49,663) million

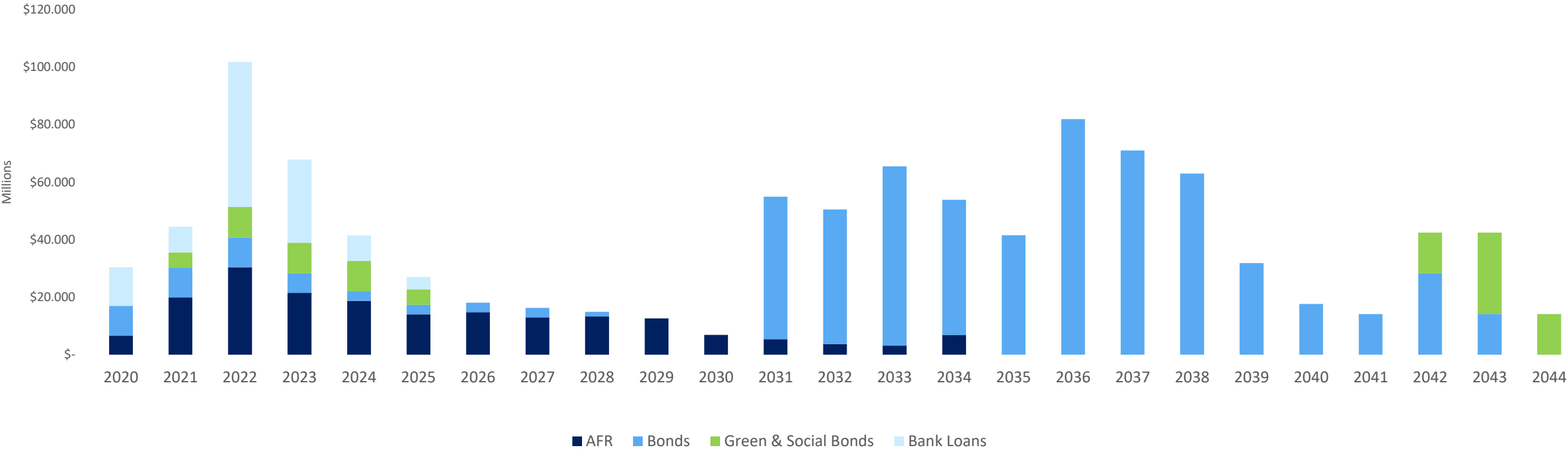
Higher by \$3,157
million compared to the
same period of previous
year.



Net profit
\$ 141,737 million

Higher in \$5,681
million than the
one obtained in
the previous year
(+4.2%).

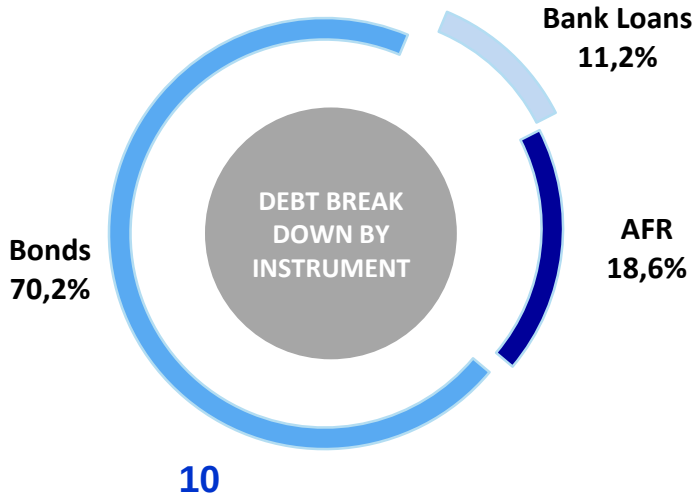
Debt Structure as of December 31, 2019



- Leverage: **1,9x** Limit: **2,0x**
- Financial Expense Coverage: **7,3x**
- Local Credit Rating: **AA+**
- Total Net Financial Debt: **\$ 970.717 million**
- Cash and cash equivalent: **\$72.063 million**
- Net Debt/EBITDA Ratio: **3,2x**



Considers only Capital
Green & Social Bonds (Series AC and AE)

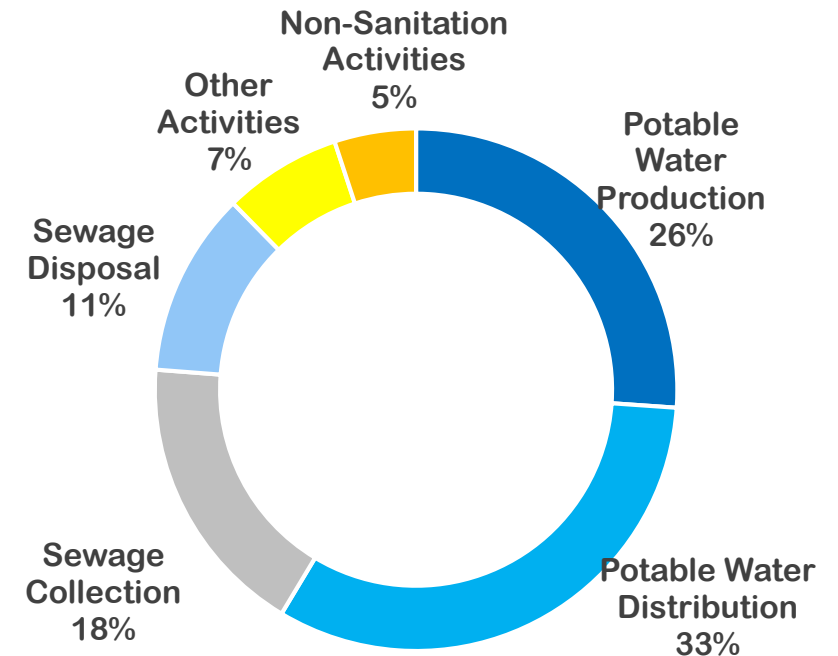


INVESTMENTS

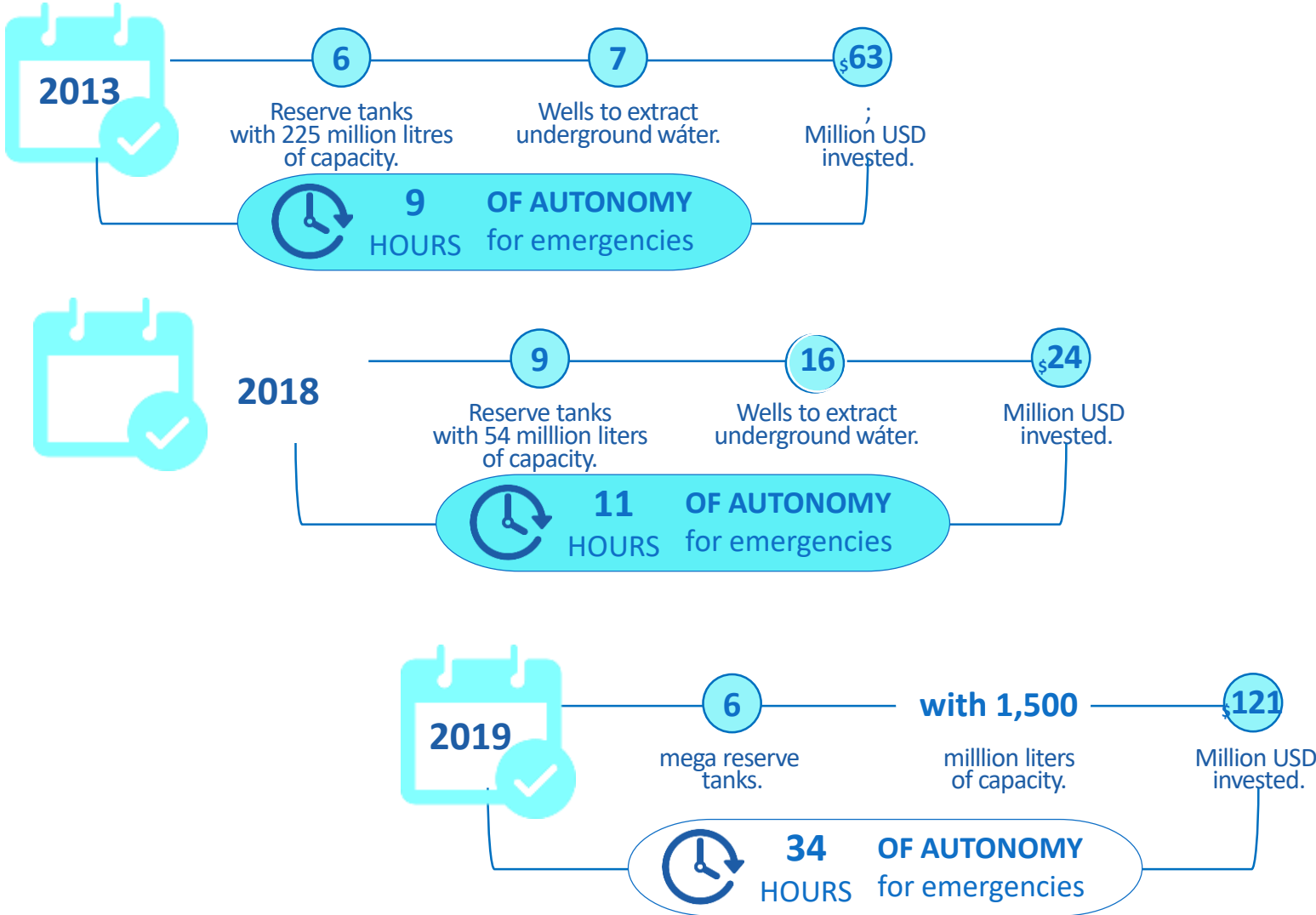


Investments: continuous growth

Investments accrued as of December 2019	Million Ch\$
Pirque Tanks Construction	37.147
Renewal of drinking water networks	8.962
Renewal of sewage networks	8.858
Replenishment of assets of La Farfana and Mapocho-Trebal Biofactories	7.206
Nitrate treatment Biofactorías La Farfana and Mapocho-Trebal	5.587
Starters & Meters	5.265
Cogeneration Biofactories Mapocho-Trebal	4.553
Investments in ESSAL	19.531
Other	37.963
TOTAL	135.071



Project Pirque: operating since February 2020

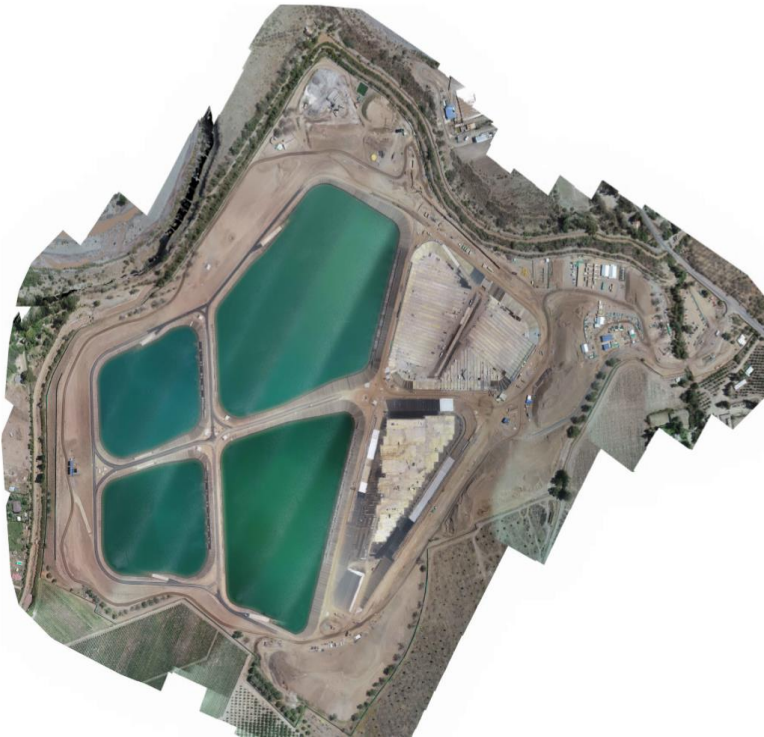


completed



Project Pirque: operating since February 2020

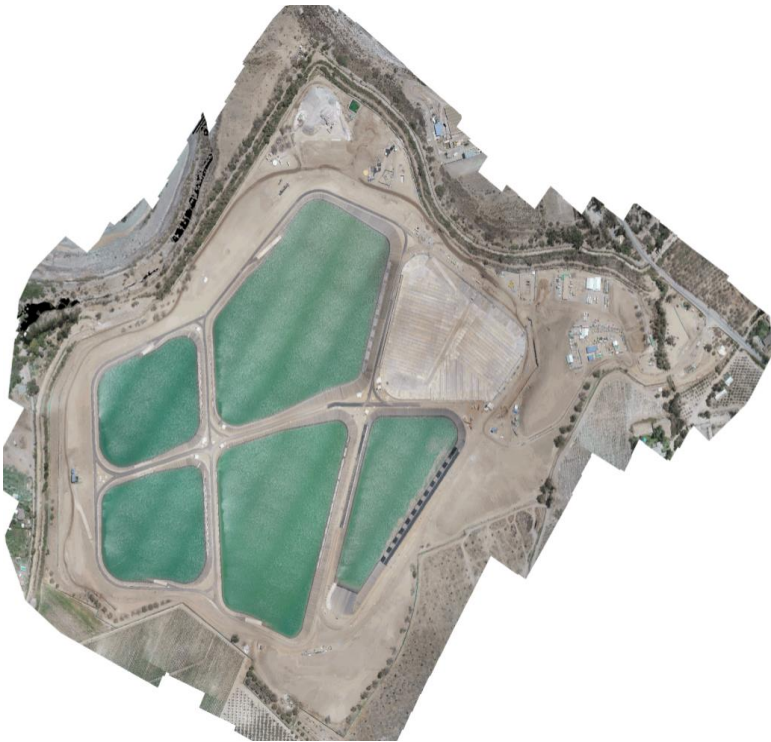
Estanques N° 3 al N° 6 en Servicio (72% Volumen Total)



Ortofoto
27/12/19

Estanques N° 2 al N° 6 en Servicio (86% Volumen Total)

Término de Obras 31/01/20



Ortofoto
03/01/20

Estanques N° 1 al N° 6 en Servicio (100% Volumen Total)



Ortofoto
07/01/20

Hydraulic efficiency plan

Produced Water

Registered Water

Unregistered Water

Irregular Opening of Taps

Every summer, 300 to 500 taps are opened in the city a day, for approximately 6 hours, which means a loss equivalent to the consumption of 130,000 homes



Legitimate Social Uses

Like the one carried out by firefighters and others when extracting water from the existing network of taps in the city for fire control.

Fraud

As in any industry, there are irregular situations where a customer tampers with their meter to avoid paying for the water they consume.



Meter Undercounting

The continuous use during years and the accumulation of sediment, the water consumption meters in the homes are losing precision, thus registering a lower consumption than the real one.

Network leaks

Infrastructure of 13,849 km. exposed to:

- ✓ Telluric movements
- ✓ Third party works on public roads
- ✓ Tree roots in search of water.
- ✓ Natural erosion of water rubbing.



Operational

Net washing, tank overflows, net emptying in breaks and programmed cuts.

Hydraulic efficiency plan



2016

Hydraulic Efficiency Master Plan (2016 - 2026)
(ANR Physics and Apparent)

2019

New Distribution Operational Control Center (CCO)

Incorporation of Satellite Technologies and Tracer Gases

2026

Unregistered Water Goal
22%

Recover **70 Hm3 / year**
(1.49 million inhabitants)

2017

Start Implementation Hydraulic Efficiency Plan

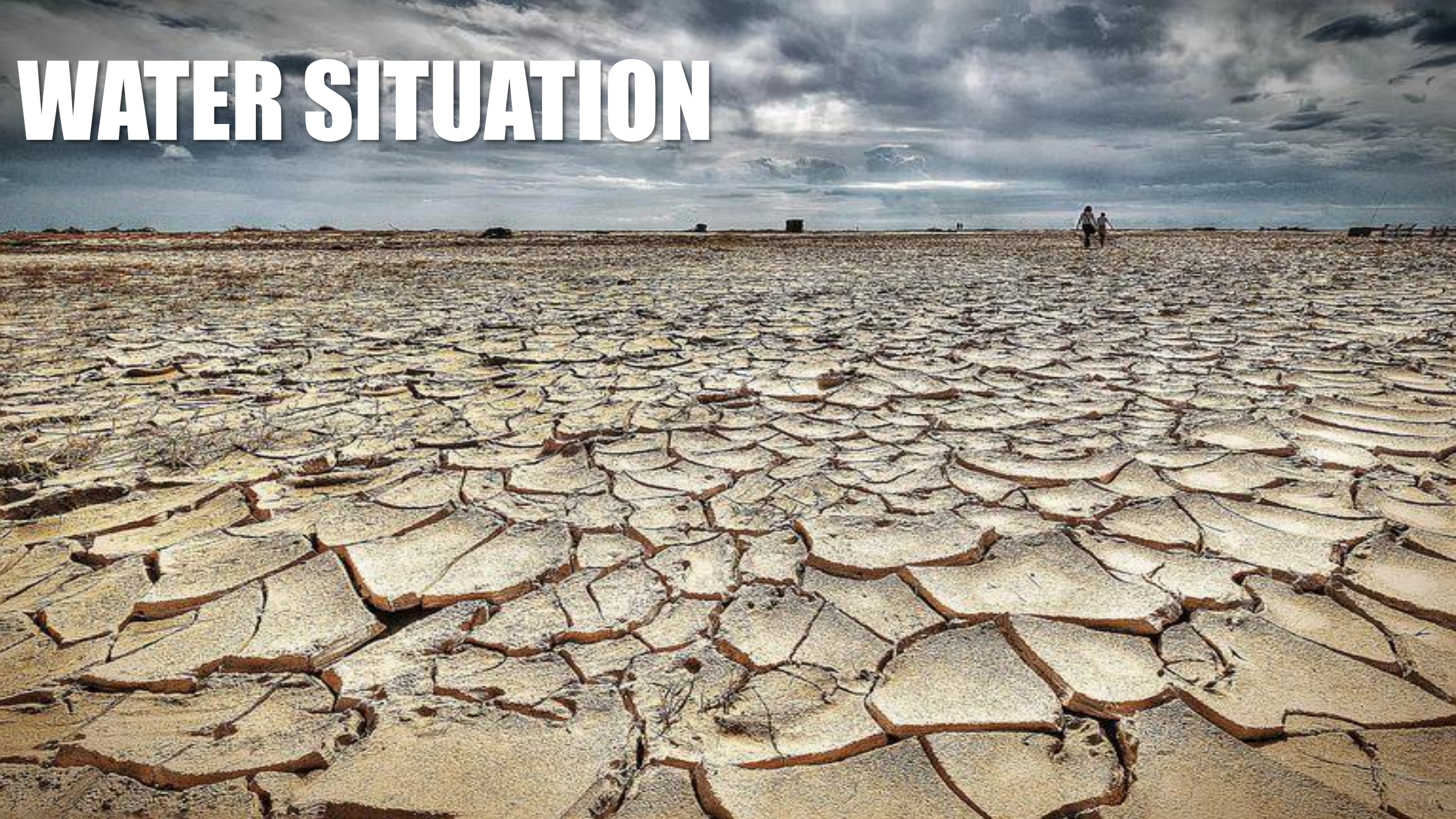
Start digitizing the network
(Sensorization, new Operational Control Center)

Today

Unregistered Water
29.3%

14 Hm3 / year have been recovered
(332,000 inhabitants)

WATER SITUATION



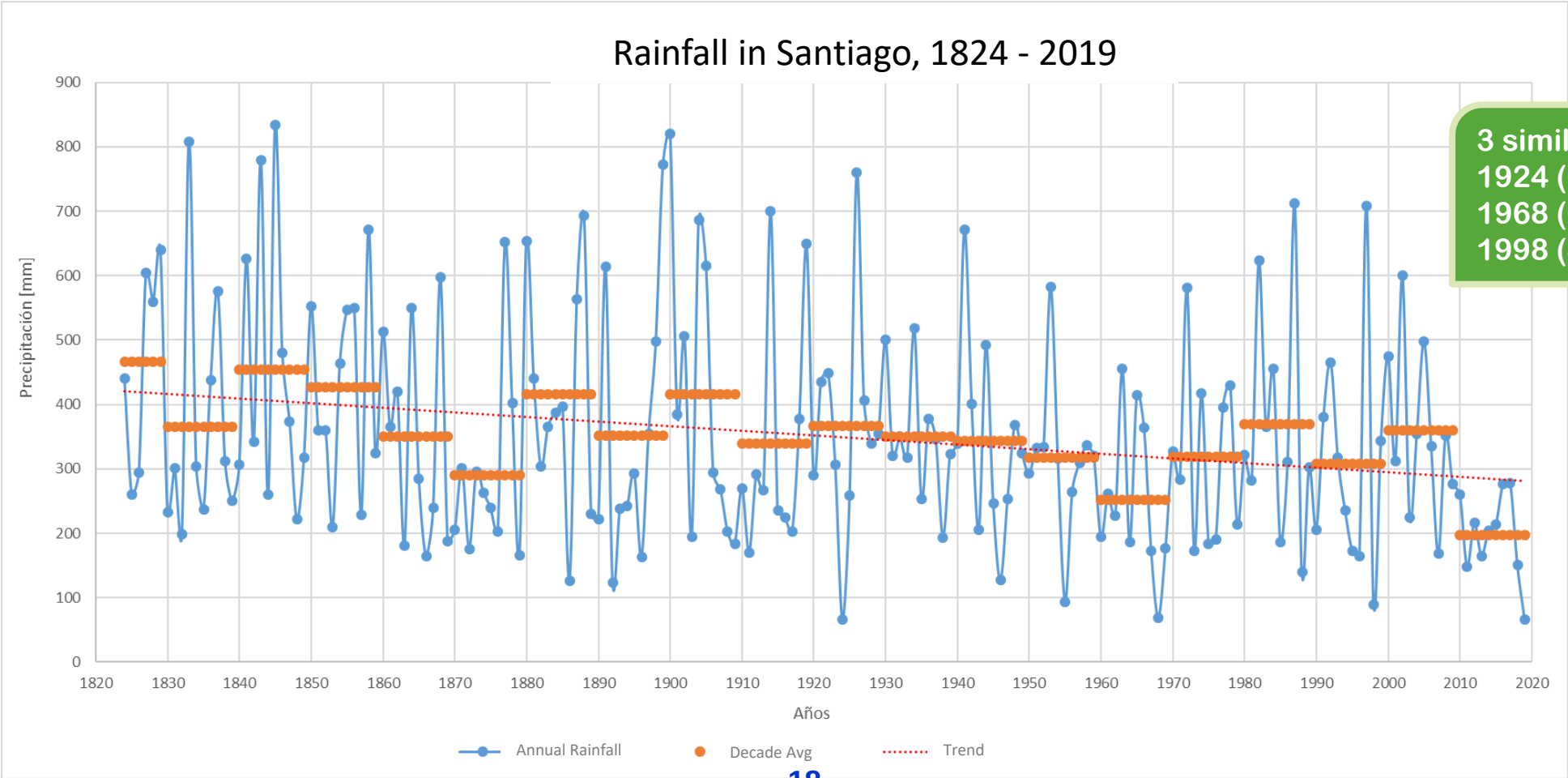
Rainfall in Metropolitan Region



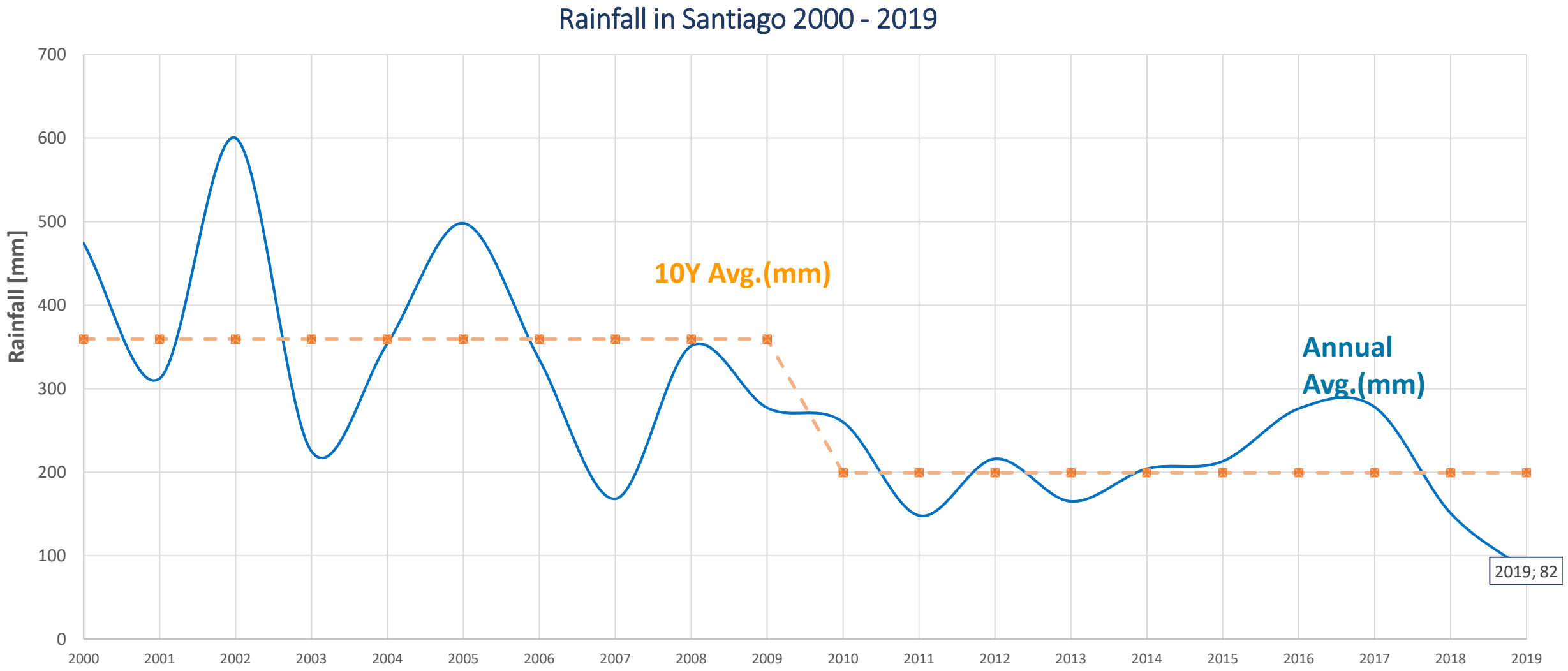
The drought that currently affects the Metropolitan Region, dates from the beginning of the decade, transforming the decade of 2010 into the driest of the last 190 years.



This is how between the 1820s and 2010, Santiago went from having average rainfall of 460 to 198 mm / year.



Latest 20 Years - Rainfall in Metropolitan Region



Addressing water scarcity



Preven mayor uso del recurso ante las medidas para extremar higiene por el covid-19

Regantes del Maipo sumarán nuevos aportes de agua para garantizar mayor consumo humano en Santiago

La Junta de Vigilancia del Río Maipo, que administra y distribuye las aguas de ese caudal, decidió aumentar los aportes para garantizar el suministro de agua potable en el Gran Santiago dado el aumento de consumo esperado por los llamados a extremar los hábitos de higiene y aseo, como medida para enfrentar el coronavirus. El Maipo abastece el 80% del agua que se consume en la capital.

Así, el aporte de los regantes al operador de agua potable de la ciudad (Aguas Andinas) crecerá entre un 12% y 26% entre los meses de

abril y agosto de este año — respecto de los caudales que ya establecieron en septiembre pasado —, con el objetivo de alcanzar una meta de llenado de 100 hectómetros cúbicos (h3) del embalse El Yeso, lo que representa un 45% de su capacidad. Con esto esperan contribuir a la sustentabilidad de la cuenca, inmersa además en el escenario de sequía.

“El objetivo es mejorar los niveles de almacenamiento del embalse El Yeso durante el invierno. Con ello además se podrá asegurar

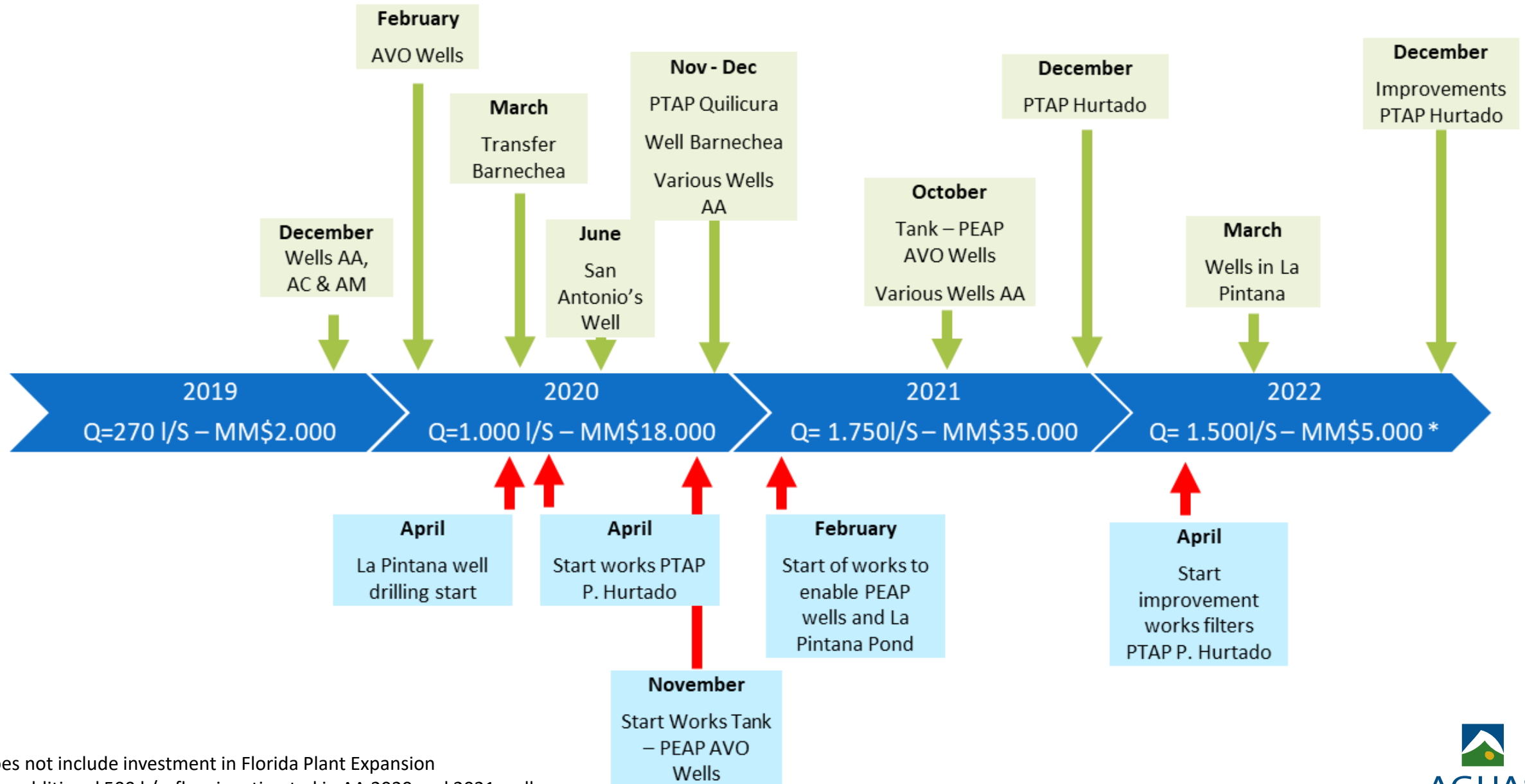
la continuidad de suministro, la que cobra aún más importancia por la emergencia sanitaria que estamos viviendo, y que se prevé nos afectará por varios meses”, dijo Natalia Dasencich, encargada de asuntos legales de la Junta de Vigilancia del Río Maipo, primera sección.

“Si bien la emergencia del covid-19 comenzó hace un par de semanas, es razonable pensar que los requerimientos de agua para consumo y saneamiento de la ciudad aumentarán”, agregó.

Media Campaigns



Plan to face Draught



* Does not include investment in Florida Plant Expansion

** An additional 500 l / s flow is estimated in AA 2020 and 2021 wells

Plan to face Draught

✓ Collaborative work with the vigilance boards of the Maipo and Mapocho rivers



✓ The previous agreements were possible thanks to the permanent management of water resources with these associations and the issuance of scarcity decrees in the Maipo River in the months of September 2019 and March 2020.



✓ Water purchase agreement with the Maipo River Surveillance Board (09/2019 and 03/2020) guarantee supply in summer 2021 in the event that the flows of the Maipo and Mapocho rivers are similar to those of 2019.

✓ Also in relation to the Mapocho river, a shortage zone was decreed in October 2019 and, in addition, an agreement was reached with the JVRM* to make the use of flows more flexible for the benefit of drinking water, if necessary.

Tariff Revision

Resolution Seventh Tariff Process 2020-2025



Additional Works
(Ch\$ as of Dec. 2018)

Pirque Tanks for a TNLTC of Ch \$ 6,596 million
(03/20)

Nutrient removal in Farfana (03/20) and Trebal
(03/21) treatment plants by a TNLTC of Ch \$ 4.9
billion

Biosolids encapsulation in El Rotal TNLTC of Ch \$
1,087 million

Works for up to 37 hours of autonomy, for a TNLTC
of Ch \$ 2,399 million (03/22)

Works for up to 48 hours of autonomy for a TNLTC of
Ch \$ 3,047 million



-1.5%

Tariff for security works for turbidity
events (12 hours of autonomy) TNLTC of
Ch \$ 1,294 million

Additional tariff for electrical safety
works (generators) TNLTC of Ch \$ 315
million

Additional tariff for installation of TNLTC
macrometers of Ch \$ 61 million

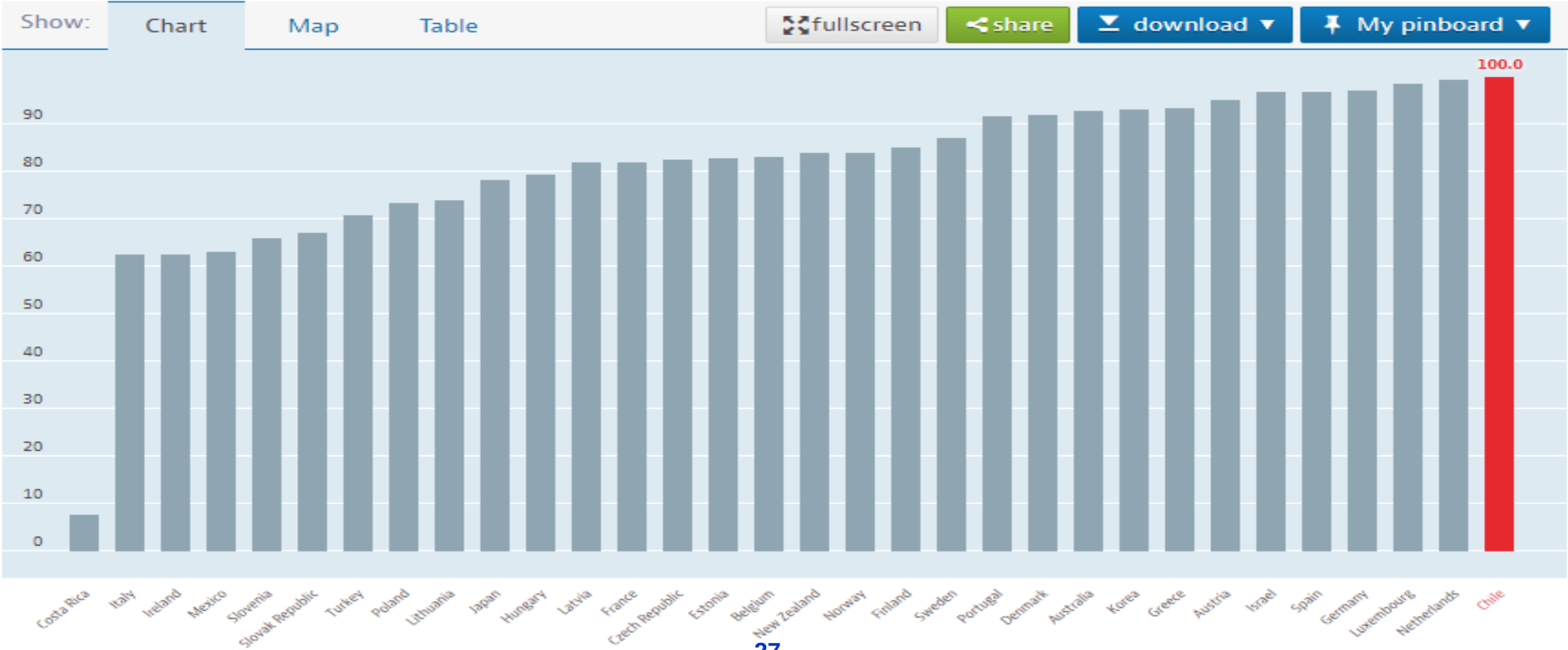
Water Quality Standards



Fuente: US Centers for Disease Control (CDC)

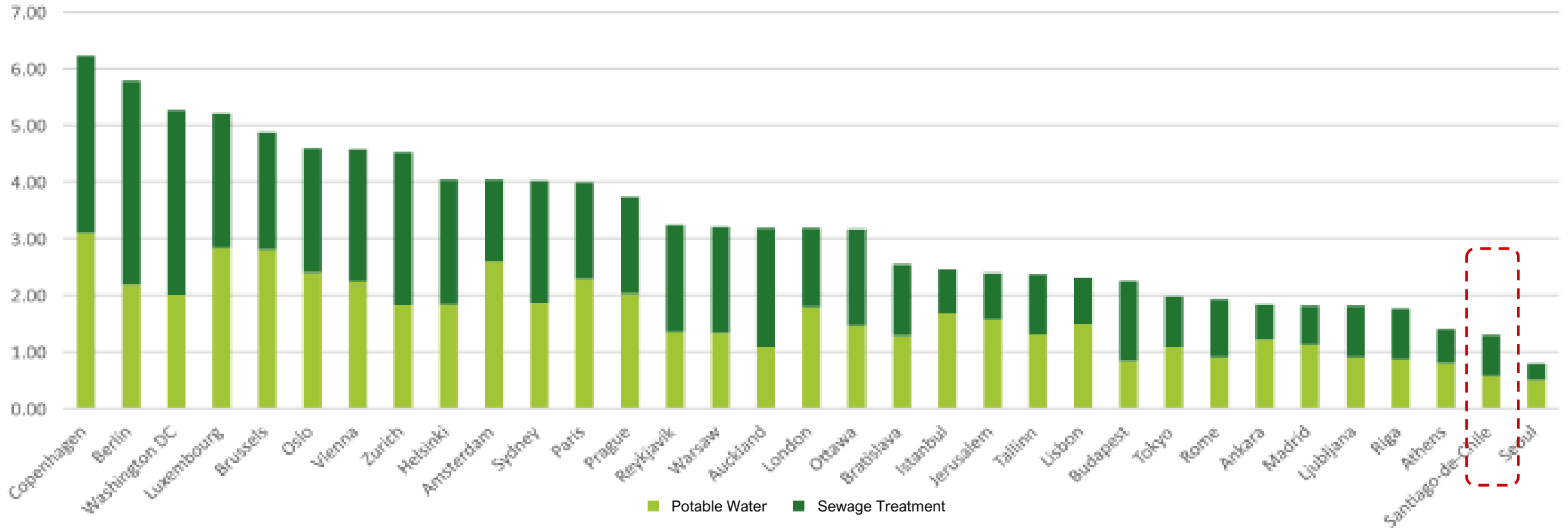
Chile is the world leader in urban wastewater treatment coverage

Wastewater treatment Total, Percentage, 2017 or latest available Source: Water: Wastewater treatment



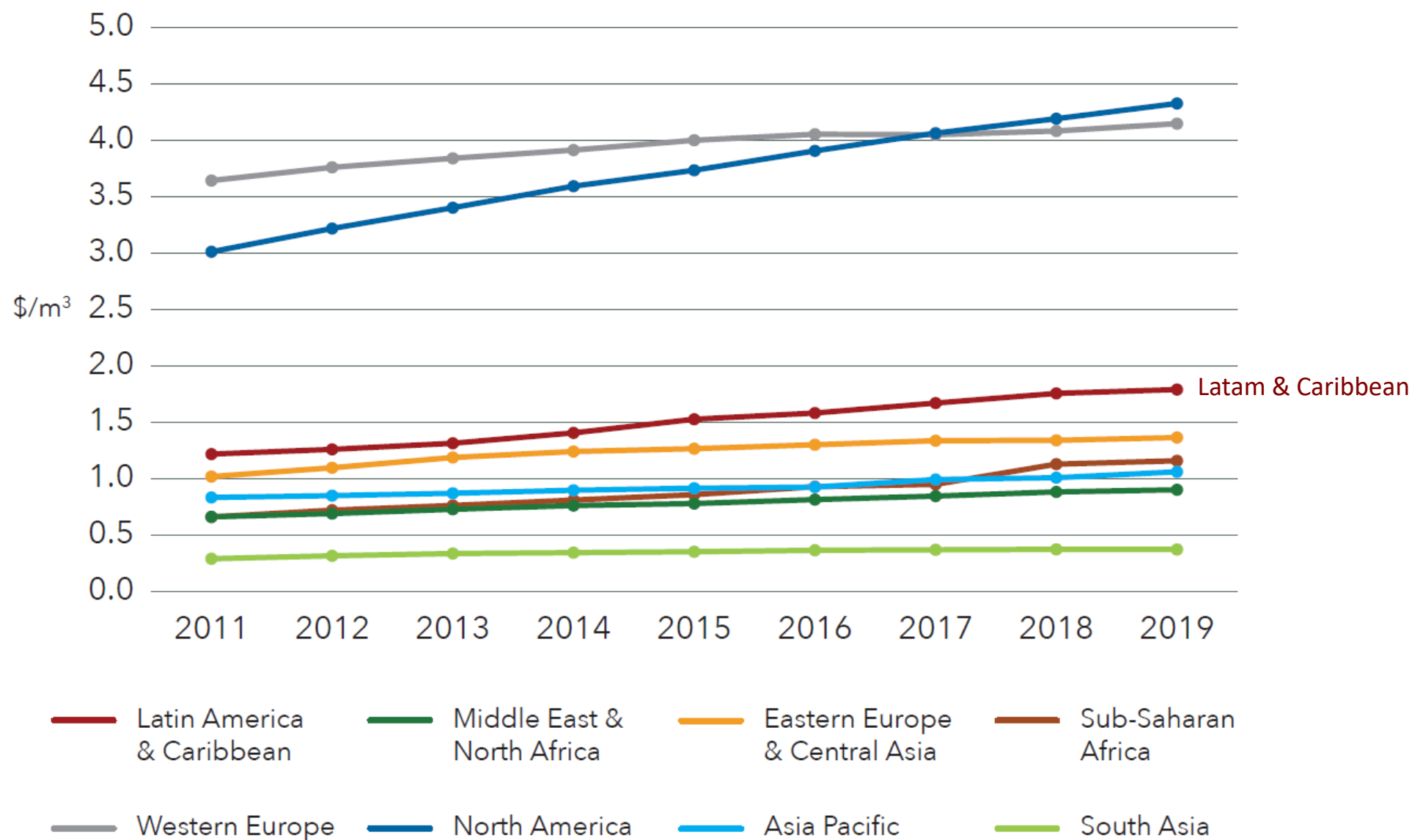
OECD Tariffs

Comparison in USD / M3 based on monthly consumption of 15 Mt3



- Aguas Andinas tariffs (i) do not include any type of subsidy (ii) Santiago is located in a semi-desert area, unlike most other capitals plotted
- Seoul's low rates are due to the existence of subsidies for drinking water and sewage, which allows drinking water accounts to represent less than 2% of the family income of the lowest income decile.

Evolution of Water and Sanitation Tariff



ESSAL's sale process





COVID-19

Operational Plan and Protocols endorsed by competent Health bodies



Operational and Corporate Plan

General Protocols

- **Home Office:** 40% of personnel in home office mode, implemented in the maximum number of processes possible.
- **Field staff:** Reorganization of tasks and shifts in all field personnel.
- **Social distancing:** Generation of smaller and independent teams. Transfer protocols and strict shift changes to avoid contacts.
- **Cleaning and disinfection:** Increase in the frequency of cleaning and disinfection of rooms.



- **Communication:** Strengthening of technological equipment and platforms, physical and digital security.
- **Occupational health:** Creation of a Diagnose Committee, advised by certified experts in epidemiology



Water resources and production of drinking water

- **Backup:** Operators training as eventual back-up of production in Potable Water.
- **Critical inputs:** Coordination with critical suppliers. Additional stock in progress.
- **Contractors:** Request of contingency plans to Contractors.

+ Confinement plan

Sanitation sector's proposal to help vulnerable clients



Suspension of service cut due to late payment of your bills



This plan will be available to clients who make up the 40% of the most vulnerable households, according to the Social Registry of Homes, and who register a monthly consumption that does not exceed 10 cubic meters in each month of the period.



The unpaid balances that originate in consumptions originated during the validity of the Catastrophe State, will be prorated in up to 12 months, from the end of the Catastrophe State, without fines or interest.



Proven cases of vulnerability or inability to pay due to the Catastrophe State that so request may access this benefit, including:

- Over 60Y with payment difficulties.
- People who have lost their jobs during the State of Catastrophe.





Other Topics

Judgment Judgment for water outage in 2016



On March 30, 2020, we were notified of an unfavorable sentence in the class action lawsuit initiated by SERNAC against Aguas Andinas regarding the massive cut of drinking water due to turbidity of the Maipo River that occurred in April 2016.



In April 2016, the Maipo River registered episodes of extreme turbidity, so the water service had to be interrupted due to this force majeure for a period of between 1 and 2 days in most of the city, reaching 3 days in some specific and limited sectors



SERNAC sued Aguas Andinas in a suit protecting the collective interest and asked the Court for compensation in favor of the affected clients, without specifying the number of clients or the amount required, both determinations being left to the discretion of the Tribunal. Aguas Andinas answered this demand and presented the evidence of the case, but disregarding said antecedents, a sentence was passed condemning the company to pay a total of approximately \$ 25,657 MM for the consumers of 23 communes (approx. 1,521,504).



The judgment of the 4th Civil Court of Santiago can be appealed at the Court of Appeals, and later in the Supreme Court, stages that the company is preparing.



The main reasons for challenging this judgment are: (i) the defense of a fortuitous case is rejected and it is decided that just executing a court causes compensable damage, as if it were strict liability; (ii) the true total of those affected by the event was 1,023,831 (not 1.5 million as it turns out if it is estimated based on the total number of clients in 23 communes); (iii) compensation is set at 3 days of interruption, which is wrong, since the cut lasted 2 days and only for a very small number of people was it extended to 3; and (iv) a claim expense concept is compensated (0.15 UTM, \$ 7,503), extending it to all users and not only to those who actually carried out this procedure, which were 69 clients, since SERNAC demanded the return of this expense exclusively for the latter (ultra petita).



We believe that the ruling is disproportionate and contains numerous errors, which is why we are confident of reversing it in the 2nd instance and / or the Supreme Court.

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