



## **EARNINGS RELEASE**

**Period ending on  
September 30, 2018**

## 1. Summary of 2018

- During the third quarter of 2018, the Company's revenues amounted to CLP Th\$390,688,218, CLP Th\$16,047,398 (4.3%) higher than obtained in the same half of 2017. This increase was mainly explained by higher sales volumes, with an increase of 4.1% in potable water and 3.7% in wastewater, together with indexations recorded during 2017 and 2018. The last indexation of Aguas Andinas was registered on September 5, 2018 with weighted average of 2.57% for the Group I.
- Non-regulated subsidiaries increased their sales by CLP Th\$649,423, which was mainly explained by higher sales of Environmental Analysis laboratory services and higher sales of methane gas from the Aguas del Maipo subsidiary. This was partially offset by lower revenues in Gestión y Servicios due to lower sale of materials.
- Costs increased by 4.2% mainly due to an increase in electricity costs of CLP Th\$1,590,133, due to higher consumption due to larger sales volume, originated by higher groundwater collection and potable water elevation caused by the lower availability of water in the rivers of the Metropolitan Region and also to higher tariffs. Also, there was recorded a higher cost of CLP Th\$2,643,164 by purchase of raw water to supply drinking water production plants. There were also increases of CLP Th\$3,033,133 in personnel expenses due specially for CPI readjustments and benefits paid due to a collective bargaining process completed in January of this year and which will be effective for the next 3 years.
- Additionally, there were recorded lower costs in biosolids management of wastewater for CLP Th\$382,855 and lower uncollectible provision for CLP Th\$2,279,504 due to greater efforts in collection management. This was partially offset by higher activity in network maintenance for CLP Th\$719,557, higher cost for increase in new services activity requested by customers for CLP Th\$353,452, higher costs in customer management for CLP Th\$479,928 and higher real estate contributions for CLP Th\$165,033.
- EBITDA for the period reached CLP Th\$266,752,807, an increase of 4.4% when compared to the same period of the previous year.
- Other revenues were obtained by CLP Th\$1,572,729, CLP Th\$186,786 lower than obtained the same quarter of 2017, due to higher sales of expendable lands located in different municipalities of Metropolitan Region by CLP Th\$3,405,018, partially offset by organizational restructuring costs of year 2018 by CLP Th\$2,874,263.
- Financial income displayed a loss of CLP Th\$34,405,175, higher by CLP Th\$7,232,887 than that of the previous year, mainly as a result of a higher revaluation of the debt in Unidades de Fomento (Indexation Units).
- For financing of Company's investment plan and the refinancing of liabilities, there were made in April of this year 2 bonds issuing with the following characteristics:
  - "Green and Social Bond" AC series by UF 1.5 million, structured to 7 years term at 1.8% rate.
  - Series AD Bond by UF 2.0 million, structured to 25 years term at 2.83% rate.
- Income tax expense at the end of the third quarter of 2018 was CLP Th\$34,265,159, CLP Th\$629,363 higher than obtained the same quarter of the previous year. This variation was mainly explained by the change in the tax rate from 25.5% to 27.0% due to the Tax Reform, added to a higher before taxes result of CLP Th\$325,579.

- Net income as of September 30, 2018 amounted to CLP Th\$50,067,150, CLP Th\$288,222 (0.6%) higher than obtained in the third quarter of the previous year.

## 2. Results

### 2.1 Accumulated Results

Income Statement (Th\$)	Sep. 18	Sep. 17	% Var.	2018 - 2017
Ordinary Revenues	390,688,218	374,640,820	4.3%	16,047,398
Operational Costs and Expenses	(163,935,411)	(157,385,624)	4.2%	(6,549,787)
<b>EBITDA</b>	<b>226,752,807</b>	<b>217,255,196</b>	<b>4.4%</b>	<b>9,497,611</b>
Depreciation and Amortization	(56,870,224)	(55,117,865)	3.2%	(1,752,359)
<b>Income from Operations</b>	<b>169,882,583</b>	<b>162,137,331</b>	<b>4.8%</b>	<b>7,745,252</b>
Other Earnings	1,572,729	1,759,515	(10.6%)	(186,786)
Financial Result*	(34,405,175)	(27,172,288)	26.6%	(7,232,887)
Tax expense	(34,265,159)	(33,635,796)	1.9%	(629,363)
<b>Net earnings</b>	<b>50,067,150</b>	<b>49,778,928</b>	<b>0.6%</b>	<b>288,222</b>

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

### 2.2 Revenue Analysis

	Sep. 18		Sep. 17		Variation	
	Sales		Sales			
	CLP Th\$	Participation	CLP Th\$	Participation	CLP Th\$	%
Potable Water	158,258,199	40.5%	148,198,871	39.5%	10,059,328	6.8%
Wastewater	189,238,165	48.5%	177,140,698	47.3%	12,097,467	6.8%
Other Regulated Income	7,584,206	1.9%	11,170,218	3.0%	(3,586,012)	(32.1%)
Non-Regulated Income	35,607,648	9.1%	38,131,033	10.2%	(2,523,385)	(6.6%)
<b>Total</b>	<b>390,688,218</b>	<b>100.0%</b>	<b>374,640,820</b>	<b>100.0%</b>	<b>16,047,398</b>	<b>4.3%</b>

Sales Volume (Thousands of m <sup>3</sup> )	Sep. 18	Sep. 17	% Var.	Difference
Potable Water	448,541	430,800	4.1%	17,741
Wastewater Collection	429,613	414,471	3.7%	15,142
Wastewater Treatment and Disposal	373,833	362,304	3.2%	11,529
Interconnections*	96,706	77,142	25.4%	19,564
<b>Customers</b>	<b>Sep. 18</b>	<b>Sep. 17</b>	<b>% Var.</b>	<b>Difference</b>
Potable Water	2,303,852	2,249,314	2.4%	54,538
Wastewater Collection	2,250,716	2,195,996	2.5%	54,720

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

## a. Regulated Business

### 1. Potable Water

Revenues from potable water during the third quarter of 2018 reached CLP Th\$158,258,199, which meant an increase of CLP Th\$10,059,328 over the same quarter of 2017, as a result of higher volumes supplied together with the indexations recorded during 2017 and 2018. The last indexation of Aguas Andinas was registered on September 5, 2018.

### 2. Wastewater

Wastewater revenue during the third quarter of 2018 reached CLP Th\$189,238,165, an increase of 6.8% when compared to CLP Th\$177,140,698 recorded in the same quarter of 2017. The increase of CLP Th\$12,097,467, was mainly due to a higher volume of supply, together with the indexations recorded during 2017 and 2018, being the last registered on September 5, 2018.

### 3. Other Regulated Revenue

This item displays a decrease of CLP Th\$3,586,012, which was mainly explained by the variation in the provision of non-billed consumptions, partially offset by higher income associated to fixed charges to customers.

## b. Non-Regulated Income

Non-regulated revenue decreased by CLP Th\$2,523,385 during the third quarter of 2018 when compared to the same quarter last year. This variation was explained by:

### 1. Water Utility Services

A decreased of CLP Th\$3,172,808, mainly due to lower income associated to changes of sanitary infrastructure requested by customers.

### 2. Non Water Utility Services

An increase of CLP Th\$649,423 was mainly explained by larger sales of Environmental Analysis laboratory services and larger sales of methane gas from the subsidiary Aguas del Maipo. This was partially offset by lower revenue from Gestión y Servicios due to lower sales of materials.

(ThCh\$)	Sep. 18	Sep. 17	% Var.
Anam S.A.	3,312,815	3,098,442	6.9%
EcoRiles S.A.	9,872,252	9,801,761	0.7%
Gestión y Servicios S.A.	4,722,255	4,885,039	(3.3%)
Aguas del Maipo S.A.	823,493	296,150	178.1%
<b>Non-regulated, non-sanitation companies</b>	<b>18,730,815</b>	<b>18,081,392</b>	<b>3.6%</b>

## **2.3. Expense Analysis**

### **a) Raw Materials and Consumables Used**

As of September 30, 2018, raw materials and consumable costs were CLP Th\$29,441,408, CLP Th\$4,337,042 higher than in the third quarter of the 2017 financial year. The increase was mainly due to the purchase of raw water by CLP Th\$2,643,164 to supply potable water production plants. Additionally, there was registered a higher electricity costs by CLP Th\$1590,133, due to higher consumption associated to sales volumes, caused by higher groundwater and potable water lifting due to lower water availability in the rivers of the Metropolitan Region and higher tariffs.

### **b) Expenses for Personnel Benefits**

At the end of the third quarter of 2018, expenses for personnel benefits reached CLP Th\$43,839,242, which is CLP Th\$3,033,133 higher than in the third quarter last year, mainly due to CPI readjustments together with benefits paid due to a collective bargaining process completed in January of this year and which will be in force for the next three years.

### **c) Depreciation and Amortization Expenses**

As of September 30, 2018, depreciation and amortization amounted to CLP Th\$56,870,224, higher by CLP Th\$1,752,359 than in the third quarter of 2017. This was the result of the depreciation associated with the new assets acquired during the period.

### **d) Other Expenses**

At the end of the third quarter of 2018, these expenses amounted to CLP Th\$90,654,761, which is CLP Th\$820,388 lower than the amount recorded for the same period in 2017, mainly due to lower costs in Biofactory sludge management for CLP Th\$382,855 and lower provision for bad debts for CLP Th\$2,279,504 due to increase collection management efforts. This was partially offset by higher network maintenance activity for CLP Th\$719,557, higher costs due to increase in new services activity requested by customers for CLP Th\$353,452, higher costs in customers management for CLP Th\$479,928 and higher real estate contributions for CLP Th\$165,033.

## **2.4. Analysis of Financial Results and Other Earnings**

### **a) Other Earnings**

As of September 30, 2018, other earnings in the amount of CLP Th\$1,572,729 were obtained, lower by CLP Th\$186,786 than that obtained the same period of 2017, as a result of sales of expendable land located in various municipalities of the Metropolitan Region by Th\$3,405,018, partially offset by organizational restructuring costs by Th\$2,84,263.

### **b) Financial Revenue**

At the end of the third quarter of 2018, financial income amounting to CLP Th\$4,547,992 was obtained, CLP Th\$366,174 lower than that obtained the same quarter of 2017, mainly due to lower interest on customer debt and lower interest due to lower repurchase of AFR promissory notes (Reimbursable Financial Contributions).

### c) Financial Cost

At the end of the third quarter of 2018, financial cost reached CLP Th\$22,143,089, which meant a decrease of CLP Th\$301,405 to those recorded in the same period of 2017. This was mainly explained by higher financial activation together with lower interest rates and AFR promissory notes, partially offset by higher bonds interest, associated mainly to a higher level of debt.

### d) Results from Indexation Units

At the end of the third quarter of 2018, revenues amounting to CLP Th\$16,782,847 was obtained, resulting in a higher expense of CLP Th\$7,137,450 when compared to 2017, explained by a higher revaluation of the debt due to the higher variation of the UF.

### e) Income Tax Expense (Revenue)

Income tax expense as of September 30, 2018 was CLP Th\$34,265,159, CLP Th\$629,363 higher than in the same period of the previous year. This variation was mainly explained by the change in the tax rate from 25.5% to 27.0% due to the Tax Reform, added to a higher before tax income by CLP Th\$325,579.

### f) Net income

Net income as of September 30, 2018 amounted to CLP Th\$50,067,150, CLP Th\$288,222 (0.6%) higher than in the previous year.

## 3. Revenues by Segment

### 3.1 Accumulated Results, Water Segment

Income Statement (ThCh\$)	Sep. 18	Sep. 17	% Var.	2018 - 2017
External Revenue	371,934,736	356,584,789	4.3%	15,349,947
Revenues Between Segments	911,630	708,964	28.6%	202,666
Operating Costs and Expenses	-149,446,166	-142,234,569	5.1%	(7,211,597)
<b>EBITDA</b>	<b>223,400,200</b>	<b>215,059,184</b>	<b>3.9%</b>	<b>8,341,016</b>
Depreciation and Amortization	-55,978,415	-54,610,527	2.5%	(1,367,888)
<b>Income from Operations</b>	<b>167,421,785</b>	<b>160,448,657</b>	<b>4.3%</b>	<b>6,973,128</b>
Other Earnings	1,842,091	1,392,941	32.2%	449,150
Financial Results*	-34,390,235	-27,346,906	25.8%	(7,043,329)
Tax Expense	-33,512,258	-32,844,052	2.0%	(668,206)
<b>Net Earnings</b>	<b>99,322,368</b>	<b>98,951,854</b>	<b>0.4%</b>	<b>370,514</b>

\* Includes financial income, financial cost, exchange differences and income due to readjustment units.

The income of this business was 0.4% higher than in the same quarter of the previous year, mainly due to:

- An increase in external revenue, mainly associated with higher volumes supplied, together with the positive variations in tariffs recorded during 2018 and 2017. The last indexation of Aguas Andinas was registered on September 5, 2018 with weighted average of 2.57% for the Group I.

- Costs increased by 5.1% mainly due to an increase in purchase of raw water for CLP Th\$2,886,595, higher cost in electricity for CLP Th\$1,590,133, due to higher consumption associated to an increase in sales volumes, caused by higher groundwater and potable water lifting due to lower water availability in the rivers of the Metropolitan Region and additionally to higher tariffs, higher costs in personnel benefits for CLP Th\$2,886,595 generated by higher CPI readjustments together with benefits paid for a collective bargaining process completed in January this year and which will be in force for the next 3 years. Additionally, there were increases due to higher network maintenance activity amounting to CLP Th\$719,557, higher costs due to increase in new services activity required by customers for CLP Th\$353,452, higher costs in customer management for CLP Th\$479,928 and real estate contributions by CLP Th\$165,033. This was partially offset mainly due to lower costs in Biofactory sludge management for CLP Th\$382,855 and lower provision for bad debts for CLP Th\$2,279,504 due to increased collection management efforts.
- An increase in depreciation and amortization cost mainly due to new assets acquired during the period.
- An increase in other earnings from sales of expendable land located in several municipalities in the Metropolitan Region, partially offset by cost of organizational restructuring during 2018.
- A decrease in financial income regarding to 2017, mainly due to a higher revaluation of the debt in Unidades de Fomento.
- Higher income tax expense regarding to the previous year, mainly due to the change in the tax rate from 25.5% to 27.0% due to the Tax Reform together with a higher income before taxes.

### 3.2 Accumulated Results, Non-Water Segment

Income Statement (ThCh\$)	Sep. 18	Sep. 17	% Var.	2018 - 2017
External Revenue	18,756,667	18,059,155	3.9%	697,512
Revenues Between Segments	3,276,667	3,236,258	1.2%	40,409
Operating Costs and Expenses	-17,844,711	-18,007,873	(0.9%)	163,162
<b>EBITDA</b>	<b>4,188,623</b>	<b>3,287,540</b>	<b>27.4%</b>	<b>901,083</b>
Depreciation and Amortization	-908,817	-522,752	73.9%	(386,065)
<b>Income from Operations</b>	<b>3,279,806</b>	<b>2,764,788</b>	<b>18.6%</b>	<b>515,018</b>
Other Earnings	-255,553	387,359	(166.0%)	(642,912)
Financial Results*	-30,501	153,096	(119.9%)	(183,597)
Tax Expense	-750,610	-827,401	(9.3%)	76,791
<b>Net Earnings</b>	<b>2,243,142</b>	<b>2,477,842</b>	<b>(9.5%)</b>	<b>(234,700)</b>

\* Includes financial income, financial cost, exchange differences and income due to readjustment units.

Earnings from the Non-Water segment showed a decrease of 9.5% regarding to the same quarter of the previous year, mainly due to:

- An income increase was mainly explained by larger sales of Environmental Analysis laboratory services and larger sales of methane gas from the subsidiary Aguas del Maipo. This was partially offset by lower revenue from Gestión y Servicios due to lower sales of materials.
- A decrease in costs, mainly due to lower activity in Gestión y Servicios.

- An increase in depreciation and amortization cost mainly due to new assets acquired during the period.
- The decrease in other earnings is mainly explained in Gestión y Servicios, due to a lower recovery of Guarantee Notes that had been provisioned for over 4 years regarding the same period of previous year together with organization restructuring costs during 2018 in Análisis Ambientales and EcoRiles companies.
- Lower income tax expense regarding to the same quarter of 2017, mainly due to a lower income before taxes, partially offset by the change in the tax rate from 25.5% to 27.0% due to the Tax Reform.

#### 4. Quarterly Results

Income Statement (Th\$)	3T18	3T17	% Var.	3T18 - 3T17
Ordinary Revenues	114,383,333	113,000,365	1.2%	1,382,968
Operational Costs and Expenses	(53,835,338)	(51,078,497)	5.4%	(2,756,841)
<b>EBITDA</b>	<b>60,547,995</b>	<b>61,921,868</b>	<b>(2.2%)</b>	<b>(1,373,873)</b>
Depreciation and Amortization	(19,249,353)	(19,073,490)	0.9%	(175,863)
<b>Income from Operations</b>	<b>41,298,642</b>	<b>42,848,378</b>	<b>(3.6%)</b>	<b>(1,549,736)</b>
Other Earnings	(1,002,853)	105,329	(1052.1%)	(1,108,182)
Financial Result*	(12,333,072)	(6,503,021)	89.7%	(5,830,051)
Tax expense	(7,034,764)	(9,382,841)	(25.0%)	2,348,077
<b>Net earnings</b>	<b>9,905,053</b>	<b>12,917,125</b>	<b>(23.3%)</b>	<b>(3,012,072)</b>

\* Includes financial income, financial cost, exchange differences and income due to readjustment units.

#### 4.1 Revenue Analysis

##### a) Operating Revenues

- Ordinary revenues of third quarter of 2018 amounted to CLP Th\$114,383,333, CLP Th\$1,382,968 (1.2%) higher than obtained in the same quarter of the previous period. This variation was mainly due to higher volumes together with positive variations in recorded tariffs during 2017 and 2018. Aguas Andinas registered an indexation on September 5, 2018 with weighted average of 2.57% for the Group I.

#### 4.2 Expenses Analysis

##### a) Raw materials and consumables used

In the third quarter of 2018, raw materials and consumables costs reached CLP Th\$10,016,833, CLP Th\$1,825,553 higher than obtained in the same period of 2017. The increase of these was mainly due to higher purchase of raw water by CLP Th\$1,898,617.

##### b) Depreciation and amortization expenses

The depreciation and amortization of third quarter of 2018 amounted to CLP Th\$19,249,353, CLP Th\$175,863 higher than obtained in the same quarter of 2017.

### **c) Other Expenses**

During the third quarter of 2018, other expenses amounted to CLP Th\$29,469,191, CLP Th\$510,656 lower than obtained in the same period of 2017, mainly explained due to lower income associated to changes of sanitary infrastructure requested by customers by CLP Th\$463,872 and lower costs in Biofactory sludge management by CLP Th\$94,230. This was partially offset by higher cost in meter reading to customers by CLP Th\$424,306.

## **4.3. Analysis of Financial Results and Other Incomes**

### **a) Other Earnings (Losses)**

As of September 30, 2018, losses of CLP Th\$1,002,853 were obtained, lower by CLP Th\$1,108,182 than obtained in the same quarter of 2017, as a result due to organizational restructuring expenses, together with higher costs of expendable land sales.

### **b) Financial Revenue**

Financial revenue of third quarter of 2018 reached CLP Th\$1,327,325, CLP Th\$115,682 lower than obtained the same quarter of 2017, mainly explained due to lower customer debt interest together with lower interest on the repurchase of AFR promissory notes (Reimbursable Financial Contributions). This was partially offset by higher surpluses cash.

### **c) Financial Cost**

Financial costs of third quarter of 2018 reached CLP Th\$7,518,251, CLP Th\$218,652 higher than obtained the same period of 2017. This was mainly explained due to higher bonds interest associated mainly to a higher level of debt, partially offset by higher financial activation together with lower interest rates and AFR promissory notes (Reimbursable Financial Contributions).

### **d) Results from Indexation Units**

In the third quarter of 2018, losses were obtained by CLP Th\$6,141,193, CLP Th\$5,488,733 higher than obtained the same period of 2017, mainly explained due to higher revaluation of the debt due to higher UF variation compared to the same quarter of 2017.

### **e) Income Tax Expense (Revenue)**

Income tax expense at the end of the third quarter of 2018 was CLP Th\$7,034,764, CLP Th\$2,348,077 lower than in the same quarter of the previous year. This variation was mainly explained by a lower before tax income in CLP Th\$8,487,969, partially offset by the change in the tax rate from 25.5% to 27.0% due to the Tax Reform.

### **f) Net income**

Net income of the third quarter of 2018 amounted to CLP Th\$9,905,053, CLP Th\$3,012,072 (23.3%) lower than obtained in the same quarter of 2017.

## 5. Balance Sheet

	Sep. 18	Dec. 17	% Var.
	Th\$	Th\$	
<b>Assets</b>			
Current Assets	158,584,496	151,737,073	4.5%
Non-Current Assets	1,966,056,069	1,917,633,912	2.5%
<b>Total Assets</b>	<b>2,124,640,565</b>	<b>2,069,370,985</b>	<b>2.7%</b>
<b>Assets and Equity</b>			
Current Liabilities	184,256,913	237,819,145	(22.5%)
Non-Current Liabilities	971,048,224	866,737,268	12.0%
<b>Total Liabilities</b>	<b>1,155,305,137</b>	<b>1,104,556,413</b>	<b>4.6%</b>
Shareholders' Equity	596,845,461	593,488,151	0.6%
Minority Interest	372,489,967	371,326,421	0.3%
<b>Total Shareholders' Equity</b>	<b>969,335,428</b>	<b>964,814,572</b>	<b>0.5%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,124,640,565</b>	<b>2,069,370,985</b>	<b>2.7%</b>

### 5.1 Asset Analysis

Inversiones Aguas Metropolitanas' total assets reconciled as of September 30, 2018 showed an increase of 2.7% over December 31, 2017, from CLP Th\$2,069,370,985 to CLP Th\$2,124,640,565.

Current assets increased by CLP Th\$6,847,423, mainly due to the increase of cash and cash equivalents in CLP Th\$15,311,153, together with the increase of other current financial assets for CLP Th\$8,157,761 due to the record of the advance to the payment of capital and bond interest payable on October 1 of this year. This was partially offset by lower trade debtors and other accounts receivable in CLP Th\$12,679,773, mainly explained by the seasonality of sales cycle together with lower taxes to recover for CLP Th\$3,414,397, originated mainly by tax refund and fiscal credit balance.

Non-current assets increased by CLP Th\$48,422,157, mainly explained by higher deferred taxes by CLP Th\$2,692,909 together with higher property, plants and equipment by CLP Th\$44,653,921 associated with the investments made during the period. The main investment projects during the period are shown in the following table:

<b>Investments (CLP Th\$)</b>	<b>Sep-18</b>
Pirque Tank Construction	17,939,986
Asset Replacement of La Farfana-Trebal Biofactories	5,853,949
Treatment of Ammonium La Farfana-Trebal Biofactories	5,357,595
Renovation of Wastewater Networks	4,863,286
Expansion of Talagante Wastewater Treatment Plant	3,563,300
Preventive renovation of Potable Water Networks	3,328,865

## 5.2 Liabilities and Shareholders' Equity Analysis

Liabilities as of September 2018 increased by CLP Th\$50,748,724 regarding to December 2017.

Current liabilities decreased by CLP Th\$53,562,232. This variation was mainly due to the distribution of interim dividends made during the first quarter of 2018.

Non-current liabilities increased by CLP Th\$104,310,956 (12.0%). This variation mainly corresponds to a debt increase in bonds for CLP Th\$97,995,712 associated with the issuing:

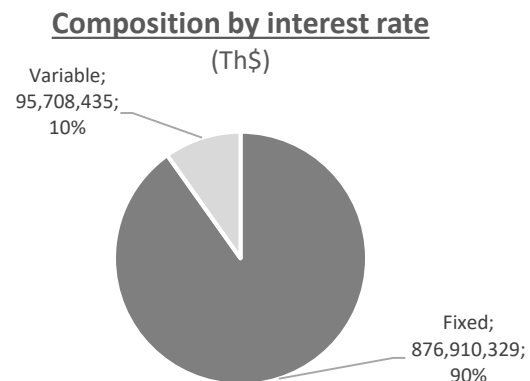
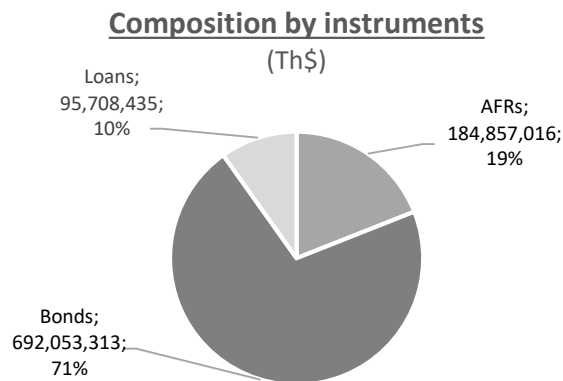
- "Green and Social Bond" AC series by UF 1.5 million, structured to 7 years term at 1.8% rate.
- Series AD Bond by UF 2.0 million, structured to 25 years term at 2.83% rate.

Total equity increased by CLP Th\$4,520,856 and net equity attributable to the owners of the parent company increased by CLP Th\$3,357,310, mainly explained by the earnings gained in the third quarter of 2018, which was partially offset with the dividend distribution corresponds to 2017 financial year.

The maturity profile of the financial debt as of September 30, 2018 is as follows:

Financial Debt CLP Th\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	More than 5 years
Promissory Notes	\$	184,857,016	14,756,450	23,584,639	49,152,727	97,363,200
Bonds	\$	692,053,313	48,366,541	24,932,023	36,842,221	581,912,528
Loans	\$	95,708,435	3,189,226	37,120,085	37,699,562	17,699,562
<b>Total</b>		<b>972,618,764</b>	<b>66,312,217</b>	<b>85,636,748</b>	<b>123,694,511</b>	<b>696,975,290</b>

### 1.1 Financial Liabilities Structure



### 3. Cash Flow Statements

Cash Flow Statement (CLP Th\$)	Sep. 18	Sep. 17	% Var.
Operating Activities	173,284,642	156,834,871	10.5%
Investment Activities	(99,405,878)	(77,303,799)	28.6%
Financing Activities	(58,567,611)	(139,046,091)	(57.9%)
<b>Net Cash Flow for the Period</b>	<b>15,311,153</b>	<b>(59,515,019)</b>	<b>(125.7%)</b>
<b>Final Cash Balance</b>	<b>35,114,361</b>	<b>6,606,987</b>	<b>431.5%</b>

Flows from operating activities increased by CLP Th\$16,449,771 when comparing September 2018 to September 2017.

The main variations were as follows:

- Increase in collections from sales of goods and services for CLP Th\$33,120,143, mainly due to higher sales volume together with the tariff indexation recorded during 2017 and 2018.
- A decrease in income taxes paid for CLP Th\$5,738,721, this variation was mainly explained by the change in tax rate from 25.5% to 27.0% due to Tax Reform.
- Reduction of payments for premiums and benefits, annuities and other obligations derived from the policies subscribed for CLP Th\$2,847,624, associated with the payment of fire insurance for 18 months.
- Decrease in other payments for operational activities for CLP Th\$3,298,413, due to a higher value added tax credit.

These variations were partially offset by the following items:

- Increase in payments to suppliers for an amount of CLP Th\$16,021,498, associated mainly with suppliers of water utility infrastructure transfers and leases.
- Increase in personnel benefits payment by CLP Th\$8,408,452, mainly due to CPI readjustments and benefits paid due to a collective bargaining process completed in January of this year and which will be in force for the next three years.
- Increase in interest paid for CLP Th\$4,330,979, mainly related to bank loans.

The disbursement for investment activities increased by CLP Th\$22,102,079, associated with the investments made during the period.

Financing activities generated a negative net cash flow (decrease) of CLP Th\$80,478,480, mainly due to higher indebtedness level for bonds issuing AD series by UF 2.0 million and AC series "Green and Social Bond" by UF 1.5 million.

## 6. Financial Ratios

		Sep. 18	Dec. 17
<b>Liquidity</b>			
Current Ratio	times	0.86	0.64
Acid Test Ratio	times	0.19	0.08
<b>Leverage</b>			
Total Leverage	times	1.19	1.14
Current Leverage	times	0.16	0.22
Non-Current Leverage	times	0.84	0.78
Annualized Financial Expenses Coverage	times	7.13	7.06
<b>Return</b>			
ROE	%	11.58	11.62
ROA	%	3.34	3.34
Annualized Earnings per Share	\$	69.01	68.72
Dividend Yield (*)	%	6.92	5.71

**Current Ratio:** Currents Assets / Current Liabilities.

**Acid Test Ratio:** Cash and Cash Equivalents / Current Liabilities.

**Total Leverage:** Total Liabilities / Total Shareholders' Equity.

**Current Leverage:** Current Liabilities / Total Liabilities.

**Long-Term Leverage:** Long-Term Liabilities / Total Liabilities.

**Interest Rate Coverage:** Net Income before Taxes / Financial Costs.

**ROE:** Net Income / Average Assets.

**ROA:** Net Income / Average Assets.

**Earnings per Share:** Net Income / Total Shares.

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

(\*) The share price as of September 2018 was \$978.51 and \$1167.9 as of December 2017.

As of September 2018, the current ratio increased by 34.4%, due to a decrease in current liabilities of CLP Th\$50,748,724, as a result of the payment of interim dividends during the first quarter of 2018. Additionally, the current active increased in CLP Th\$6,847,423, mainly explained by a higher cash and cash equivalents in CLP Th\$15,311,153, together with the record for CLP Th\$ 8,113,649 of the advance to the payment of capital and bond interest payable on October 1 of this year. This was partially offset by lower trade debtors and other accounts receivables in CLP Th\$12,679,773, mainly explained by the seasonality of sales cycle.

The total leverage increased by 4.1%, due to an increase of current liabilities by CLP Th\$5,748,724, mainly explained by the increase of bonds debt associated to issuing of AC series by UF 1.5 million and AD series by UF 2.0 million, partially offset by the interim dividend distribution made during the first quarter of 2018. Additionally, the total equity increased in CLP Th\$4,520,856, mainly explained by the earnings gained in the third quarter of 2018, which was partially offset by the dividend distribution corresponds to 2017 financial year.

The profitability on equity attributable to the owners of the parent company decreased by 0.3%, due to an increase in average equity of CLP Th\$4,383,198.

## 7. Other Information

### a) **Tariffs**

The most important factor that determines the results 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 Law. N°70 of 1988.

Our tariff levels are reviewed every five years and, during this period, are subject to additional readjustments associated with an indexation polynomial, which is applied when the cumulative variation since the previous adjustment is 3.0% or higher, based on calculations based on various inflation indexes. Specifically, the readjustments are applied according to a formula that includes the Consumer Price Index, the Imported Goods Price Index for the Manufacturing Sector and the Producer Price Index for the Manufacturing Sector, all of which are measured by the National Statistics Institute of Chile. The latest indexations made by each company in the group were applied on the following dates:

#### **Aguas Andinas S.A.:**

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

#### **Aguas Cordillera S.A.:**

January 2017 and June 2018

#### **Aguas Manquehue S.A.:**

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

#### **Essal S.A.:**

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

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

The tariffs in force for Aguas Andinas S.A., for the period 2015-2020 were approved by Decree No. 83 dated June 5, 2015, of the Ministry of Economy, Development and Reconstruction and entered into force on March 1, 2015 (published in the Official Gazette on 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 on 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 on November 25, 2015).

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

#### **b) 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 results may vary from half to half. The highest levels of demand and income are recorded during the summer months (December to March) and the lowest levels of demand and income during the winter months (June to September). In general, the demand for water is higher in the warmer months than in the milder ones, mainly due to the additional water needs generated by irrigation systems and other external water uses.

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

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

#### **c) Market Analysis**

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

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

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

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

Essal S.A. has 100% coverage in potable water, 95.7% in the sewerage service in the X Region and 92.6% in the XIV Region; and 100% in wastewater treatment.

#### **d) Capital Investments**

One of the variables that most affects the results of our operations and financial position is capital expenditures. These 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.

Dates for approval and updating of the Aguas Group's development plans:

**Aguas Andinas S.A.**

Greater Santiago: December 23, 2015

Locations April 5, 2013, September 26, 2013, December 31, 2014, January 12, 2015 and November 17, 2015

**Aguas Cordillera S.A.**

Aguas Cordillera and Villa Los Dominicos: December 21, 2015

**Aguas Manquehue S.A.**

Santa Maria and Los Trapenses: December 23, 2014

Chicureo, Chamisero and Valle Grande III: August 10, 2016

Alto Lampa: November 22, 2013

**Essal S.A.**

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

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

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

## **e) Financial Aspects**

**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 risk.

**Interest Rate Risks:** As of September 30, 2018, the interest rate risk held by Inversiones Aguas Metropolitanas S.A. was 90.2% at a fixed rate and 9.8% at a variable rate. Fixed-rate debt is composed of: short-term and long-term bond issuing (78.9%) and reimbursable financial contributions (21.1%), while variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2017, the interest rate risk held by Inversiones Aguas Metropolitanas S.A. was 88.9% at a fixed rate and 11.1% at a variable rate. Fixed-rate debt is composed of: short-term and long-term bond issuing (76.1%) and repayable financial contributions (23.9%), while variable-rate debt corresponds to loans with domestic banks.

The company maintains a policy 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 an AA+ risk rating for long-term debt. In the case of the shares: Fitch and ICR assigned us a first-class rating level 1 to A series and first-class rating level 4 to B series.

All this favorable situation has meant that the risk rating agencies have assigned us an AA+ risk rating for long-term debt. In the case of the shares: Feller Rate assigned us a first-class rating level 1 and Fitch Ratings assigned us a first-class rating level 2.

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