

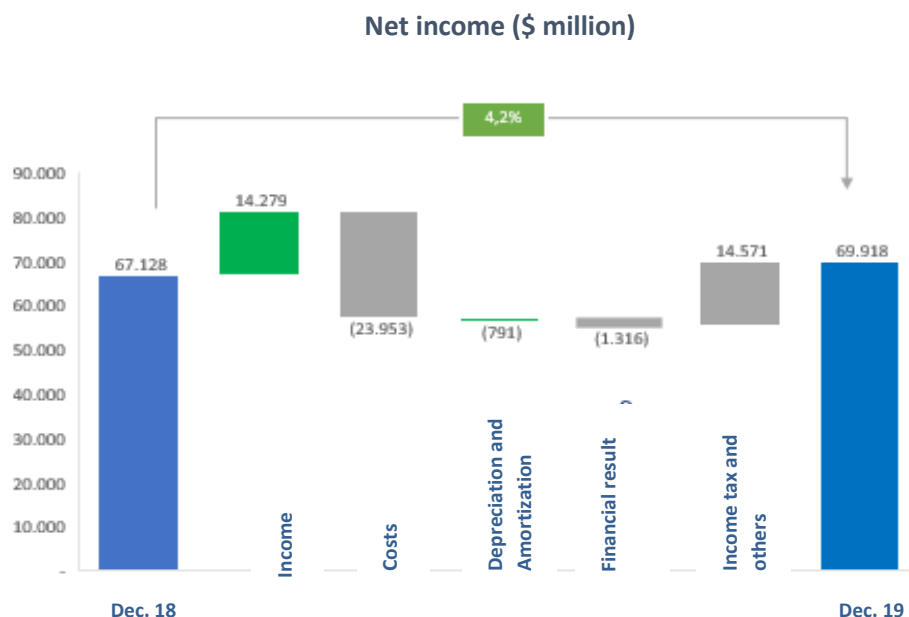


Earnings Release  
Inversiones Aguas Metropolitanas S.A.  
Period ended on December 31st, 2019



## 1. Summary of the fiscal year

- Net income as of December 31, 2019 amounted to \$ 69,918 million, which represents an increase of 4.2% when compared to previous year. The main variations of the year are presented in the following chart:



- The Company obtained an EBITDA of \$ 299,033 million at the end of fiscal year 2019. Revenues increased by 2.7% reaching \$ 544,679 million, \$14,279 million higher, mainly associated with the growth of the regulated business. Additionally, an active management of cost reduction was carried out, which partially offset the higher direct costs generated by the Osorno and mega-drought event.
- ESSAL outage in Osorno.** The total cost recognized by ESSAL as of December 31, 2019 was \$10,864 million, mainly associated with operating expenses to restore the supply of drinking water, compensation to affected customers and other costs derived from the contingency. It should be noted that eventual insurance returns related to these expenses are being evaluated.
- Mega drought.** Due to the fact that the region is going through the worst drought in the last century and the one that has been going on for more than a decade, the Company has recorded higher reflected costs in water and power purchases associated with increased groundwater extraction, for a total of Ch\$4,597 million.


In this scenario of extreme drought, Aguas Andinas together with the Maipo River Surveillance Board requested the declaration of a water shortage zone in the Maipo River basin. Similarly, Aguas Cordillera asked the Metropolitan Council to decree a water shortage zone in the municipalities where the first section of the Mapocho River flows through.

- 💧 At the non-operating level, there was a higher profit on the sale of the Company's disposable assets, partially offset by higher bank interest expenses and interest on bonds associated with the higher volume of debt obtained to finance the company's investment plan together with an increase in the revaluation of debt in Unidades de Fomento (UF).
- 💧 **Results of the VII Aguas Andinas Tariff Process.** On November 14th, 2019, the result of the tariff setting for the five-year period 2020-2025 was announced, which determines a reduction in the tariff for potable water and wastewater treatment by -3%. Within this new tariff framework, the execution of various investments that will progressively increase the autonomy of the capital in the face of episodes of extreme turbidity up to 48 hours, and new fundamental works to tackle drought and climate change, such as the Pirque Ponds and Works to remove nutrients in the La Farfana Biofactory, investment projects that will be operational in 2020.
- 💧 **Significant investment effort.** As of December 31, 2019, the Company has executed investments for \$135,071 million, highlighting that the construction of the Pirque tanks is practically finished, for a total of 1.5 million cubic meters, which will increase the resilience capacity of Santiago from 11 to 34 continuous hours.


### Operational Result


- 💧 **EBITDA as of December 31st, 2019 was \$299,033 million, which represents a decrease of 3.1% from the previous year.**
- 💧 Regulated revenues were higher by Ch\$9,116 million (an increase of 1.9%), mainly due to the tariff indexations recorded during 2018 and 2019, the last one in July 2019 (ESSAL) and for Aguas Andinas in September 2018, together with the variation in the provision of billed consumption and higher revenues associated with fixed charges to customers.
- 💧 Non-regulated revenues increased by Ch\$5,163 million at the end of 2019 (up 10.2%). This variation was mainly explained by higher income in non-sanitary affiliates, agreements with developers, technical advice for the rural potable water segment and an increase in household service activity.
- 💧 The main variations in operating costs are as follows:
  - 📖 *ESSAL service interruption event in the city of Osorno:* The total impact as of December 31st of 2019 was Ch\$10,864 million, mainly associated with operating expenses to restore the potable water supply, compensation to affected customers and other contingency costs.
  - 📖 *Costs associated with the drought:* due to the extreme drought affecting the central area of the country, increases in expenditure have been recorded mainly on the following lines:
    - *Purchase of raw water:* it has been necessary to purchase more raw water to boost safety of supply for our customers due to the low flow in the Maipo River basin. This implied an increase in cost of \$3.276 million.
    - *Electricity:* There was a net increase in costs of Ch\$1,321 million, associated with a higher increase in potable water due to a higher pumping of groundwater, which is partially offset


by the improvement in the average price due to the entry into force of supply contracts by free customers for 52 of the Company's sites.

 *Efficiency Improvement Projects:* we have continued to develop projects to improve processes and digital transformation, which have made it possible to contain and reduce certain cost items such as the following:


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

 *Personnel costs:* at a consolidated level, there is an increase of 1.1%, equivalent to \$ 657 million, a percentage lower than the annual inflation for the year, mainly associated with the reorganization and retirement plans carried out in the Company.

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


 Finally, higher costs have been recognized in maintenance of drinking water and sewage networks, maintenance of enclosures-equipment, fines and higher cost of sale associated with home services.







### **Non-Operational Result**

 The financial result showed a net expense of Ch\$48,537 million, higher by Ch\$1,316 million when compared to the previous year, as a consequence of higher interest tariffs associated with a higher level of debt to finance the company's investment plan together with a higher appreciation of the UF debt.

 The Other Gains/Losses line was higher by Ch\$14,232 million than in 2018, mainly due to higher sales of expendable land located in the Metropolitan Region.

### **Investments**

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

-  Pirque Pond Construction
-  Renewal of potable water and wastewater networks
-  Replacement of Assets, Biofactories La Farfana and Mapocho-Trebal
-  Nitrate Treatment, Biofactories La Farfana and Mapocho-Trebal
-  Pipe branches and meters
-  Mapocho-Trebal Biofactory Cogeneration

- 💧 **Progress in relevant investment projects** - The construction of the Pirque ponds is almost complete, a project that will allow the capital city to increase its autonomy from 11 to 34 hours of potable water, in order to face the effects of climate change, and thus minimize the service interruptions in potable water caused by increased levels of turbidity caused by rainfall in the high mountain range.

## **KEY FACTS**

### **IAM S.A.**

- 💧 **Renewal of the Board of Directors** - On July 24, 2019, the Eighth Extraordinary Shareholders' Meeting of the Company was held, in which the renewal of the Board of Directors was preceded by the revocation of the previous Board and the election of a new Board of Directors, the following persons were elected:

#### **Managing Directors**

1. Felipe Larrain Aspillaga
2. Alberto Muchnick Mlynarz
3. Herman Chadwick Piñera
4. Ignacio Guerrero Gutierrez
5. Rodrigo Azócar Hidalgo
6. Hernán Cheyre Valenzuela
7. Luis Enrique Alamos Olivos

#### **Alternate Directors**

- Albert Martinez Lacambra
- Andrés Muchnick Cruz
- Narciso Berberana Sáenz
- Rodrigo Castro Fernández
- Carlos Mladinic Alonso
- Hugo Silva Raveau
- María José Uauy Cúneo

The Board of Directors of the Company, at a meeting held on the same day, unanimously agreed to appoint Mr. Felipe Larrain as Chairman of the Company and Mr. Alberto Muchnick as Vice President. It was also agreed that Luis Enrique Alamos, Herman Chadwick and Ignacio Guerrero and their respective alternates would be members of the Directors' Committee.

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

- 💧 **Result of the 2020-2025 tariff process** - On November 14th 2019, the result of the tariff setting for the five-year period 2020-2025 was announced, within the framework of Aguas Andinas' seventh tariff process. Within this new tariff framework, the execution of various investments that will gradually increase the autonomy of the capital in the face of episodes of extreme turbidity up to 48 hours, and new fundamental works to tackle drought and climate change, stand out.

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

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

Also, additional works under construction are contemplated, which will be implemented with their coming into force, among them the Pirque ponds, for a total of 1.5 million cubic liters, which will increase

the resilience capacity of Santiago from 11 to 34 continuous hours, and investments in nutrient removal works in the La Farfana and Trebal Biofactories, aimed at improving the quality of the treated sewage and its disposal.

In addition, works to face extreme turbidity events for up to 48 hours are considered, as well as that Aguas Andinas has committed new fundamental works to address drought and climate change, which will be included into the Company's updated Development Plan, prior approval by the SISS, highlighting the following:

- (i) Works to reuse 3  $\text{m}^3/\text{s}$  of wastewater
- (ii) Expansion by 1  $\text{m}^3/\text{s}$  of the La Florida Potable water Production Plant
- (iii) Drilling in the central aquifer by 1.8  $\text{m}^3/\text{s}$
- (iv) Investments for reduction of losses in the network and re-purification of wastewater

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

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

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

📄 Green and Social Bond, series AE for UF 2.0 million, structured for 25 years at a coupon rate of 2.5%.

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

- 💧 **New General Manager** - On April 17, 2019, Narciso Berberana Sáenz submitted his resignation to the Board of Directors of the Company. At the same time, the Board of Directors appointed **Marta Colet Gonzalo** as the **new General Manager**, who took office as of this date.

- 💧 **Renewal of the Board of Directors** - At the Ordinary Shareholders' Meeting held on April 23rd 2019, matters proper to the Board were discussed, including the renewal of the Board of Directors, and the following persons were elected:

#### **Managing Directors**

1. Guillermo Pickering de la Fuente
2. Loreto Silva Rojas
3. Giorgianna Cuneo Queirolo
4. Claudio Muñoz Zúñiga

#### **Alternate Directors**

Jorge Manent Codina  
Sonia Tschorne Berestesky  
Tomas Uauy Cuneo  
Cosme Sagnier Guimón



5. Narcissus Berberana Saenz
6. Rodrigo Manubens Moltedo
7. Luis Mayol Bouchon

Fernando Samaniego Sangroniz  
Gonzalo Rojas Vildósola  
Mauricio Rojas Mullor

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

- 💧 **New President of Aguas Andinas Board of Directors:** On August 6th, 2019, Mr. Guillermo Pickering de La Fuente submitted his resignation from the position of President and Director of the Company, valid as of this date. On August 8th, the Board of Directors agreed to elect Mr. **Claudio Muñoz Zúñiga** as the new president.
- 💧 **Sale of ESSAL's shareholding** - At the Ordinary Shareholders' Meeting held on January 22nd 2020, it was agreed to initiate an open and competitive process for the sale of the direct and indirect shareholding held by Empresas de Servicios Sanitarios de Los Lagos S.A., which represents 53.5% of the subscribed and paid-in shares of ESSAL S.A. With the above, Aguas Andinas S.A., aims to focus its business activity on its current strategic priorities.

## ESSAL

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

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

The known economic impacts as of December 31st, 2019, derived from the Osorno event, amount to \$10,831 million:

• Compensation Law No. 19.496-Sernac	\$ 2,914 million
• Customer Compensation	\$ 3,605 million
• Extraordinary operating expenses	\$ 9 67 million
• Other direct costs	\$ 3,378 million

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

- 💧 **New ESSAL General Manager** - On July 30, 2019, Gustavo Gomez Jimenez submitted his resignation to the Board of Directors of the Company. In view of the above, the Board of Directors agreed to appoint **José Sáez Albornoz** as the **new Chief Executive Officer**, who took office as of this date.
- 💧 **Renewal of the Board of Directors** - At the Extraordinary Meeting of Shareholders held on September 9, 2019, the Board of Directors was renewed and the following persons were elected:

**Managing Directors**

1. Gustavo Alcalde Lemarie
2. Joaquim Brahm Barrel
3. Katia Trusich Ortiz
4. Camilo Larraín Sánchez
5. Domingo Cruzat Amunátegui
6. Eduardo Novoa Castellón
7. Andres Fernandez Fernandez

**Alternate Directors**

Victor de la Barra Fuenzalida  
Mauricio Fehrmann Miranda  
Juan Pablo Díaz de Valdés  
Ivan Yarur Sairafi  
Maria Gracia Cariola Cubillos  
Nicole Porcile Yanine  
Eduardo Abuaud Abujatum

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



## 2. Results of the year

### 2.1. Cumulative results

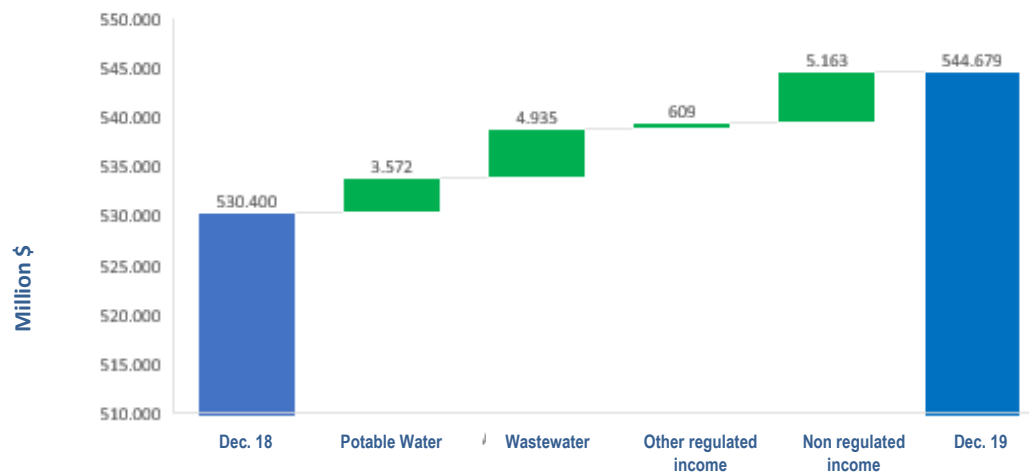
Income Statement (Thousands \$)	Dec. 19	Dec. 18	% Var.	2019 / 2018
Ordinary income	544,679,496	530,400,417	2.7%	14,279,079
Operating costs and expenses	(245,646,796)	(221,693,892)	10.8%	(23,952,904)
<b>EBITDA</b>	<b>299,032,700</b>	<b>308,706,525</b>	<b>(3.1%)</b>	<b>(9,673,825)</b>
Depreciation and amortization	(76,263,042)	(75,472,412)	1.0%	(790,630)
<b>Operating profit</b>	<b>222,769,658</b>	<b>233,234,113</b>	<b>(4.5%)</b>	<b>(10,464,455)</b>
Other earnings	14,232,177	(1,117,499)	<(200%)	15,349,676
Financial result	(48,536,568)	(47,220,419)	2.8%	(1,316,149)
Tax Expenditure	(49,810,305)	(46,617,680)	6.8%	(3,192,625)
<b>Net income</b>	<b>69,918,238</b>	<b>67,127,660</b>	<b>4.2%</b>	<b>2,790,578</b>

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

### 2.2. Income analysis

	Dec. 19		Dec. 18	
	Sales THCH\$	Participation	Sales THCH\$	Participation
Drinking water	212,038,943	38.9%	208,467,089	39.3%
Wastewater	259,018,728	47.5%	254,083,790	47.9%
Other regulated income	17,739,192	3.3%	17,130,203	3.2%
Non-regulated income	55,882,633	10.3%	50,719,335	9.6%
<b>Total</b>	<b>544,679,496</b>	<b>100.0%</b>	<b>530,400,417</b>	<b>100.0%</b>

The change in income compared to 2018 is shown in the following graph:



<b>Sales Volume (thousands of m<sup>3</sup> invoiced)</b>	<b>Dec. 19</b>	<b>Dec. 18</b>	<b>% Var.</b>	<b>Difference</b>
Potable water	597,583	597,648	0.0%	(65)
Sewage collection	572,081	573,323	(0.2%)	(1,242)
Treatment and disposal AS	498,101	499,221	(0.2%)	(1,120)
Interconnections	128,500	128,054	0.3%	446
<b>Clients</b>	<b>Dec. 19</b>	<b>Dec. 18</b>	<b>% Var.</b>	<b>Difference</b>
Potable water	2,366,009	2,316,107	2.2%	49,902
Sewage collection	2,312,808	2,263,039	2.2%	49,769

\* Interconnections include the Treatment and Disposal of Wastewater from other Sanitary Companies

## Regulated Businesses

### a) Potable water

Potable water revenues at the end of 2019 amounted to ThCh\$212,038,943, an increase of 1.7% compared to 2018. The increase of ThCh\$3,571,854 was mainly due to the tariff indexation recorded during 2018 and 2019, the last one in July 2019 for Essal.

### b) Wastewater

Wastewater revenues at the end of 2019 amounted to ThCh\$259,018,728, an increase of ThCh\$4,934,938 compared to the previous year, as a result of tariff indexation during 2018 and 2019. The last indexation was recorded in July 2019 (Essal).

### c) Other regulated income

This item submitted an increase of ThCh\$608,989, mainly explained by the change in the provision for unbilled consumption together with revenues from fixed charges to customers by 2.2%.

## Non-regulated income

### a) Health services

An increase of ThCh\$2,353,176 mainly due to greater agreements with developers, increased technical advice on rural potable water and increased activity in home services, partially offset by increased activity in sanitary infrastructure modifications.

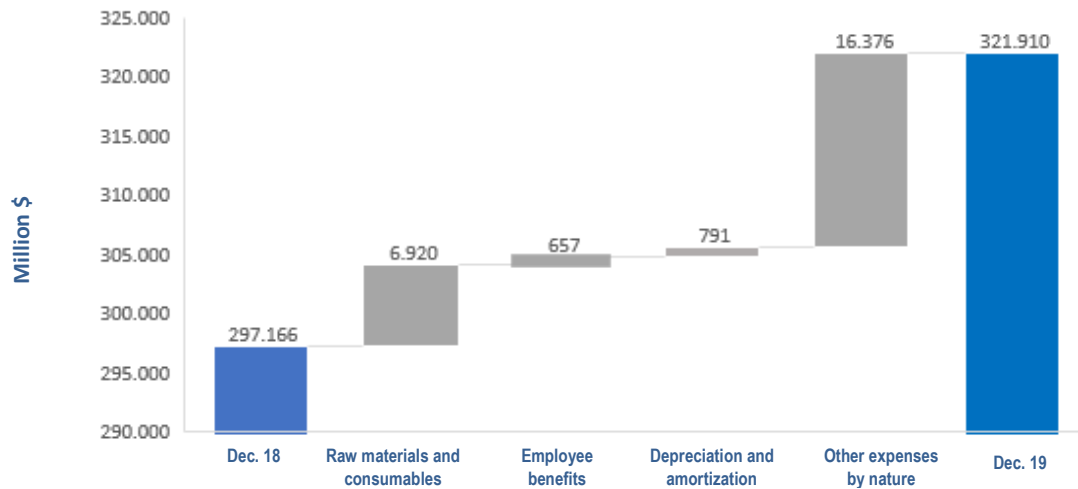
### b) Non-sanitary services

An increase of ThCh\$2,810,122 was mainly explained by higher sales of materials in Management and Services together with higher plant operating revenues in EcoRiles.

<b>ThCh\$</b>	<b>Dec. 19</b>	<b>Dec. 18</b>	<b>% Var.</b>
EcoRiles S.A.	14,394,635	13,211,404	9.0%
Gestión y Servicios S.A.	8,359,396	6,720,684	24.4%
Anam S.A.	4,614,670	4,636,479	(0.5%)
Aguas del Maipo S.A.	1,071,511	1,061,523	0.9%
<b>Non-regulated non-sanitary products</b>	<b>28,440,212</b>	<b>25,630,090</b>	<b>11.0%</b>

### 2.3. Expenditure analysis

The change in spending from the previous year is shown in the following chart:



#### a) Raw materials and consumables

As of December 31st, 2019, the cost of raw materials and consumables amounted to ThCh\$ 46,149,671, ThCh\$ 6,920,084 higher than in the previous year. The increase was mainly due to higher cost of materials sold by the subsidiary Gestión y Servicios of ThCh\$1,488,464, higher use of chemical inputs of ThCh\$470,016 mainly due to higher consumption in operation of plants of the subsidiary EcoRiles and purchase of raw water of ThCh\$3,276,362 in order to increase the security of supply for our clients due to the low flow in the Maipo river basin. Finally, a higher cost of power of ThCh\$1,320,944, associated with a higher increase in potable water due to a higher capture of groundwater, which is partially offset by an improvement in the average price due to the entry into force of supply contracts by free customers for 52 of the Company's sites.

#### b) Employee Benefits

At the end of 2019, employee benefit expenses amounted to ThCh\$ 60,189,175, which is ThCh\$ 656,627 (1.1%) higher than in the previous year, increase made below annual CPI, and partially offset by the reorganization carried out at Aguas Andinas during 2018.

#### c) Depreciation and amortization

As of December 31st, 2019, depreciation and amortization amounted to ThCh\$ 76,263,042, which is ThCh\$ 790,630 higher than in the previous year. This was the result of the depreciation associated with the new assets included during the year.

#### d) Other expenses by nature

At the end of 2019, these expenses amounted to ThCh\$ 139,307,950, which was ThCh\$ 16,376,193 higher due mainly to

- Efficiency and process improvement projects have been carried out which have resulted in lower costs mainly in the management of biosolids for ThCh\$ 279,211 and customer management, other general services and administration for ThCh\$445,720.
- Higher costs have been recognized in maintenance of potable water and sewage networks for ThCh\$1,957,325, maintenance of equipment and premises for ThCh\$1,710,526, cost of sale associated with new services for ThCh\$485,606 and fines for ThCh\$714,581. The above is partially offset by lower activity in sanitary infrastructure modifications for ThCh\$347,652.
- ESSAL: as a result of the service interruption in the city of Osorno, the company has incurred operating costs to restore the supply of potable water, along with compensation to customers who were affected and other costs arising from the contingency. This has generated a higher cost of ThCh\$10,864,412. It should be noted that eventual insurance returns related to these expenses have not been considered.

## *2.4. Analysis of financial results and others*

### **a) Other gains (losses)**

As of December 31st, 2019, higher profits of ThCh\$ 15,349,676 were obtained than in 2018, mainly associated with higher sales of expendable land located in the Metropolitan Region.

### **b) Financial income**

At the end of 2019, interest income of ThCh\$ 5,792,603 was obtained, which is ThCh\$ 92,916 lower than that obtained in 2018, mainly explained by lower interest on customer debt, which is partially offset by the gain from inflation insurance equivalent to ThCh\$ 875,144.

### **c) Financial Costs**

As of December 31st, 2019, financing costs amounted to ThCh\$ 30,316,227, an increase of ThCh\$ 317,868 over those obtained in 2018. This was explained by higher bank interest and interest on bonds as a result of the greater volume of debt obtained to finance the company's investment plan, partially offset by a greater lower financial activation.

### **d) Results by readjustment unit**

At the end of 2019, the readjustment unit charges were ThCh\$23,529,974 resulting in a higher expense of ThCh\$507,285 compared to 2018, mainly explained by a higher level of indebtedness, which is partially offset by a lower revaluation of debt due to lower variation in the Unidad de Fomento (2.70% in 2019 versus 2.86% in 2018).

### **e) Income tax expense s**

Income tax expense as of December 31st, 2019 was ThCh\$49,810,305, ThCh\$3,192,625 higher than the previous year, mainly explained by higher pretax income.

### **f) Profits**

Net income as of December 31st, 2019 amounted to ThCh\$69,918,238, which was ThCh\$2,790,578 higher than the previous year, representing an increase of 4.2%.






## 2.5. Results by segment

### a) Accumulated results Water segment

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

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

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

-  An increase in external revenues, mainly associated with tariff indexations recorded during 2018 and 2019, together with variations in non-billed consumption and fixed charge revenues due to 2.2% higher clients' base. In addition, there were more agreements with developers, more technical advice on rural potable water and an increase in household service activity, partially offset by a lower level of activity in sanitary infrastructure modifications.
-  Costs increased mainly due to higher expenses for maintenance of equipment and premises of ThCh\$1,750,074, maintenance of water and sewage networks of ThCh\$1,615,376 and associated cost of sale of new home services by ThCh\$485,606. In addition, due to the extreme drought affecting the central zone of the country, there have been increases in water purchase expenses of ThCh\$ 3,276,362 due to the low flow rate in the Maipo river basin and higher power costs of ThCh\$ 1,320,944 associated with a higher increase in potable water and greater groundwater collection, which is partially offset by an improvement in the average price due to the entry into force of supply contracts by free customers for 52 of the Company's sites.
-  ESSAL: as a result of the service interruption in the city of Osorno, the company has incurred operating costs to restore the supply of potable water, compensation to customers who were affected and other costs arising from the contingency. This has generated a higher cost of ThCh\$10,864,412.
-  In addition, projects have been generated which have enabled efficiencies to be achieved, such as biosolids management with savings of ThCh\$279,211 and customer management, other general services and administration for ThCh\$445,720.
-  Other gains (losses) were ThCh\$15,314,926 higher than in 2018, mainly associated with higher sales of expendable land located in the Metropolitan Region.

- The financial result showed a net expense of ThCh\$ 48,017,116, which was ThCh\$ 792,437 higher than in the previous year, as a result of higher interest tariffs associated with a higher level of debt to finance the company's investment plan together with a higher debt rating.
- Income tax expense as of December 31st, 2019 was ThCh\$48,696,013, ThCh\$3,209,059 higher than in the previous year, mainly explained by higher pretax income.

#### b) Accumulated results Non-water segment

Income Statement (ThCh\$)	Dec. 19	Dec. 18	% Var.	2019 - 2018
External Revenue	28,577,039	25,712,641	11.1%	2,864,398
Revenue segments	4,709,044	4,311,876	9.2%	397,168
Operating costs and expenses	(27,183,218)	(24,412,117)	11.4%	(2,771,101)
<b>EBITDA</b>	<b>6,102,865</b>	<b>5,612,400</b>	<b>8.7%</b>	<b>490,465</b>
Depreciation and amortization	(1,869,315)	(1,271,095)	47.1%	(598,220)
<b>Operating profit</b>	<b>4,233,550</b>	<b>4,341,305</b>	<b>(2.5%)</b>	<b>(107,755)</b>
Other gains (losses)	(257,230)	(271,241)	(5.2%)	14,011
Financial result	(541,277)	(22,222)	>200%	(519,055)
Tax Expenditure	(966,925)	(1,019,468)	(5.2%)	52,543
<b>Net income</b>	<b>2,468,118</b>	<b>3,028,374</b>	<b>(18.5%)</b>	<b>(560,256)</b>

\* Includes financial income, financial costs, exchange rate differences and results by adjustment units.

The results of the Non-Water segment showed a decrease of 18.5% with respect to the previous year, mainly due to

- An increase in revenue which was mainly due to higher sales of materials to third parties by the company Gestión y Servicios together with greater activity by EcoRiles.
- The increase in costs by 11.4% is associated with the cost of sales of materials of the company Gestión y Servicios, greater expenditure of chemical inputs associated with EcoRiles and higher costs in personnel.
- An increase in the cost of depreciation and amortization, due mainly to new assets included during the year, mainly the methanization plant at Aguas del Maipo.
- The financial result submitted a higher expense compared to the previous year of ThCh\$519,055, mainly associated with exchange rate differences.

### 3. Quarterly results

Income statement (ThCh\$)	4T19	4T18	% Var.	4Q19 - 4Q18
Ordinary Income	139,304,097	139,712,199	(0.3%)	(408,102)
Operating Costs and Expenses	(65,197,346)	(57,758,481)	12.9%	(7,438,865)
<b>EBITDA</b>	<b>74,106,751</b>	<b>81,953,718</b>	<b>(9.6%)</b>	<b>(7,846,967)</b>
Depreciation and Amortization	(19,948,076)	(18,602,188)	7.2%	(1,345,888)
<b>Operating profit</b>	<b>54,158,675</b>	<b>63,351,530</b>	<b>(14.5%)</b>	<b>(9,192,855)</b>
Other Profits	16,074,378	(2,690,228)	>200%	18,764,606

Financial Result*	(15,091,441)	(12,815,243)	17.8%	(2,276,198)
Tax Expenditure	(14,436,630)	(12,352,521)	16.9%	(2,084,109)
<b>Net Income</b>	<b>20,523,510</b>	<b>17,060,510</b>	<b>20.3%</b>	<b>3,463,000</b>

\* Includes financial income, financial costs, exchange rate differences and results by adjustment units.

### 3.1. Revenue Analysis

#### a) Operating income

Ordinary revenues for the fourth quarter of 2019 amounted to ThCh\$ 139,304,097, which was ThCh\$ 408,102 (0.3%) lower than the fourth quarter of the previous year. This variation was mainly due to a lower volume supplied.

### 3.2. Expenditure analysis

#### a) Raw materials and consumables used

During the fourth quarter of 2019, the costs of raw materials and consumables amounted to ThCh\$13,287,672, ThCh\$3,499,493 more than in the same quarter of 2018, mainly associated with the purchase of water for ThCh\$2,719,863 and higher cost of power for ThCh\$556,064.

#### b) Employee Benefits

Employee benefit expenses for the fourth quarter amounted to ThCh\$ 16,152,517, ThCh\$ 459,211 more than in 2018, mainly associated with higher CPI.

#### c) Depreciation and amortization

Depreciation and amortization for the fourth quarter of 2018 amounted to ThCh\$ 19,948,076, ThCh\$ 1,345,888 higher than that obtained in the same quarter of 2018, mainly associated with new assets included in that period.

#### d) Other expenses

In the fourth quarter of 2019, other expenses amounted to ThCh\$ 35,757,157, which was ThCh\$ 3,480,161 higher than that obtained in 2018, mainly explained by expenses for the service interruption event in the city of Osorno of ThCh\$ 3,446,845.

### 3.3. Financial performance analysis

#### a) Other gains (losses)

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

#### b) Financial result

The financial result for the fourth quarter of 2019 showed losses of ThCh\$ 15,091,441, which increased by ThCh\$ 2,276,198 compared to 2018, mainly explained by the higher appreciation of the debt, due to the lower variation of the UF compared to the same quarter of 2018.



c) Income Tax Expenses

Income tax expense at the end of the fourth quarter of 2019 was ThCh\$ 14,436,630, ThCh\$ 2,084,109 higher than the same quarter of the previous year, mainly associated with higher pre-tax income of ThCh\$ 7,295,553.

d) Profit

Net income for the fourth quarter of 2019 amounted to ThCh\$ 20,523,510, which was ThCh\$ 3,463,000 (20.3%) higher than the amount obtained in the same quarter of 2018.

#### 4. Statement of Financial Condition

	Dec. 19	Dec. 18	% Var.
	THCH\$	THCH\$	
<b>Assets</b>			
Current assets	198,693,178	169,729,141	17.1%
Non-current assets	2,075,152,748	2,008,908,565	3.3%
<b>Total assets</b>	<b>2,273,845,926</b>	<b>2,178,637,706</b>	<b>4.4%</b>
<b>Liabilities and equity</b>			
Current liabilities	242,608,281	242,927,687	(0.1%)
Non-current liabilities	1,072,110,134	977,008,960	9.7%
<b>Total liabilities</b>	<b>1,314,718,415</b>	<b>1,219,936,647</b>	<b>7.8%</b>
Equity attributable to the owners of the holding company	594,540,262	591,673,561	0.5%
Non-controlling interests	364,587,249	367,027,498	(0.7%)
<b>Total equity</b>	<b>959,127,511</b>	<b>958,701,059</b>	<b>0.04%</b>
<b>Total liabilities and equity</b>	<b>2,273,845,926</b>	<b>2,178,637,706</b>	<b>4.4%</b>

## 4.1. Analysis of assets

The total assets of Aguas Metropolitanas S.A. investments at consolidated level at December 31st, 2019 showed an increase of 4.4% with respect to December 31st, 2018, equivalent to ThCh\$95,208,220.

Current assets increased by ThCh\$28,964,037, mainly due to an increase in cash and cash equivalents of ThCh\$31,969,842. The above is partially offset by a decrease in recoverable taxes of ThCh\$ 2,361,953.

Non-current assets increased by ThCh\$ 66,244,183 mainly explained by increased property, plant and equipment of ThCh\$ 58,998,841, associated with investments made during the year. The main investment works are reflected in the following table:

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

## 4.2. Analysis of liabilities and equity

Liabilities as of December 2019 increased by ThCh\$ 94,781,768 compared to December 2018.

Current liabilities decreased by ThCh\$319,406. Non-current liabilities showed an increase of ThCh\$ 95,101,174 (9.7%). This variation corresponds mainly to an increase in bond debt of Ch\$68,070,658 associated with the issuance of

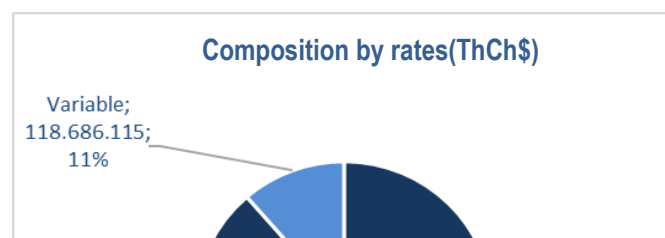
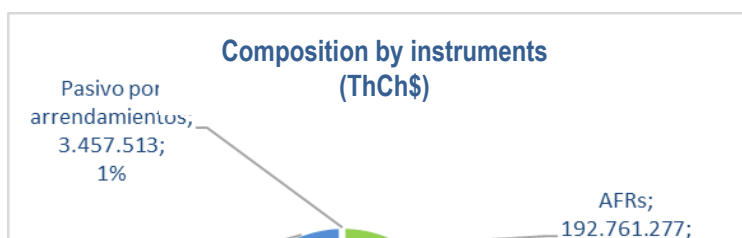
💧 "Green and Social Bond" series AE for UF 2.0 million, structured for 25 years at a coupon rate of 2.5%.

Total shareholders' equity increased by ThCh\$ 426,452 and shareholders' equity attributable to the owners of the parent company increased by ThCh\$ 2,866,701, mainly explained by the profit at the end of 2019.

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

Financial Debt ThCh	Currency	Total	12 months	1 to 3 years	3 to 5 years	more than 5 years
AFRs	\$	192,761,277	6,313,401	50,796,719	40,669,845	94,981,311
Bonds	\$	731,351,327	16,320,558	36,417,303	31,105,086	647,508,380
Loans	\$	115,228,602	13,876,507	59,227,642	37,699,562	4,424,891
Lease liabilities	\$	3,457,513	1,503,350	1,827,145	127,018	-
Totals		1,042,798,719	38,013,816	148,268,809	109,601,511	746,914,582

## 4.3. Structure of financial liabilities



Lease liabilities

Loans

## 5. Cash flow statements

Bonds

Fixed

Cash Flow Statements (ThCh\$)	Dec. 19	Dec. 18	% Var.
Activities of the operation	228,617,894	244,390,084	(6.5%)
Investment activities	(125,768,547)	(135,452,926)	(7.1%)
Financing activities	(70,879,505)	(87,653,090)	(19.1%)
<b>Net flow for the year</b>	<b>31,969,842</b>	<b>21,284,068</b>	<b>50.2%</b>
<b>Ending cash balance</b>	<b>73,057,118</b>	<b>41,087,276</b>	<b>77.8%</b>

EBITDA from operating activities decreased by ThCh\$15,772,190 when compared to December 2019 and December 2018.

The main variations were as follows:

- 💧 Increase causes payments to suppliers for ThCh\$29,031,412, mainly associated with infrastructure suppliers.
- 💧 Increase in income taxes paid of ThCh\$3,743,803, this variation was mainly explained by an increase in the rate for the payment of PPM.
- 💧 Increase in premium and benefit payments, annuities and other obligations arising from policies taken out for ThCh\$1,621,807, associated with the payment of all risk insurance for physical assets.
- 💧 Increase in other payments for operating activities of ThCh\$4,169,023, due to a higher value added tax payment.
- 💧 Increase in other cash inflows and outflows of ThCh\$777,930, mainly associated with the payment of fines and donations.

These variations were partially offset by the following items:

- 💧 Increase in collections from sales of goods and services of ThCh\$15,560,601 mainly due to a higher volume of sales, together with the tariff indexations recorded in 2018 and 2019, the last one in July 2019.
- 💧 Increase in other operating revenues of ThCh\$3,044,585 due to a refund of overpayment of real estate contract.

- Decrease in employee benefit payments of ThCh\$4,044,670, mainly due to the fact that the lower net staffing level offsets the higher costs resulting from the inflationary adjustments and the benefits obtained from the collective bargaining processes completed during 2018.
- Decrease in interest paid of ThCh\$1,488,649, due to lower bond interest payments.

Disbursements for investment activities decreased by ThCh\$ 9,684,379, mainly associated with increased sales of expendable land located in the Metropolitan Region for ThCh\$ 13,098,342, offset by an increase in purchases of property, plant and equipment for ThCh\$ 4,701,271.

Financing activities generated a net cash flow (decrease) of ThCh\$16,773,585, which is mainly explained by a lower payment of loans and financing instruments.

## 6. Financial ratios

		Dec. 19	Dec. 18
<b>Liquidity</b>			
Current liquidity	times	0.82	0.70
Acidic reason	times	0.30	0.17
<b>Indebtedness</b>			
Total indebtedness	times	1.37	1.27
Current debt	times	0.18	0.20
Non-current debt	times	0.82	0.80
Annualized financial expense coverage	times	7.22	7.16
<b>Profitability</b>			
Return on equity attributable to the owners of the controlling company annualized	%	11.79	11.33
Annualized return on assets	%	3.14	3.16
Annualized earnings per share	\$	69.92	67.13
Dividend return (*)	%	7.99	6.69

**Current liquidity:** current assets/current liabilities

**Acidic ratio:** cash and cash equivalents / current liabilities

**Total debt:** liabilities / total equity.

**Current debt:** current liabilities / liabilities payable.

**Non-current debt:** non-current liabilities / liabilities payable.

**Coverage of financial expenses:** annualized profit before tax and interest / annualized financial expenses.

**Return on equity:** annualized profit/average total equity for the year annualized

**Return on assets:** annualized profit/average total assets for the year annualized.

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

**Dividend return:** dividends paid per share / share price.

(\*) The share price at December 2019 amounts to \$819.92, while at December 2018 it amounts to \$1012.80.

As of December 2019, current liquidity increased by 17.1%, due to the increase in current assets of ThCh\$ 28,964,037, mainly explained by higher cash and cash equivalents from the sale of expendable land in the Metropolitan Region.

The borrowing ratio increased by 7.89%, mainly due to an increase in liabilities receivable of ThCh\$ 94,781,768 as a result of the issuance of the Green and Social Bond for UF 2.0 million.

The return on equity attributable to the owners of the controlling company showed an increase of 4.1%, due to the increase in income for the period of ThCh\$ 2,790,578.

## 7. Other background

### 7.1. Tariffs

The most important factor determining our results of operations and financial condition is the tariffs that are set for our regulated sales and services. As a sanitary company we are regulated by the S.I.S.S. and our tariffs are set in accordance with the tariffs of Sanitary Services Law D.F.L. N°70 of 1988.

Our tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to an indexation polynomial, which are applied when the accumulated variation since the previous adjustment is 3.0% or more, as calculated on the basis of various inflation indexes. Specifically, adjustments are applied based on a formula that includes the Consumer Price Index, the Price Index for Imported Goods in the Manufacturing Sector and the Manufacturing 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	September 2018
Group 2	September 2018
Rinconada de Maipú	January 2018 and May 2019

#### Aguas Cordillera S.A.:

June 2018 and November 2018

#### Aguas Manquehue S.A.:

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

#### Essal S.A.:

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

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

The tariffs in force for the period 2015-2020 were approved by Decree No. 83 dated June 5, 2015, for Aguas Andinas S.A., of the Ministry of Economy, Development and Reconstruction and came into force on March 1,

2015 (published in the Official Gazette on September 3, 2015). The current tariffs of Aguas Cordillera S.A. for the same five-year period 2015-2020 were approved by Decree No. 152 dated 19 October 2015, and came into effect as of 30 June 2015 (published in the Official Gazette on 25 November 2015) and the current tariffs of Aguas Manquehue S.A. 2015-2020 were approved by Decree No. 139 dated 16 September 2015, and came into effect as of 19 May 2015 (published in the Official Gazette on 25 November 2015).

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

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

## *7.2. Market risk*

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

Adverse weather conditions can eventually affect the optimal delivery of sanitation services, because the processes of water collection and production of potable water depend largely on the weather conditions that develop in the watersheds. Factors such as meteorological precipitation (snow, hail, rain, fog), temperature, humidity, sediment drag, river flows and turbidity determine not only the quantity, quality and continuity of raw water available at each intake, but also the possibility of it being properly treated at the treatment plants.

In case of drought, we have important water reserves that we maintain in the El Yeso, Laguna Negra and Lo Encañado reservoirs, in addition to the contingency plans that we have developed, which allow us to reduce the possible negative impacts that could generate adverse weather conditions for our operations. In the present period, the drought that has existed since 2010 persists, which means that contingency plans are being applied, such as the purchase of raw water, intensive use of wells, and the lease and purchase of water rights, among others. All of this is aimed at reducing the impact of the drought and providing our services normally, both in terms of quality and continuity.

### *7.3. Market Analysis*

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

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

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

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

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

### *7.4. Capital investments*

One of the variables that most affect the result of our operations and financial situation is capital investments. These are of two types:

**Committed investments.** We are obliged to agree an investment plan with the S.I.S.S., describing the investments to be made during the 15 years following the date on which the corresponding investment plan comes into effect. Specifically, the investment plan reflects a commitment on our part to carry out certain projects related to maintaining certain standards of quality and coverage of services. The above-mentioned investment plan is subject to review every five years, and may be modified when certain relevant facts are verified.

Dates of approval and updating of the development plans of the Aguas Group:

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

Greater Santiago: December 23rd, 2015

Locations: December 31st 2014, January 12th 2015, November 17th 2015, December 12th 2016 and April 6th 2018

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

Aguas Cordillera and Villa Los Dominicos: December 21st, 2015

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

Saint Mary and the Trappists: December 23rd 2014

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

Alto Lampa: December 6th 2018

#### **ESSAL S.A.**

Regions X and XIV: June 1st 2016, June 14th 2016, August 12th 2016 and January 16th 2017

**Non-committed investments.** 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, in general, are 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 works in progress is capitalized. IAS 23 establishes that when an entity acquires debt to finance investments, interest on that debt must be deducted from interest expense and included into the financed construction work, up to the total amount of such interest, applying the respective rate to disbursements made at the date of presentation of the financial statements. Accordingly, the interest costs associated with our capital investment plan affect the amount of interest expense recorded in the income statements and are reported along with the work in progress under the caption "property, plant and equipment" in our statement of financial position.

### *7.5. Financial aspects*

#### **a) Currency risks**

Our income is largely linked to the evolution of the local currency. Therefore, our debt is mainly issued in this same currency and we do not record significant risks from foreign currency transactions.


#### **b) Interest rate risks**


At 31 December 2019, the interest rate risk held by Inversiones Aguas Metropolitanas S.A. consisted of 88.9% at a fixed rate and 11.1% at a floating rate. Fixed-rate debt is composed of: short- and long-term bond issues (78.8%), reimbursable financial contributions (20.8%) and lease liabilities (0.4%), while variable-rate debt corresponds to loans with domestic banks.

At 31 December 2018, the interest rate risk held by Inversiones Aguas Metropolitanas S.A. consisted of 89.8% at a fixed rate and 10.2% at a floating rate. Fixed-rate debt is made up of: short and long-term bond issues (77.8%) and reimbursable financial contributions (22.2%), while variable-rate debt corresponds to loans with domestic banks.

The company maintains an interest rate monitoring and management policy, which, in order to optimize the cost of financing, permanently evaluates the hedging instruments available in the financial market.

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

 **Important investment effort.** As of December 31st, 2019, the Company has executed investments amounting to Ch\$135,071 million, highlighting that the construction of the Pirque ponds is practically completed, for a total of 1.5 million cubic liters, which will increase Santiago's resilience capacity from 11 to 34 continuous hours.

 Revenues increased by 2.7% to Ch\$544,684 million, mainly due to the indexations recorded over the course of 2018 and 2019, together with the results of active cost containment and reduction management, which partially offset the higher costs of the drought and the Osorno event.