



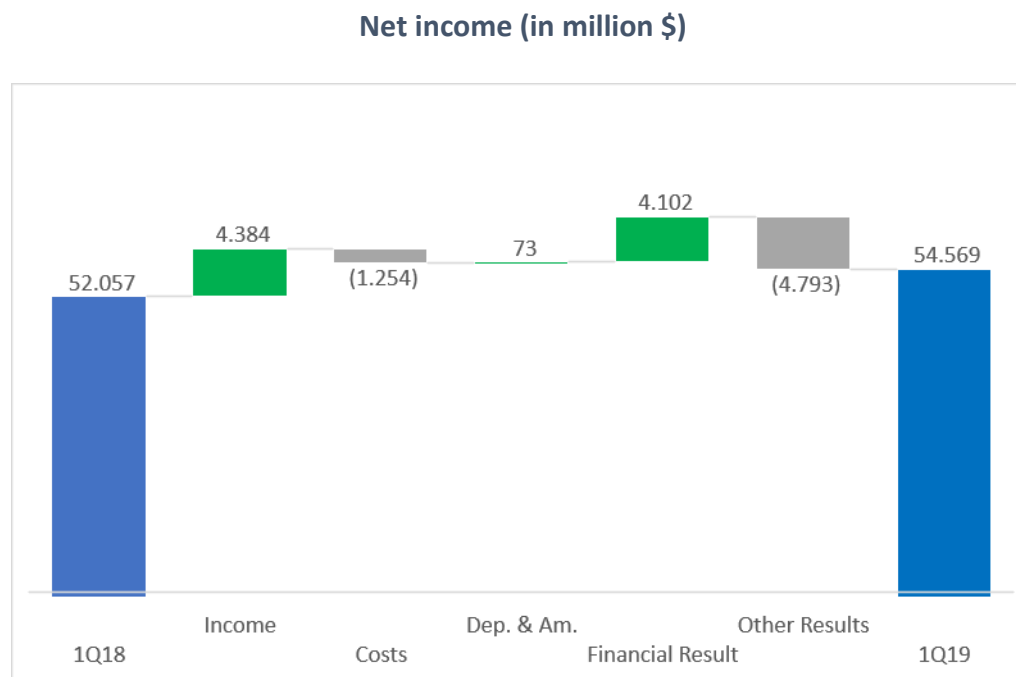
Earnings Release
Inversiones Aguas Metropolitanas S.A.
For the Period ended as of March 31, 2019



1. Annual summary

- The Company maintains a sustained growth in EBITDA in the first quarter of 2019, achieving an increase of 3.2%, positively influenced by indexations during the year 2018 together with higher volumes delivered and, in addition to the results of an active management of containment and cost reduction, mainly through a reorganization of the company carried out in the previous year, improvements in the use and disposal of biosolids, energy efficiency and optimization of processes.
- At a non-operational level, a better financial result is obtained, mainly explained by the lower revaluation of the adjustable debt in UF (0.0% in 2019 versus 0.6% in 2018). On the other hand, there is a lower result on sales of disposable assets of the Company, together with a higher expense for income tax.

Net income as of March 31, 2019 amounted to \$ 27,122 million. The main variations with respect to the quarter of the previous year are presented in the following graph:



Operating Incomes

- 💧 The EBITDA as of March 31, 2019 was \$ 100,929 million, representing an increase of 3.2% with respect to the same quarter of the previous year.
- 💧 Regulated revenues were higher by \$ 4,018 million (increase of 2.9%), mainly due to the rate indexes recorded during the previous year, the last one being in September 2018, and higher volume supplied.
- 💧 Operating costs varied by 2.3% due mostly to:

👉 *Efficiency Improvement Projects: it has continued with the development of processes improvements and digital transformation projects, that have allowed to contain and reduce certain costs line items such as the following:*

- *Electric Power:* there is a decrease in costs of productive electric energy of \$ 218 million, because of the improvement in the average price due to the entry into force of supply contracts by free customers, for 52 facilities of the Company, which compensates the higher energy consumption as a result of the greater volume of production and greater underground sources uptake and of water elevation.
- *Biosolids management:* savings of \$ 342 million was obtained for the beneficial use of sludge as fertilizer and soil recuperator.
- *Reorganization:* Personnel costs, at the consolidated level, have decreased by \$ 26 million, mainly since the lower net personnel provision compensates for the higher costs caused by the readjustments agreed for inflation and the benefits obtained in the collective bargaining processes completed during the year 2018.
- *Other projects:* improvements in the costs of customer management services for \$ 138 million, and other general and administrative services for \$ 166 million.

👉 *Raw materials and consumables:* There is a higher cost of materials of \$ 452 million, mainly due to the higher cost of sale of materials of the subsidiary Gestión y Servicios, and of chemical inputs for \$ 344 million, due to its greater consumption in the operation of subsidiary EcoRiles plants.

👉 Finally, higher costs have been recognized mainly in facilities and equipment maintenance for \$ 381 million, consultancies and studies for \$ 728 million and fines for the subsidiary ESSAL, for \$ 278 million.

Non-operating income

- 💧 The financial result showed a net expense of \$ 6,102 million, lower by \$ 4,100 million at the same quarter of the previous year, mainly as a result of a lower revaluation of the adjustable debt in UF (0.0% in 2019 versus 0.6% in 2018).
- 💧 The Other Profit/Loss line resulted in lower profits of \$ 2,100 million compared to the one obtained in 2018, mainly due to the sale of land located in several communes of the Metropolitan Region in the first quarter of the previous year.

Investments

- 💧 As of March 31, 2019, investments were materialized for \$ 29,337 million. The main projects developed are:
 - 🔧 *Construction of Pirque Project*
 - 🔧 *Renewal of sewage and drinking water networks*
 - 🔧 *Treatment of Nitrates at Biofactories of La Farfana and Mapocho-Trebal*
 - 🔧 *Assets replacement at Biofactories of La Farfana and Mapocho-Trebal*
 - 🔧 *Cogeneration of Mapocho-Trebal Biofactory*
- 💧 *Advance in relevant investment projects* - The construction of Pirque Project has a 70% progress, a project that will increase the autonomy of 11 to 34 hours of drinking water to the capital, to deal with the effects of climate change, and with it to avoid or to minimize the cuts of drinkable water caused by storms or rains in the high mountain range.

OTHER HIGHLIGHTS

- 💧 On April 11, 2019, the placement of the second **Green and Social Bond** issued in the local market was successfully carried out. Aguas Andinas, a pioneer in issuing Green and Social Bonds, will allocate these funds to finance investment projects that have a positive impact on the country's environmental and social area. The bonus feature was the following:
 - 🔧 Green and Social Bond, series AE for UF 2.0 million, structured at a 25-year term at a coupon rate of 2.5%.The spread achieved by the Green and Social Bond was the lowest in recent years for an issuance in equivalent terms and the demand exceeded by 2.7 times the amount offered to the market.

💧 **New General Manager** - On April 17, 2019, Narciso Berberana Sáenz submitted his resignation to the Board of Aguas Andinas. On the same occasion, the Board appointed Marta Colet Gonzalo as new General Manager, who assumed her duties as of this date.

💧 **Renewal of the Board of Directors** - At the Ordinary Meeting of Shareholders of Aguas Andinas held on April 23, 2019, among matters related to it, the renewal the Board of Directors was discussed, with the following persons elected:

Directors

1. Guillermo Pickering de la Fuente
2. Loreto Silva Rojas
3. Giorgianna Cuneo Queirolo
4. Claudio Muñoz Zúñiga
5. Narciso Berberana Sáenz
6. Rodrigo Manubens Moltedo
7. Luis Mayol Bouchon

Alternate Directors

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

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

2. Annual Results

2.1. Accumulated Results

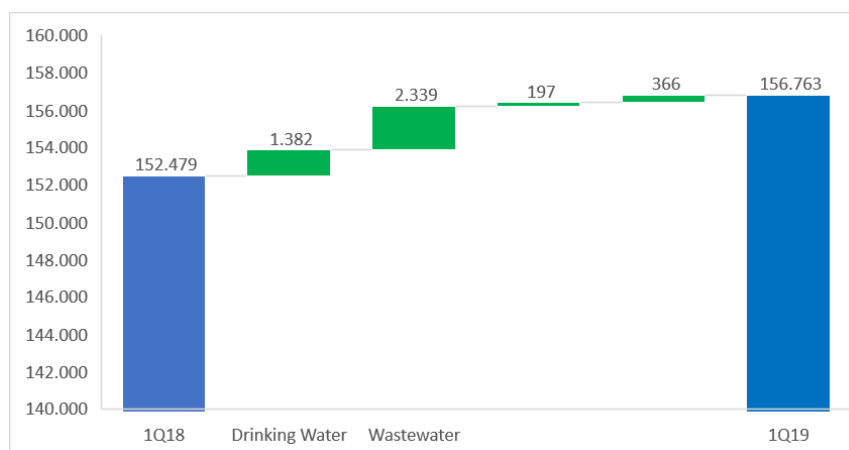
Results Statement (M\$)	Mar. 19	Mar. 18	% Var.	2019 / 2018
Ordinary Revenues	156.862.226	152.478.323	2,9%	4.383.903
Operating costs and expenses	(55.932.934)	(54.652.368)	2,3%	(1.280.566)
EBITDA	100.929.292	97.825.955	3,2%	3.103.337
Depreciation and Amortization	(18.786.034)	(18.857.653)	(0,4%)	71.619
Results from Operations	82.143.258	78.968.302	4,0%	3.174.956
Other Revenues	(78.058)	2.021.589	(103,9%)	(2.099.647)
Financial Results*	(6.101.742)	(10.202.048)	(40,2%)	4.100.306
Tax Expenses	(20.535.607)	(18.124.319)	13,3%	(2.411.288)
Net Income	27.121.943	25.824.925	5,0%	1.297.018

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

2.2. Revenue analysis

	Mar. 19		Mar. 18	
	Sales M\$	Share	Sales M\$	Share
Drinking Water	66.627.676	42,5%	65.245.564	42,8%
Wastewater	71.757.908	45,7%	69.318.337	45,5%
Other Regulated Incomes	5.993.117	3,8%	5.796.414	3,8%
Non-regulated revenue	12.483.525	8,0%	12.118.008	7,9%
Total	156.862.226	100,0%	152.478.323	100,0%

The variation of the income with respect to the quarter of the previous year is presented in the following graph:



Sales Volume (thousands m3)	Mar. 19	Mar. 18	% Var.	Difference
Drinking Water	169.052	168.484	0,3%	568
Wastewater collection	159.743	159.284	0,3%	459
Wastewater treatment and disposal	137.210	136.418	0,6%	792
Interconnections	37.505	37.613	(0,3%)	(108)
Clients	Mar. 19	Mar. 18	% Var.	Difference
Drinking Water	2.329.592	2.275.240	2,4%	54.352
Wastewater collection	2.276.576	2.221.880	2,5%	54.696

Regulated Businesses

a) Potable water

Potable water revenues in the first quarter of 2019 reached M\$ 66,627,676, showing an increase of 2.1%, compared to the same quarter of the previous year. The increase of M\$ 1,382,112 was mainly due to the rate indexes registered during the previous year, the last one being in the month of September 2018, together with a higher volume supplied.

b) Wastewater

Wastewater revenues during the first quarter of 2019 reached M\$ 71,757,908, representing an increase of M\$ 2,439,571, with respect to the previous year, as a result of a higher volume supplied together with the rate indexes registered during the previous year. The last indexation of Aguas Andinas was registered in the month of September 2018.

c) Other regulated income

This item presented an increase of M\$ 196,703, mainly due to the variation in the provision of non-invoiced consumptions together with higher revenues associated with fixed charges to clients.

Unregulated Income

a) Sanitary services

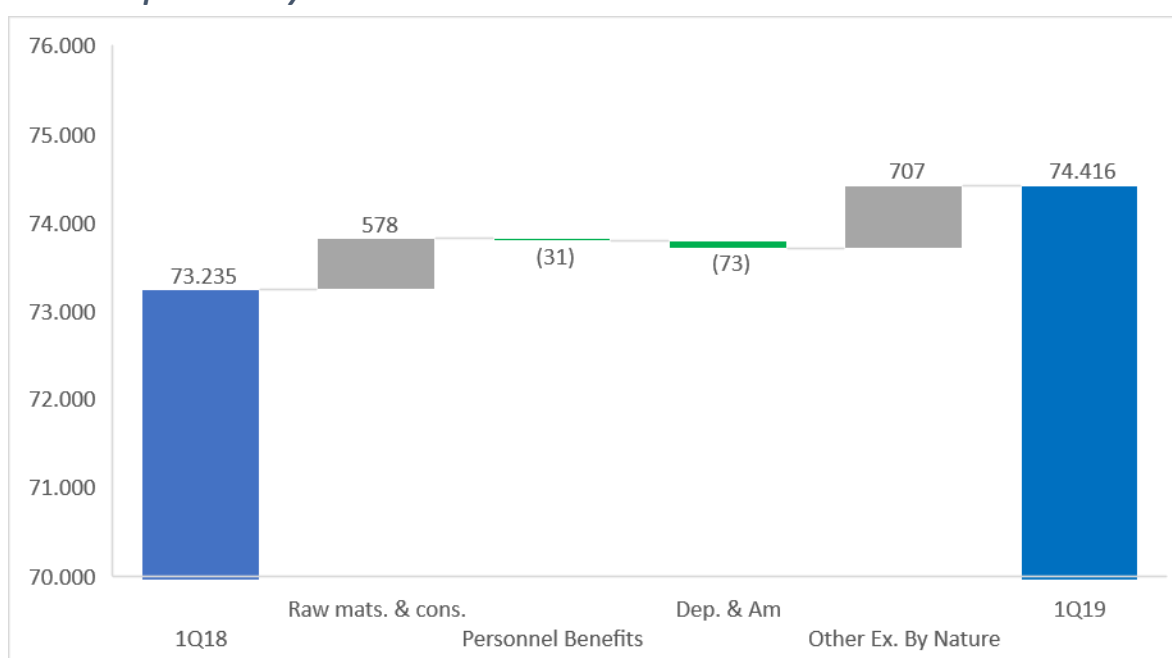
A decrease of M\$ 421,175 mainly due to lower activity of residential services requested by clients and minor agreements with developers. This is partially compensated by the increased activity in sanitary infrastructure modifications requested by clients and rural potable water.

b) Non-sanitary services

An increase of Th \$ 786,692 was mainly explained by higher sales of materials in Gestión y Servicios, together with higher activity in EcoRiles.

(M\$)	Mar. 19	Mar. 18	% Var.
Anam S.A.	962.401	1.120.973	(14,1%)
EcoRiles S.A.	3.328.028	3.143.592	5,9%
Gestión y Servicios S.A.	2.399.387	1.650.155	45,4%
Aguas del Maipo S.A.	239.984	228.388	5,1%
Non-sanitary non-regulated products	6.929.800	6.143.108	12,8%

2.3. Expense analysis



a) Raw materials and consumables

As of March 31, 2019, the cost of raw materials and consumables reached M \$ 10,467,678, M \$ 577,818 higher than the amount obtained in the first quarter of fiscal year 2018. This was mainly due to a higher cost of sales of materials by the subsidiary Gestión y Servicios for M\$ 554,520, together with higher use of chemical inputs for M \$ 344,220. The aforementioned is offset by the lower cost obtained in electricity for M\$ 218,294, due to an improvement in the average price due to the entry into force of supply contracts by free customers for 52 Company facilities.

b) Employee benefits

At the end of the first quarter of 2019, employee benefit expenses reached M\$ 14,462,654, a figure lower by M\$ 26,297 than the previous year, due to the reorganization carried out during 2018, which implied a lower net staffing. This is partially compensated by higher remuneration costs, for IPC readjustments and the benefits obtained in the collective bargaining of the previous year.

c) Depreciation and amortization

At the end of the first quarter of 2019, depreciation and amortization amounted to M\$ 18,786,034, a figure lower by M\$ 71,619 than that obtained in the same period of the previous year.

d) Other expenses by nature

As of March 31, 2019, these expenses amounted to M\$ 31,002,602, a figure higher by M\$ 729,045, compared to the same period of 2018, this is essentially explained by:

- Efficiency and process improvement projects have been carried out, which have led to lower costs, mainly in biosolids management, for M\$ 341,758, customer management for M\$ 138,109, and other general and administrative services for M\$ 166,399.
- There have been higher consulting and study costs of M\$ 728,049, maintenance of equipment and facilities for M\$ 380,565 and fines paid to the subsidiary ESSAL for M\$ 278,425.

2.4. Analysis of Financial Statements and Others**a) Other Earnings (losses)**

As of March 31, 2019, lower profits were obtained for M\$ 2,099,647 in comparison to the amount obtained in 2018, mainly since in the first quarter of 2018, expendable land was sold in various municipalities of the Metropolitan Region.

b) Financial revenues

At the end of the first quarter of 2019, financial income was obtained for M\$ 1,349,591, which is lower by M\$ 45,020 than that obtained in 2018, mainly explained by lower interest on customer debt.

c) Financial Expenses

As of March 31, 2019, financial costs reached M\$ 7,467,075, which meant an increase of M\$ 483,644 to those obtained in the same period of 2018. This was explained by higher

bank interest and interest on bonds due mainly to higher debt volume, together with lower financial activation

d) Readjustment Profit

At the end of the first quarter of 2019, the results for readjustment units were M\$ 4,613,180 of less expenditure compared to the first quarter of 2018, mainly explained by a lower revaluation of the debt due to lower variation of the UF (0, 0% in 2019 versus 0.6% in 2018).

e) Income tax Expense

The expense for income tax as of March 31, 2019 was M\$ 20,535,607, an amount higher by M\$ 2,411,288 with respect to the same period of the previous year. This variation was mainly explained by a higher pre-tax result.

f) Earnings

The net profit as of March 31, 2019 amounted to M\$ 27,121,943, which represents an increase of M\$ 1,297,018 from the previous year, this means an increase of 5.0%.

2.5. Incomes by segment

a) Accumulated incomes, water segment

Result Statement (M\$)	Mar. 19	Mar. 18	% Var.	2019 / 2018
External Revenue	149.903.054	146.319.945	2,4%	3.583.109
Segments Revenue	238.240	299.330	(20,4%)	(61.090)
Operating costs and expenses	(49.771.823)	(49.790.629)	0,0%	18.806
EBITDA	100.369.471	96.828.646	3,7%	3.540.825
Depreciation and amortization	(18.363.145)	(18.683.150)	(1,7%)	320.005
Results from operations	82.006.326	78.145.496	4,9%	3.860.830
Other earnings (losses)	(40.685)	1.905.887	(102,1%)	(1.946.572)
Financial Result*	(6.043.881)	(10.180.235)	(40,6%)	4.136.354
Tax Expenses	(20.514.791)	(17.837.088)	15,0%	(2.677.703)
Net Profit	54.329.846	51.170.880	6,2%	3.158.966

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

The results of this segment showed an increase of 6.2% compared to the same quarter of the previous year, mainly due to:

- An increase in external revenues, associated with higher volumes supplied along with the positive changes in rates recorded during the year 2018. The latest indexation of Aguas Andinas was recorded in September 2018 with a weighted average variation of 2, 6%.

- Costs decreased slightly, mainly due to projects that have generated efficiencies, such as lower electric power costs of M\$ 218,294 due to the improvement of prices for free client contracts, biosolids management with a saving of M\$ 341,758, customer services by M\$ 138,109, other general and administrative services for M\$ 166,399 and lower expense for employee benefits M\$ 64,897. In addition, there is a lower cost of sales associated with lower unregulated revenues of M\$ 240,894, corresponding to a decrease in the activity of residential services requested by customers. This is partially offset by higher maintenance costs of premises for M\$ 380,565, consultancies and studies for M\$ 670,286 and fines of M\$ 266,482.
- Other gains (losses) show a lower profit, less in M\$ 1,946,572 than the amount obtained in 2018, partially offset by major sales of expendable land properties located in various municipalities of the Santiago Metropolitan Region, in the first quarter of 2018.
- The financial result presented a net expense of M\$ 6,043,881, lower by M\$ 4,136,354 at the same quarter of the previous year, mainly as a result of a lower revaluation of the adjustable debt in UF (0,0% in 2019 versus 0,6% in 2018).
- The expense for income tax as of March 31, 2019 was M\$ 20,514,791, this figure is higher in M\$ 2,677,703 in comparison to the same period of the previous year. This variation was mainly explained by a higher pre-tax result.

b) Accumulated results, non-water segment

Result Statement (M\$)	Mar. 19	Mar. 18	% Var.	2019 / 2018
External Revenue	149.903.054	146.319.945	2,4%	3.583.109
Segments Revenue	238.240	299.330	(20,4%)	(61.090)
Operating costs and expenses	(49.771.823)	(49.790.629)	0,0%	18.806
EBITDA	100.369.471	96.828.646	3,7%	3.540.825
Depreciation and amortization	(18.363.145)	(18.683.150)	(1,7%)	320.005
Results from operations	82.006.326	78.145.496	4,9%	3.860.830
Other earnings (losses)	(40.685)	1.905.887	(102,1%)	(1.946.572)
Financial Result*	(6.043.881)	(10.180.235)	(40,6%)	4.136.354
Tax Expenses	(20.514.791)	(17.837.088)	15,0%	(2.677.703)
Net Profit	54.329.846	51.170.880	6,2%	3.158.966

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

The incomes of the Non-Water segment showed a decrease of 73,0% compared to that of the previous year, mainly due to:

- Increased revenues mostly attributable to greater laboratory services by *Análisis Ambientales* and greater activity in *EcoRiles*.

- 💧 The increase in costs by 19.0% is associated with the cost of selling materials from the Gestión y Servicios company, higher personnel costs and a higher provision of uncollectibles from EcoRiles.
- 💧 An increase in the cost of depreciation and amortization, mainly due to new assets incorporated during the fiscal year, mainly in the methanization plant of *Aguas del Maipo*.
- 💧 The decrease in other earnings is mainly explained in *Gestión y Servicios*, due to a lower recovery of Guarantee Vouchers that had been provisioned for being over 4 years old, in comparison to the same period of the previous year.
- 💧 Lower income tax expense as compared to the previous period, mainly due to lower income before taxes.

3. Balance sheet

	Mar. 19	Dec. 18	% Var.
	M\$	M\$	
Assets			
Current Assets	169.235.144	169.729.141	(0,3%)
Non-current Assets	2.019.831.797	2.008.908.565	0,5%
Total Assets	2.189.066.941	2.178.637.706	0,5%
Liabilities and Equity			
Current Liabilities	199.912.563	242.927.687	(17,7%)
Non-Current Liabilities	975.025.468	977.008.960	(0,2%)
Total Liabilities	1.174.938.031	1.219.936.647	(3,7%)
Shareholder's Equity	618.795.504	591.673.561	4,6%
Minority Interest	395.333.406	367.027.498	7,7%
Total Shareholder's Equity	1.014.128.910	958.701.059	5,8%
Total Liabilities and Shareholder's Equity	2.189.066.941	2.178.637.706	0,5%

3.1. Asset Analysis

The total consolidated assets of Inversiones Aguas Metropolitanas as of March 31, 2019 presented an increase of 0.5% in comparison to December 31, 2018, from M\$ 2,178,637,706 to M\$ 2,189,066,941.

Current assets decreased by M\$ 493,997, mainly due to a decrease in cash and cash equivalents in M\$ 11,460,650 along with lower taxes to be recovered for M\$ 3,667,248. The foregoing is partially offset by an increase in other current financial assets of M\$ 8,155,274, associated with the

recording of the advance to the payment of principal and interest of bonds payable on April 1, 2019, as well as with higher commercial debtors and other accounts for charge in M\$ 6,570,424.

Non-current assets increased by M\$10.923.232, mostly explained by greater property, plant and equipment totaling M\$12.774.328, associated to the investments materialized during the fiscal year, partially offset by lower deferred taxes of M\$980,917. The main investment works are shown in the following table:

Investments (M\$)	Mar. 19
Construction of <i>Pirque Project</i>	8.270.706
Renewal of potable water networks	3.163.096
Cogeneration of <i>Mapocho-Trebal Biofactory</i>	1.881.611
Replenishment of assets of <i>Biofactorías La Farfana</i> and <i>Mapocho-Trebal</i>	1.768.038
Renewal of Wastewater Networks	1.619.390
Treatment of Nitrates of <i>Biofactorías La Farfana</i> y <i>Mapocho-Trebal</i>	1.198.371

3.2. Liabilities and equity analysis

Payable liability as of December 2019 decreased by M \$ 44,998,616 compared to December 2018.

Current liabilities decreased by M\$ 43,015,124. This variation was mostly attributable to lower payable accounts associated with investment suppliers, partially offset by an increase in financial liabilities, mainly associated with bank debt.

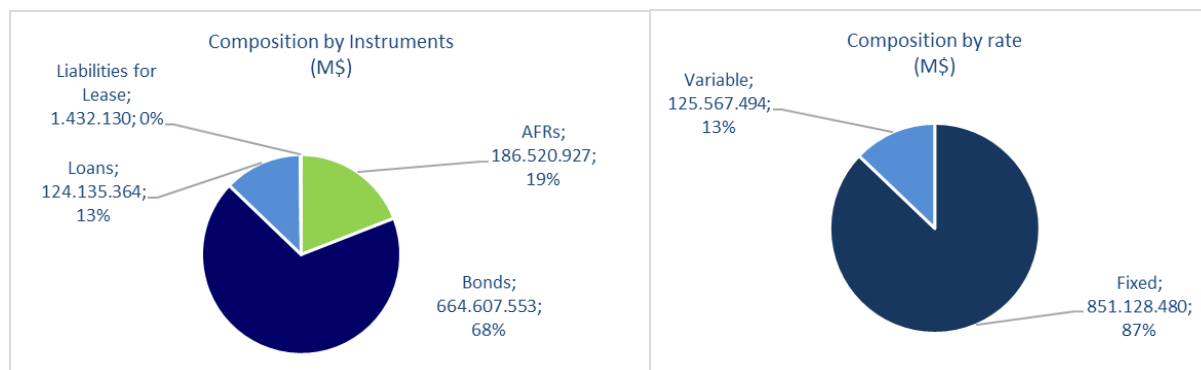
Non-current liabilities showed a decrease of M\$ 1,983,492 (0.2%). This variation corresponds mainly to lower financial liabilities.

Total equity increased by M\$ 55,427,851 and the net assets attributable to the owners of the Parent Company increased by M\$ 27,121,943, mainly explained by the period's profits.

Debt Maturity Profile of the financial position as of December 31, 2018 is the following:

Financial Debt M\$	Currency	Total	12 month	1 to 3 years	3 to 5 years	over 5 years
AFRs	\$	186.520.927	13.693.095	28.947.449	48.315.756	95.564.627
Bonds	\$	664.607.553	21.131.727	30.298.015	33.689.984	579.487.827
Loans	\$	124.135.364	31.616.155	41.544.976	37.699.562	13.274.671
Liabilities for Lease	\$	1.432.130	859.917	507.469	59.643	5.101
Totals		976.695.974	67.300.894	101.297.909	119.764.945	688.332.226

3.3. Structure of financial liabilities



4. Cash Flow Statement

Cash Flow Statements (M\$)	Mar. 19	Mar. 18	% Var.
Operating Activities	76.115.435	61.547.543	23,7%
Investment Activities	(65.728.301)	(32.905.978)	99,7%
Financing Activities	(21.847.784)	(23.747.975)	(8,0%)
Net Flow of the Period	(11.460.650)	4.893.590	(334,2%)
Final Cash Balance	29.626.626	24.696.798	20,0%

The cash flow coming from operating activities increased by M\$14.567.892, when comparing that of March 2019 with that of December 2018.

The main variations were the following:

- Increased collections from the sales of goods and delivery of services totaling M\$3.513.873, mainly due to a higher volume of sales, along with the tariff indexation registered in the previous year, being the last one in the month of September 2018.
- Reduction of payments to suppliers for M\$ 7,715,012, mainly associated with providers of sanitary infrastructure transfers and leases.
- Decrease in payments for employee benefits of M\$ 1,256,684, mainly due to the fact that the lower net personnel provision compensates the higher costs originated by the readjustments agreed for inflation and the benefits obtained in the collective bargaining processes completed during the year 2018.
- Reduction in taxes on earnings paid by M\$ 3,492,934, this variation was mainly explained by a tax recovery during the first quarter of 2019.

Disbursement for investment activities increased by M\$ 32,822,323, associated to the investments made in the period.

Financing activities generated a negative net flow (decrease) of M\$ 1,900,191, this is mainly explained by a lower obtention of loans and short-term financing instruments.

5. Financial ratios

		Mar. 19	Dic. 18
Liquidity			
Current Liquidity	times	0,85	0,70
Acid Test Ratio	times	0,15	0,17
Leverage			
Total Leverage	times	1,16	1,27
Current Debt	times	0,17	0,20
Non-Current Debt	times	0,83	0,80
Annualized Financial Expenses Coverage	times	7,24	7,16
Profitability			
Annualized Equity Profitability Attributable to the Owners of the Controlling Company	%	11,31	11,33
Annualized Asset Profitability	%	3,13	3,16
Annualized profit per share	\$	68,42	67,13
Dividend Yield (*)	%	6,57	6,69

Current Liquidity: 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.

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

Interest Rate Expense Coverage: Income before Annualized Taxes and Interest / Annualized Financial Costs.

Equity Profitability: Annualized Period's Income / Average Equity Total of the Annualized Fiscal Year.

Asset profitability: Annualized Period's Income / Average Asset Total of the Annualized Fiscal Year.

Earnings per Share: Annualized Period's Income / Number of subscribed and Paid Shares.

Dividend Yield: Dividends Paid per Share / Share Price

() The share price as of March 2019 was \$1.040,0, whereas that of December 2018 was \$1.012,80.*

As of March 2019, current liquidity increased by 21.4%, mainly due to a decrease in current liabilities of M\$ 43,015,124, as a result of the less payable accounts associated with investment suppliers, partially offset by an increase in financial liabilities, mainly associated with bank debt.

Total leverage decreased by 8.7%, due to an increase in total equity of M\$ 55,427,851, explained by the period's profit and a decrease in the amount of M\$ 44,998,616 due to lower accounts payable to investment suppliers, partially offset by an increase in financial liabilities, mainly associated with bank debt.

The return on equity attributable to the owners of the controller company showed a decrease of 0.2%, due to the increase in equity average as a result of the period's profit.

6. Other background information

6.1. Tariffs

The most important factor that determines the earnings of our operations and financial condition is the tariffs that are established for our regulated sales and services. As a water utility company we are regulated by the S.I.S.S. and our tariffs are established in accordance with the D.F.L. Sanitation Services Fee Act. N°70 of 1988.

Our tariff levels are reviewed every 5 years and, during this period they are subjected to additional readjustments associated to an indexation polynomial, which is applied when the cumulative variation since the previous adjustment is 3.0% or higher, based on various inflation index estimates. Specifically, inflation adjustments are applied according to a formula that includes the Consumer Price Index (IPC, in its Spanish acronym), the Imported Goods Price Index of the Manufacturing Sector and the Manufacture Producers Price Index, all of which are measured by Chile's National Institute of Statistics. The latest indexations made by each company in the group were applied on the following dates:

Aguas Andinas S.A.:

Group 1	September 2018
Group 2	September 2018
Rinconada de Maipú	January 2018

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

Essal S.A.:

Group 1	July 2018
Group 2	July 2018
Group 3	July 2018
Los Alerces	July 2018
Chinquihue	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 of September 3, 2015). **Aguas Cordillera S.A.**'s current tariffs for the same five-year period 2015-2020 were approved by Decree No. 152 dated October 19, 2015, and entered into force on June 30, 2015 (published in the Official Gazette of November 25, 2015) and **Aguas Manquehue S.A.**'s current tariffs for 2015-2020 were approved by Decree No. 139 dated September 16, 2015, and entered into force on May 19, 2015 (published in the Official Gazette of November 25, 2015).

On the other hand, the tariffs in force for the subsidiary **Essel** for the period 2016-2021 were approved by Decree No. 143 dated August 25, 2016, published in the Official Gazette of January 21, 2017.

6.2. Market risk

Our company has a favorable situation in terms of risk, which is mainly due to the particular characteristics of the water utility sector. Our business is seasonal and operating earnings may vary from 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 Drinking 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 Drinking 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.

6.3. Market analysis

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

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

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

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

Essal S.A. has 100% coverage in Drinking Water, 96.2% in the sewerage service in the X Region and 93.3% in the XIV Region; and 100% in wastewater treatment.

6.4. Capital investments

One of the variables that most affects the earnings of our operations and our financial position is Capital Investments. These investments are of two kinds:

Committed Investments. We are required to agree to an investment plan with the S.I.S.S., which describes the investments we are required to undertake during the 15 years following the date on which the investment plan enters in force. Specifically, the investment plan reflects a commitment on our side to carry out certain projects related to the maintenance of certain quality standards and service coverage. The aforementioned investment plan is subject to review every five years and amendments may be requested when certain relevant facts are verified:

Aguas Andinas S.A.

Greater Santiago: December 23, 2015

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

Aguas Cordillera S.A.

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

Aguas Manquehue S.A.

Santa María and *Los Trapenses*: December 23, 2014

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

Alto Lampa: December 6, 2018.

Essal S.A.

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

Uncommitted Investments. Uncommitted Investments are those that are not covered by the investment plan and that we undertake voluntarily in order to ensure the quality of our services and replace obsolete assets. These are generally related to the replacement of network

infrastructure and other assets, the acquisition of water rights and investments in non-regulated businesses, among others.

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

6.5. Financial aspects

a) Currency risks

Our revenue is largely linked to the evolution of the local currency. As a result, our debt is mainly issued in the same currency and, therefore, we do not have significant foreign currency risks.

b) Interest rate risks

As of March 31, 2019, the interest rate risk held by Inversiones Aguas Metropolitana S.A. was 87,3% at a fixed rate and 12,7% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issuing (78,1%) and reimbursable financial contributions (21,9%) and liabilities for leases (0.2%), while variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2018, the interest rate risk that used to be held by Aguas Andinas S.A. was 89,8% at a fixed rate and 10,2% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issuing (77,8%) and repayable financial contributions (22,2%), while variable-rate debt corresponds to loans with domestic banks.

The company maintains a policy monitoring and management of interest rates, which in order to optimize financing costs, it continuously evaluates the hedging instruments available in the financial market.

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