



Inversiones Aguas Metropolitanas' Earnings Release

Period ending as of September 30, 2019

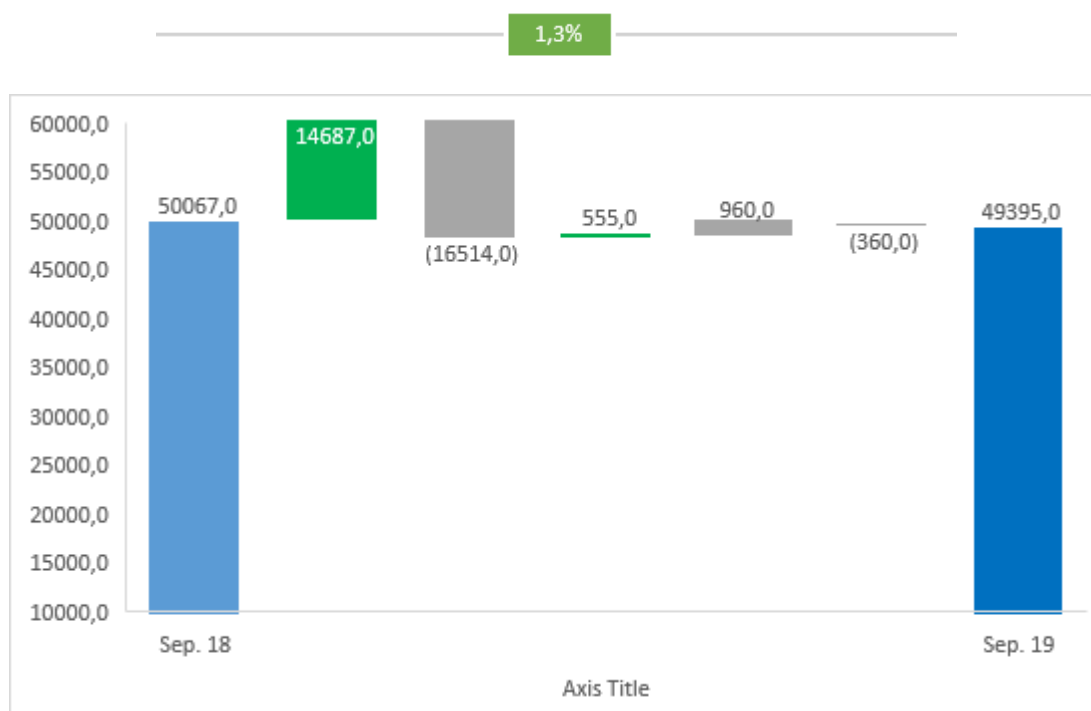


1. Period's summary

- 💧 **ESSAL's outage in Osorno hits Aguas Andinas results at a consolidated level.** The company held an EBITDA decrease during third quarter of 2019 in 0.8%, negatively influenced by the event of water outage of ESSAL company in *Osorno* city. The total cost recognized by ESSAL at September 30 was Ch\$7,417 million, mainly associated to operating expenses to restore the drinking water supply, compensations to the customers who were affected and other costs derived from the contingency.
- 💧 **Results VII Aguas Andinas Tariff Process.** This was partially offset by the indexation registered during 2018 and 2019 together with higher sale volume, added to the results of active management of costs containment and reduction which allowed partially offset the higher cost product of the drought intensification in Metropolitan Region, reflected in water and electric power purchase associated to a higher groundwater collection.
- 💧 **Severe Drought.** The Company has registered higher costs due to the intensification of the drought in the Metropolitan Region, reflected in the purchase of water and electricity associated with greater groundwater collection, for a total of Ch\$ 1,321 million.
Due to this scenario, in which the region is going through the greatest drought of the last century and the one that has been going on for more than a decade, Aguas Andinas together with the Maipo River Surveillance Board requested to declare a water shortage zone in the basin of the Maipo river. In the same way, Aguas Cordillera asked the Metropolitan Intendancy to decree an area of water scarcity, in the communes through which the Mapocho river flows through its First Section.
- 💧 **Important investment effort.** As of September 30, 2019, the Company has executed investments of Ch\$ 93,142 million, highlighting the 93% progress achieved in the construction of the Pirque Tanks, for a total of 1.5 million cubic liters, which will increase the capacity of Santiago resilience from 11 to 34 continuous hours.
- 💧 Revenues increased 3.8%, reaching Ch\$ 405,379 million, mainly due to the indexations recorded during the years 2018 and 2019 together with higher sales volumes, which, added to the results of an active containment and reduction management of costs, partially offsetting the higher drought costs.
- 💧 At the non-operating level, a lower result is presented in expendable assets sale of the Company together with a lower financial result, mainly related to a lower revaluation of the debt in *Unidades de Fomento* (UF).

Net income as of September 30, 2019 amounted to \$49,395 million. The main variations compared to the previous quarter are presented in the following graph:

Net income (in million \$)



Operating Income


💧 The EBITDA as of September 30, 2019 was \$224,926 million, representing a decrease of 0.8% over the same period of previous year.

💧 Regulated revenues were higher by \$9,457 million (increase of 2.7%) mainly due to registered rate indexation during 2018 and 2019, being the last one in July 2019 (ESSAL) and for Aguas Andinas in September 2018, together with a higher sale volume.

💧 Non-regulated revenues increased by \$5,230 million at third quarter of 2019 (increase of 14.5%). This variation was mainly explained by higher income in non-sanitary subsidiaries, agreements with developers, technical advice to rural drinking water and higher activity in home services requested by customers.

💧 The main variations of operating costs are the following:


👉 *Water outage event of ESSAL Company in Osorno city:* The total impact as of September 30 was \$7,417 million, mainly associated to operating expenses to restore the drinking water supply, customers compensations who were affected and other costs derived from the contingency.


 Cost related to drought: At third quarter of 2019, the drought has maintained that affects central zone of the country, which involved expenses mainly in the following lines:

- *Purchase of raw water:* It has been necessary purchase more raw water to ensure the supply of our customers due to the low flow in *Maipo* River basin. This involved a higher cost of \$556 million.
- *Electric power:* An increase in net cost has presented by \$765 million, related to higher drinking water lifting by a higher groundwater collection, which is partially offset by the improvement in the average price due to entry into force of supply contracts for free customers to 52 facilities of the Company.


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


- *Biosolid management:* Savings of \$413 million were made from the beneficial use of sludge as fertilizer and soil recuperator.
- *Other projects:* Improvements in costs of customers management, general and management services for \$391 million.
- *Personnel costs:* At consolidated level an increase has presented by 0,5%, equivalent to \$197 million, mainly due to higher costs originated by agreed readjustments for inflation, obtained benefits in collective bargaining process ended during 2018 and higher staffing in Group's subsidiaries. This is partially offset by the reorganization made in *Aguas Andinas* the previous year.

 *Raw materials and consumables:* A higher cost of materials has presented by \$1,331 million mainly related to higher cost of materials sale of subsidiary *Gestión y Servicios* and, in chemical inputs, due to higher consumption in plants operation of subsidiary *EcoRiles*.

 Finally, higher costs have been recognized mainly in maintenance of drinking water and wastewater networks, facilities-equipment maintenance, consultancies and studies and higher sale cost associated to new services required by customers.

Non-operating income

 The financial income showed a net expense of \$33,445 million, \$960 million higher than in the same quarter of previous year, as a consequence of a lower revaluation of the debt due to a lower variation in the *Unidad de Fomento*, partially offset by higher interests associated with a higher indebtedness level.

 In Other profit/loss line item presents lower profits by \$3,415 million than obtained in 2018, mainly because at third quarter of previous year were sold lands located in various municipalities of the Metropolitan Region.

Investments

💧 As of September 30, 2019, investments were implemented for \$93,142 million. The main projects developed are:

- 🔧 Construction of *Pirque* Tanks
- 🔧 Renewal of Wastewater and Drinking Water networks
- 🔧 Asset replenishment at *La Farfana and Mapocho-Trebal* Biofactories
- 🔧 Cogeneration of *Mapocho-Trebal* Biofactory
- 🔧 Meters and starters
- 🔧 Treatment of nitrates at *La Farfana and Mapocho-Trebal* Biofactories

💧 *Advance in relevant investment projects* – The construction of *Pirque* Tanks shows a progress of 93%. This project will increase the autonomy of drinking water to the capital by 11 to 34 hours, in order to cope with the effects of climate change, and thereby avoid or minimize drinking water cuts caused by increase in turbidity level caused by rains in the high mountain range.

OTHER HIGHLIGHTS

IAM S.A.

💧 **Renewal of the Board** - On July 24, 2019, the Eighth Extraordinary Shareholders' Meeting of the Company was held, in which the Board of Directors was renewed by revoking it and electing a new Board, being elected the following people:

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 held a session on the same day and agreed unanimously to appoint Mr. Felipe Larrain as Chairman of the Company and as Vice-President Mr. Alberto Muchnick. Likewise, it was agreed that Mr. Luis Enrique Alamos, Herman Chadwick and Ignacio Guerrero and their respective alternates will integrate the Directors Committee.

Aguas Andinas S.A.

💧 **Result Tariff Process 2020-2025** – On November 14, 2019, the result of tariff setting was communicated for the five-year period 2020-2025, in the framework of the 7th tariff process of Aguas Andinas. Within this new framework, highlights the implementation of different investments that will

allow increase progressively the autonomy of the capital city before extreme turbidity episodes from 34 to 48 hours, and important new works to address the drought and the climate change.

In accordance with current legislation, the tariffs are determined based in a “model company”, that operates efficiently in the geographic area of the service provision and which is self-financing. In this sense, the base indicator to determine the tariffs of the Company is the Total Net Long-Term Cost (CTLPN), which corresponds to the constant annual value required to cover the efficient operation costs and investment costs of an optimized replacement project of the concessionary, dimensioned to satisfy the demand, which is consistent with a net updated value of said project equal to zero, on a horizon not less than 35 years.

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


Also, additional works in construction are contemplated, which will apply with entry into operation of the works, between them the Pirque Tanks by a total of 1.5 million of cubic liters, which will increase the resilience capacity of Santiago from 11 to 34 hours continued, and investments in works of nutrient removal in La Farfana and Trebal Biofactories, destined to improve the quality of treated wastewater and its disposal.

Additionally, works to face the extreme turbidity events are considerate for up to 48 hours, as well as Aguas Andinas has committed new fundamentals works to address the drought and the climate change, those will be incorporated in the updated Development Plan of the Company, previous approval of the SISS, , highlighting the following:

- (i) Works to reuse 3 m³/s of wastewater
- (ii) Expansion in 1 m³/s of the La Florida Drinking Water Production Plant
- (iii) Probes in the central aquifer for 1.8 m³ / s
- (iv) Investments to reduce losses in the network and re-purification of wastewater


It should be note that it is not possible determine exactly the magnitude of the impact in results that will have the new tariffs in the financial statements of our subsidiary Aguas Andinas S.A., due to this tariff regime is only one of the many elements that contributes to determine the results of each period, counting factors such as the drinking water consumption, costs, expenses, applicable indexing polynomial, among other things.


Finally, the established tariffs formulas will set through decree of Ministry of Economy, Promotion and Tourism, which must be published in the Official Gazette before to the date of application, this is, March 2020.

-  In April 11, 2019, the Company successfully made the placement of the **second Green and Social Bond** issued in local market. *Aguas Andinas*, pioneer company in green and social bonds issuance, will allocate these funds to finance investment projects that has positive impact in environmental and social areas of the country. The bond feature was the following:

 Green and Social Bond AE series of UF 2.0 million, structured to a 25-year term at a 2.5% rate.


The spread accomplished by Green and Social Bond was the lower in the latest years for an issuance of equivalent terms and the request exceeded in 2.7 times the amount offered to the market.

 **New General Manager** – In April 17, 2019 Narciso Berberana Sáenz presented his resignation before the Company's Board. In the same opportunity, the Board named **Marta Colet Gonzalo as new General Manager**, who assumed her functions from this date.


 **Renewal of the Board** – In Ordinary Shareholders' Meeting held in April 23, 2019, were treated subjects inherent of it, between them, the renewal of the Board, being elected the following people:

Regular Directors	Alternate Directors
1. Guillermo Pickering de la Fuente	Jorge Manent Codina
2. Loreto Silva Rojas	Sonia Tschorne Berestesky
3. Giorgianna Cuneo Queirolo	Tomás Uauy Cuneo
4. Claudio Muñoz Zúñiga	Cosme Sagnier Guimón
5. Narciso Berberana Sáenz	Fernando Samaniego Sangroniz
6. Rodrigo Manubens Moltedo	Gonzalo Rojas Vildósola
7. Luis Mayol Bouchon	Mauricio Rojas Mullor

The Board of the Company, at the meeting held on the same day, agreed unanimously named Guillermo Pickering de la Fuente as Chairman of it. Likewise, agreed that the Board of Directors will be integrated by Rodrigo Manubens Moltedo, Luis Mayol Bouchon and Narciso Berberana Sáenz.

 **New President of the Board *Aguas Andinas***: At August 6, 2019, Guillermo Pickering de La Fuente presented his resignation as Chairman and Director of the Company, that becomes effective from this date. At August 8, the Board agreed to choose Mr. **Claudio Muñoz Zúñiga** as president.

ESSAL S.A.

 On July 11, 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 productive systems of drinking water. The Company carried out the repairs at the processing plant, initiating the restitution of the service progressively from July 17, normalizing the supply for all *Osorno* customers on July 21.


Following this operational contingency, the Superintendence of Sanitation Services announced a research of the facts and assignment of responsibilities, in order to determine the sanctions or fines that correspond according to current regulations.


The economic impacts know as of September 30, 2019, arising of the *Osorno* event, amounted to \$7,417 million:

- Compensation Law 19,496-Sernac \$2,915 million

- Compensation to customers \$2,863 million
- Extraordinary operating costs \$967 million
- Other costs \$672 million

Finally, it should be noted that exist insurances that have been activate with the respective insurance companies, whose coverage area is in analysis and assessment process.

 **New General Manager of ESSAL** - On July 30, 2019, Gustavo Gomez Jiménez 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 Alborno** as the new General Manager, who assumed his duties as of that date.

 **Renewal of the Board** - In Extraordinary Shareholders' Meeting held on September 9, 2019, a renewal of the Board was made, resulting elected the following persons:

Regular Directors	Alternate Directors
1. Gustavo Alcalde Lemarie	Víctor de la Barra Fuenzalida
2. Joaquín Brahm Barril	Mauricio Fehrmann Miranda
3. Katia Trusich Ortíz	Juan Pablo Díaz de Valdés
4. Camilo Larraín Sánchez	Iván Yarur Sairafi
5. Domingo Cruzat Amunátegui	María Gracia Cariola Cubillos
6. Eduardo Novoa Castellón	Nicole Porcile Yanine
7. Andrés Fernández Fernández	Eduardo Abuaud Abujatum

The Board of the Company, at the meeting held on the same day, agreed unanimously named Gustavo Alcalde Lemarie as Chairman of it and the Company and Camilo Larraín Sánchez as Vice-President.

2. Period's earnings

2.1. Accumulated earnings

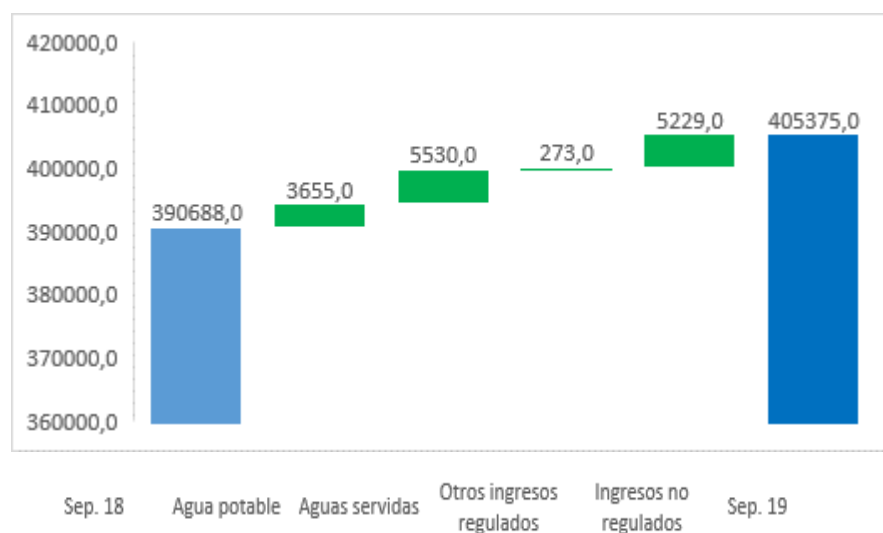
Income Statement (Th\$)	Sep. 19	Sep. 18	% Var.	2019 / 2018
Ordinary revenues	405,375,399	390,688,218	3.8%	14,687,181
Operational costs and expenses	(180,449,450)	(163,935,411)	10.1%	(16,514,039)
EBITDA	224,925,949	226,752,807	(0.8%)	(1,826,858)
Depreciation and amortization	(56,314,966)	(56,870,224)	(1.0%)	555,258
Income from operations	168,610,983	169,882,583	(0.7%)	(1,271,600)
Other earnings	(1,842,201)	1,572,729	<(200%)	(3,414,930)
Financial result*	(33,445,128)	(34,405,175)	(2.8%)	960,047
Tax expense	(35,373,675)	(34,265,159)	3.2%	(1,108,516)
Net earnings	49,394,728	50,067,150	(1.3%)	(672,422)

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

2.2. Revenue analysis

	Sep. 19		Sep. 18	
	Sales Th\$	Participation	Sales Th\$	Participation
Drinking water	161,913,451	39.9%	158,258,199	40.5%
Wastewater	194,767,661	48.0%	189,238,165	48.4%
Other regulated income	7,462,581	1.9%	7,189,980	1.9%
Non-regulated income	41,231,706	10.2%	36,001,874	9.2%
Total	405,375,399	100.0%	390,688,218	100.0%

The variation of income regarding to the half of previous year is presented in the following graphic:



Sales volume (thousands of m³)	Sep. 19	Sep. 18	% Var.	Difference
Drinking water	449,550	448,541	0.2%	1,009
Wastewater collection	430,247	429,613	0.1%	634
Wastewater treatment and disposal	374,815	373,833	0.3%	982
Interconnections*	96,751	96,706	0.0%	45

Customers	Sep. 19	Sep. 18	% Var.	Difference
Drinking water	2,356,342	2,303,852	2.3%	52,490
Wastewater collection	2,303,122	2,250,716	2.3%	52,406

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

Regulated Businesses

a) Drinking water

Drinking water income at third quarter of 2019 reached Th\$161,913,451, showing an increase of 2.3% regarding to the same period of previous year. The increase of Th\$3,655,252 was mainly due to higher supplied volume together with the rate indexation occurring during 2018 and 2019, being the last one in July 2019 to company ESSAL.

b) Wastewater

Wastewater income at third quarter of 2019 reached Th\$194,767,661, which meant an increase of Th\$5,529,496 regarding to previous year, product of higher supplied volume together with rate indexation occurring during 2018 and 2019. The last indexation was registered in July 2019 (ESSAL).

c) Other regulated income

This line item presented an increase of Th\$272,601, which was explained mainly by the variation of the provision of un-invoiced consumption together with higher income associated with fixed charge to customers.

Unregulated Income

a) Sanitary services

An increase of Th\$3,371,973, mainly due to more agreements with developers, higher technical consultancies to rural drinking water activity, increase in home services requested by customers and higher activity in sanitary infrastructure modifications requested by customers.

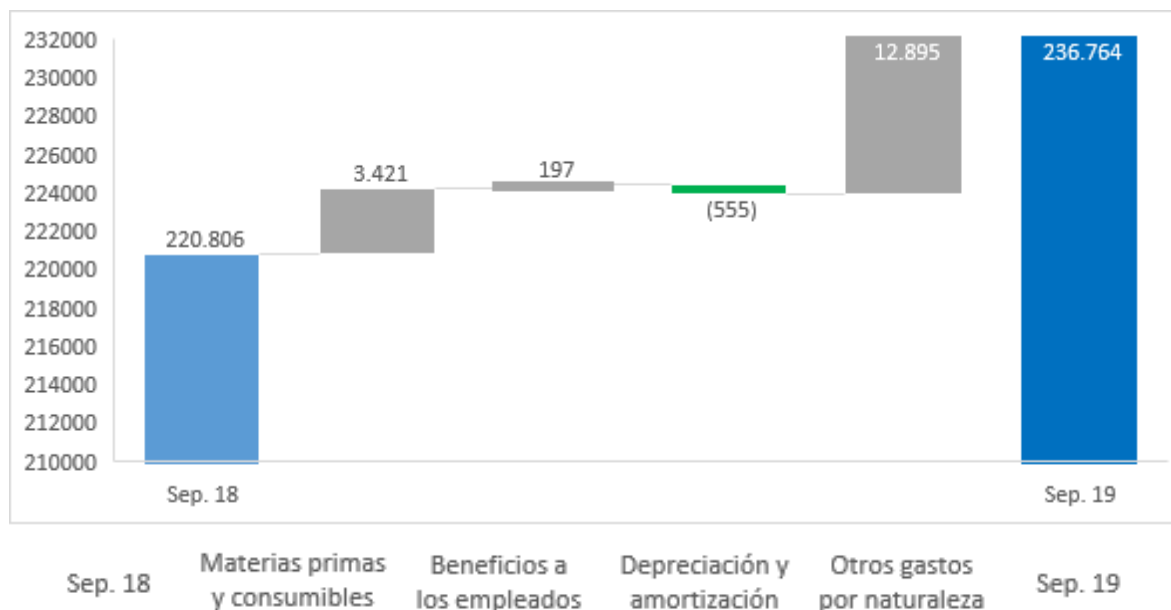
b) Non-sanitary services

An increase of Th\$1,857,859 was mainly explained by higher materials sales in *Gestión y Servicios* together with higher plants operation income in *EcoRiles*.

(Th\$)	Sep. 19	Sep. 18	% Var.
EcoRiles S.A.	10,143,846	9,872,252	2.8%
Gestión y Servicios S.A.	6,396,925	4,722,254	35.5%
Anam S.A.	3,291,328	3,312,815	(0.6%)
Aguas del Maipo S.A.	756,574	823,493	(8.1%)
Non-sanitary non-regulated products	20,588,673	18,730,814	9.9%

2.3. Expense analysis

The variation of expenses regarding to the third quarter of previous year is presented in the following graphic:



a) Raw materials and consumables

As of September 30, 2019, the costs of raw materials and consumables reached Th\$32,861,999, Th\$3,420,591 higher than obtained in the third quarter of 2018. This increase was mainly due to higher materials sale cost by subsidiary *Gestión y Servicios* by Th\$1,331,422, higher use of chemical inputs by Th\$646,321, due to higher consumption in plants operation of subsidiary *EcoRiles* and water purchase by Th\$556,499. Finally, higher cost of electric power by Th\$764,880, related to higher drinking water lifting due to higher groundwater collection, which is partially offset by the improvement in the average price due to entry into force of supply contracts for free customers to 52 facilities of the Company.

b) Employee benefits

At the end of third quarter of 2019, employee benefit expenses reached Th\$44,036,658, Th\$197,416 higher than obtained previous year, mainly due to the CPI readjustments and staffing increase in *ESSAL* and non-regulated subsidiaries. This is partially offset by reorganization made in *Aguas Andinas* during 2018.

c) Depreciation and amortization

As of September 30, 2019, the depreciation and amortization amounted to Th\$56,314,966, Th\$555,258 lower than obtained in the same quarter of previous year.

d) Other expenses by nature

At the end of third quarter of 2019, these expenses amounted to Th\$103,550,793, Th\$12,896,032 higher, mainly due to:

- Efficiency projects and process improvements have been carried out that have allowed obtaining lower costs mainly in the management of biosolids by Th\$412,912, and other general and management services by Th\$391,075.
- Higher costs of consultancies and studies have been recognized by Th\$1,816,953, maintenance of drinking water networks and wastewater by Th\$1,192,686, equipment and facilities maintenance by Th\$897,790, cost of sale related to new services required by customers by Th\$510,671, fines by Th\$879,998 and higher activity in sanitary infrastructure modification by Th\$168,490.
- *ESSAL*: Due to water outage event in the city of *Osorno*, the company has incurred in operating costs to restore the drinking water supply, compensations to customers who were affected and other costs derived from the contingency. This has generated a higher cost of Th\$7,417,567.

2.4. Analysis of financial revenues and others

a) Other earnings (losses)

As of September 30, 2019, losses were obtained by Th\$3,414,930 than obtained in 2018, mainly associated that in the third quarter of 2018 were sold expendable lands located in various municipalities of the Metropolitan Region.

b) Financial revenues

At the end of third quarter of 2019, financial revenues were obtained by Th\$4,037,981, Th\$510,011 lower than obtained in 2018, mainly explained by lower interests for customers debt.

c) Financial costs

As of September 30, 2019, financial costs reached Th\$22,772,700, which meant an increase of Th\$629,611 to those obtained in the same quarter of 2018. The foregoing is explained by higher bank interest and interest in bonds, mainly due to a greater volume of debt obtained in order to finance the company's investment plan, partially offset by a higher financial activation.

d) Results by index unit

At the end of third quarter of 2019, the results by index units were Th\$14,623,784, determined by a lower expense by Th\$2,159,063 regarding to third quarter of 2018, mainly explained by a lower revaluation of the debt, due to lower variation of the UF (1.75% in 2019 versus 2.09% in 2018), partially offset by a higher indebtedness level.

e) Income tax expense

The income tax expense as of September 30, 2019 was Th\$35,373,675, Th\$1,108,516 higher regarding to the same quarter of previous year.

f) Earnings

Net income as of September 30, 2019 amounted to Th\$49,394,728, Th\$672,422 lower than obtained previous year, which represent a decrease of 1.3%.

2.5. Income by segment

a) Accumulated incomes, water segment

Income statement (Th\$)	Sep. 19	Sep. 18	% Var.	2019 / 2018
External revenue	384,744,564	371,934,736	3.4%	12,809,828
Revenues segments	853,362	911,630	(6.4%)	(58,268)
Operating costs and expenses	(163,829,362)	(149,446,166)	9.6%	(14,383,196)
EBITDA	221,768,564	223,400,200	(0.7%)	(1,631,636)
Depreciation and amortization	(55,034,906)	(55,978,415)	(1.7%)	943,509
Income from operations	166,733,658	167,421,785	(0.4%)	(688,127)
Other earnings (losses)	(1,631,158)	1,842,091	(188.5%)	(3,473,249)
Financial results*	(33,273,511)	(34,390,235)	(3.2%)	1,116,724
Tax expense	(34,761,543)	(33,512,258)	3.7%	(1,249,285)
Net earnings	98,383,088	99,322,368	(0.9%)	(939,280)

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

Net income from this segment showed an increase of 0.9% regarding to the same quarter of previous year, mainly due to:

- 💧 An increase in external income, mainly associated to a higher supplied volume together with positive variations in tariffs recorded during 2018 and 2019.
- 💧 Costs increased mainly due to higher expenses in consultancies and studies by Th\$1,748,373, equipment and facilities maintenance by Th\$939,910, maintenance of drinking water and wastewater networks by Th\$788,259, cost of sale associated to new services required by customers by Th\$510,671, higher fines by Th\$879,998, higher activity in sanitary infrastructure modifications by Th\$168,490, water purchase by Th\$556,499 and higher cost of electric power by Th\$808,893 related to drinking water lifting together with higher groundwater collection, which is partially offset by the improvement in the average price due to entry into force of supply contracts for free customers to 52 facilities of the Company.
- 💧 **ESSAL:** Due to water outage event in the city of *Osorno*, the company has incurred in operating costs to restore the drinking water supply, compensations to customers who were affected and other costs derived from the contingency. This has generated a higher cost of Th\$7,417,567.
- 💧 Additionally, it has generated projects that has allowed generate efficiency as biosolids management with saving in Th\$412,912 and customers management, other general and management services by Th\$391,075.
- 💧 In Other earnings (losses) is presented a lower income by Th\$3,473,249 than obtained in 2018, mainly associated that in the third quarter of 2018 were sold expendable lands located in various municipalities of the Metropolitan Region.
- 💧 The financial result presented a net expense by Th\$33,273,511, Th\$1,116,724 lower than the same quarter of previous year, as a mainly consequence of a lower revaluation of adjustable debt in UF (1.75% in 2019 versus 2.09% in 2018), partially offset by a higher indebtedness level.

b) Accumulated incomes, non-water segment

Income statement (Th\$)	Sep. 19	Sep. 18	% Var.	2019 / 2018
External revenue	23,306,561	18,756,667	24.3%	4,549,894
Revenues segments	853,362	3,276,667	(74.0%)	(2,423,305)
Operating costs and expenses	(20,278,180)	(17,844,711)	13.6%	(2,433,469)
EBITDA	3,881,743	4,188,623	(7.3%)	(306,880)
Depreciation and amortization	(1,398,996)	(908,817)	53.9%	(490,179)
Income from operations	2,482,747	3,279,806	(24.3%)	(797,059)
Other earnings (losses)	(189,980)	(255,553)	(25.7%)	65,573
Financial results*	(192,397)	(30,501)	530.8%	(161,896)
Tax expense	(537,102)	(750,610)	(28.4%)	213,508
Net earnings	1,563,268	2,243,142	(30.3%)	(679,874)

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

The incomes of the Non-Water segment showed a decrease of 30,3% regarding to the same quarter of previous year, mainly due to:

- An increase in income which was mainly given by higher materials sales to third parties by company *Gestión y Servicios* together with greater activity in *EcoRiles*.
- The costs increase by 13.6% is associated with the cost of materials sales of company *Gestión y Servicios*, higher expense of chemical inputs associated to *EcoRiles* and higher personnel costs.
- An increase in the cost of depreciation and amortization, mainly due to new assets incorporated in the period, mainly in the methanization plant of *Aguas del Maipo*.
- An increase of other earnings is mainly explained by costs of 2018 associated to organizational restructuring, which is offset with higher costs in *Gestión y Servicios*, due to a lower recovery of Performance Bond, which had been provisioned for being over 4 years old.

3. Quarterly results

Income Statement (Th\$)	3Q19	3Q18	% Var.	3Q19 - 3Q18
Ordinary Revenues	120,477,620	114,383,333	5.3%	6,094,287
Operational Costs and Expenses	(66,248,023)	(53,835,338)	23.1%	(12,412,685)
EBITDA	54,229,597	60,547,995	(10.4%)	(6,318,398)
Depreciation and Amortization	(18,740,230)	(19,249,353)	(2.6%)	509,123
Income From Operations	35,489,367	41,298,642	(14.1%)	(5,809,275)
Other (Loss) Earnings	(593,062)	(1,002,853)	>200%	409,791
Financial Result*	(10,312,319)	(12,333,072)	(16.4%)	2,020,753
Tax expense	(8,483,494)	(7,034,764)	20.6%	(1,448,730)
Net earnings	9,357,313	9,905,053	(5.5%)	(547,740)

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

3.1 Revenue Analysis

a) Operating Revenues

Ordinary revenues of third quarter of 2019 amounted to Th\$120,477,620, Th\$6,094,287 (5.3%) higher than obtained in the same quarter of previous year. This variation was mainly due to a higher supplied volume together with positive variations in tariffs recorded over 2018 and 2019. The last indexation was recorded in July 2019 (ESSAL). Additionally, there were more agreements with developers together with higher activity in home services requested by customers.

3.2 Expenses Analysis

a) Raw materials and consumables used

During the third quarter of 2019, raw materials and consumables costs amounted to Th\$11,345,981, Th\$1,329,148 higher than obtained in the same quarter of 2018, mainly related to cost of materials sale by subsidiary *Gestión y Servicios* by Th\$315,875, higher use of chemical inputs by Th\$55,975, water purchase by Th\$224,888 and higher cost of electric power by Th\$609,594.

b) Employee benefits

Expenses for employee benefits of third quarter reached Th\$13,916,425, Th\$432,889 lower than obtained in 2018.

c) Other expenses

In third quarter of 2019, other expenses amounted to Th\$40,985,617, Th\$11,516,426 higher than obtained in 2018, mainly explained by maintenance of drinking water and wastewater networks by Th\$1,020,415, higher fines by Th\$979,644 mainly associated to subsidiary *ESSAL*, higher activity in home services required by customers by Th\$954,400, higher costs of consultancies and studies by Th\$810,116.

ESSAL: Due to water outage event in the city of Osorno, the company has incurred in operating costs to restore the drinking water supply, compensations to customers who were affected and other costs derived from the contingency. This has generated a higher cost of Th\$7,417,567.

3.3 Analysis of Financial Results

a) Financial results

In the financial result of the third quarter of 2019 were obtained losses by Th\$10,312,319, Th\$2,020,753 lower regarding 2018, mainly explained by lower revaluation of the debt, due to lower variation of the UF compared with the same quarter of 2018, partially offset by a higher indebtedness level.

b) Income tax expense

At the end of the third quarter of 2019, the income tax expense was Th\$8,483,494, Th\$1,448,730 higher regarding the same quarter of previous year.

c) Earnings

The net earnings of third quarter of 2019 amounted to Th\$9,357,313, Th\$547,740 (5.5%) lower than obtained the same quarter of 2018.

4. Balance sheet

	Sep. 19	Dec. 18	% Var.
	Th\$	Th\$	
Assets			
Current assets	147,882,721	169,729,141	(12.9%)
Non-current assets	2,047,673,559	2,008,908,565	1.9%
Total assets	2,195,556,280	2,178,637,706	0.8%
Assets and equity			
Current liabilities	179,239,133	242,927,687	(26.2%)
Non-current liabilities	1,051,644,834	977,008,960	7.6%
Total liabilities	1,230,883,967	1,219,936,647	0.9%
Shareholders' equity	597,202,689	591,673,561	0.9%
Minority interest	367,469,624	367,027,498	0.1%
Total shareholders' equity	964,672,313	958,701,059	0.6%
Total liabilities and shareholders' equity	2,195,556,280	2,178,637,706	0.8%

4.1 Asset Analysis

Inversiones Aguas Metropolitanas S.A.'s total consolidated assets as of September 30, 2019 presented an increase of 0.8% regarding to December 31, 2018, equivalents to Th\$16,918,574.

Current assets decreased by Th\$21,846,420, mainly due to the decrease of cash and cash equivalents in Th\$11,450,201 together with lower trade debtors and other accounts receivable in \$18,298,091, mainly explained by seasonality of sales cycle. This is partially offset by an increase of other current financial assets by Th\$5,851,960 due to the record of advance payment of capital and bonds interest payable on October 1st of this year.

Non-current assets increased by Th\$38,764,994 mainly explained by greater property, plant and equipment by Th\$36,376,721, associated to the investments materialized during the period. The main investment works are shown in the following table:

Investments (Th\$)	Sep. 19
Pirque tank construction	28,306,840
Renewal of drinking water networks	7,430,858
Renewal of wastewater networks	5,850,928
Asset replenishment <i>La Farfana-Trebal</i> Biofactories	5,378,160
Cogeneration of <i>Mapocho-Trebal</i> Biofactory	4,483,319
Starters and meters	4,145,087
Treatment of nitrates <i>La Farfana-Trebal</i> Biofactories	3,429,335

4.2 Liabilities and equity analysis

Current liabilities as of September 2019 increased by Th\$10,947,320 regarding to December 2018.

Current liabilities decreased by Th\$63,688,554. This variation was mostly attributable to the distribution of interim dividends made during the first quarter of 2019 together with lower payable accounts associated to investment providers, partially offset with an increase in financial liabilities, mainly associated to bank debt.

Non-current liabilities presented an increase of Th\$74,635,874 (7.6%). This variation mainly corresponds to an increase in bonds debt by Th\$63,202,493 associated to the issue of:

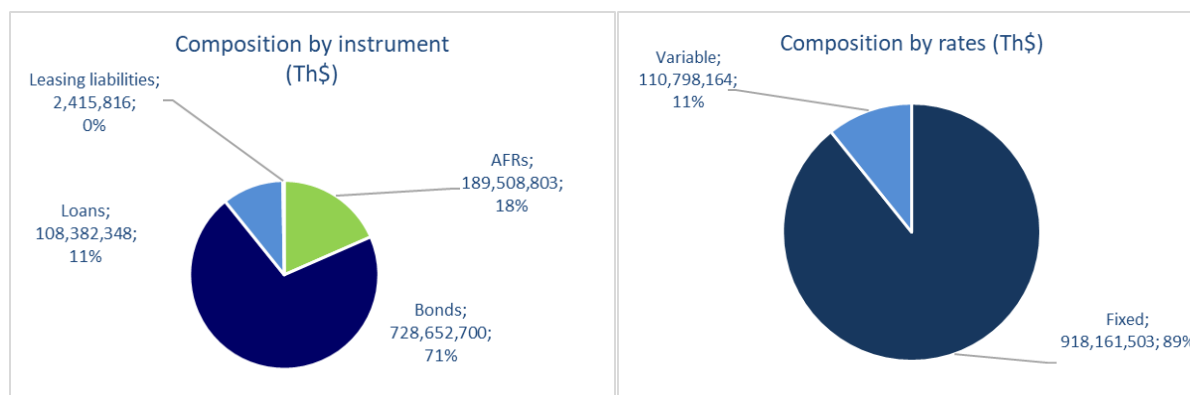
📄 Green and Social Bond AE series of UF 2.0 million, structured to a 25-year term at a 2.5% rate.

Total equity increased in Th\$5,971,254 and the net equity attributable to the owners of the controller increased in Th\$5,529,128, essentially explained by the income generated to third quarter of 2019, which is partially offset with the distribution of dividends corresponding to period 2018.

The maturity profile of the financial debt as of September 30, 2019 is the following:

Financial debt Th\$	Currency	Total	12 months	1 to 3 years	3 to 5 years	More than 5 years
AFRs	\$	189,508,803	10,321,067	42,906,926	44,857,057	91,423,753
Bonds	\$	728,652,700	18,490,096	38,704,985	30,809,775	640,647,844
Loans	\$	108,382,348	11,704,698	50,128,307	37,699,562	8,849,781
Leasing liabilities	\$	2,415,816	1,131,383	1,270,048	14,385	-
Total		1,028,959,667	41,647,244	133,010,266	113,380,779	740,921,378

4.3 Structure of financial liabilities



5. Cash flow statement

Cash Flow Statement (Th\$)	Sep. 19	Sep. 18	% Var.
Operating activities	186,299,497	173,284,642	7.5%
Investment activities	(122,097,994)	(99,405,878)	22.8%
Financing activities	(75,651,704)	(58,567,611)	29.2%
Net cash flow for the period	(11,450,201)	15,311,153	(174.8%)
Final cash balance	29,637,075	35,114,361	(15.6%)

The cash flow coming from operating activities increased by Th\$13,014,855, when comparing September 2019 with September 2018.

The main variations were the following:

- 💧 Increase collections from the sales of goods and delivery of services by Th\$12,717,232, mainly due to a higher volume of sales, together with the rate indexation registered in previous year, being the last in September 2018.
- 💧 Increase in other charges for operating activities by Th\$2,175,711, due to a return by excess payment of real estate contract.
- 💧 Decrease in employees benefit payments by Th\$3,732,870, mainly due to the lower net staffing offset the higher costs originated by agreed readjustments for inflation and benefits obtained in collective bargaining process finalized during 2018.
- 💧 Decrease in interest paid by Th\$2,794,275, due to lower payments by concept of bonds interest.

These variations were partially offset by the following concept:

- 💧 Increase in payment to suppliers by Th\$1,249,283, mainly related to infrastructure suppliers.
- 💧 Increase in other payments for operating activities by Th\$3,385,659, due to higher value-added tax payment.
- 💧 Increase in payments for premiums and services, annuities and other obligations derived from subscribed policies by Th\$1,889,011, associated to the payment of all-risk insurance for physical goods.
- 💧 Increase in income taxes paid by Th\$820,547, this variation was mainly explained by an increase of rate for payment of PPM.
- 💧 Increase in other cash inflows and outflows by Th\$643,051, mainly associated to payment of fines and donations.

Disbursements for investment activities increased by Th\$22,692,116, associated to the investments materialized during the period.

Financing activities generated a net flow (increase) of Th\$17,084,093, this is mainly explained by a lower obtaining of loans and financing instruments.

6. Financial ratios

		Sep. 19	Dec. 18
Liquidity			
Current liquidity	times	0.83	0.70
Acid test ratio	times	0.17	0.17
Indebtedness			
Total indebtedness	times	1.28	1.27
Current debt	times	0.15	0.20
Non-current debt	times	0.85	0.80
Annualized financial expenses coverage	times	6.92	7.16
Profitability			
Annualized equity profitability attributable to the controller's property owners	%	11.13	11.33
Annualized asset profitability	%	3.03	3.16
Annualized earnings per share	\$	66.46	67.13
Dividend yield (*)	%	6.42	6.69

Current liquidity: Currents Assets / Current Liabilities.

Acid test ratio: Cash and Cash Equivalents / Current Liabilities.

Total indebtedness: Total Liabilities / Total Shareholders' Equity.

Current indebtedness: Current Liabilities / Total Liabilities.

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

Financial expenses 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 September 2019 was \$1020, whereas that of December 2018 was \$1012.80.

Current liquidity as of September 2019 increased by 18.6%, due to a decrease in current liability by Th\$63,688,554, product of the distribution of interim dividends made during the first quarter of 2019, together with lower payable accounts associated to investment suppliers; partially offset with a decrease in the current asset by Th\$21,846,420, due to seasonality of sales cycle.

The debt ratio increased by 0.8%, due to an increase of current liability by Th\$10,947,320, product of the issuance of the Green and Social bond by UF 2.0 million, offset by the distribution of interim dividends and lower accounts payable associated to investment suppliers. On the other hand, the total equity has an increase by Th\$5,971,254, essentially explained by the income generated to the third quarter of 2019, which was partially offset with the distribution of corresponding dividends as of 2018.

The equity profitability attributable to the owners of the controller presented a decrease by 1.8%, due to the increase of average equity by Th\$4,621,833 and a lower annualized period income by Th\$672,422.

7. Other background information

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

The current tariffs 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 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 September 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 current tariffs for the subsidiary *ESSAL* for the period 2016-2021 were approved by Decree No. 143 dated August 25, 2016, published in the Official Gazette of January 21, 2017.

On November 30, 2018 was started to tariff-setting process of companies *Aguas Andinas*, *Aguas Cordillera* and *Aguas Manquehue*. The Superintendence of Sanitary Services, dated March 15, 2019, published the Definitive Bases that rule this process. The new tariffs of *Aguas Andinas* will entered into force 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 water utility sector. Our business is seasonal and operating earnings may vary from one quarter to another. 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 largely 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 to 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.

7.3 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, 99.5% in sewerage services and 100% in wastewater treatment.

ESSAL S.A. has 100% coverage in drinking water, 96.6% in the sewerage service in the X Region and 93.6% in the XIV Region; and 100% in wastewater treatment.

7.4 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.

Approvals dates and update of development plans of *Aguas Group*:

Aguas Andinas S.A.

Greater Santiago: December 23, 2015

Locations: December 31, 2014, January 12, 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.

7.5 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 September 30, 2019, the interest rate risk held by *Inversiones Aguas Metropolitanas S.A.* was 89.5% at a fixed rate and 10.5% at a variable rate. Fixed-rate debt is composed of short-term and long-term bond issuing (79.1%), reimbursable financial contributions (20.6%) and leasing liabilities (0.3%), while variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2018, the interest rate risk that *Inversiones Aguas Metropolitanas S.A.* held is composed by 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 reimbursable 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 cost, 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 assigned us a classification of first-class level 1 and Fitch Ratings assigned us a classification of first-class level 2.
