

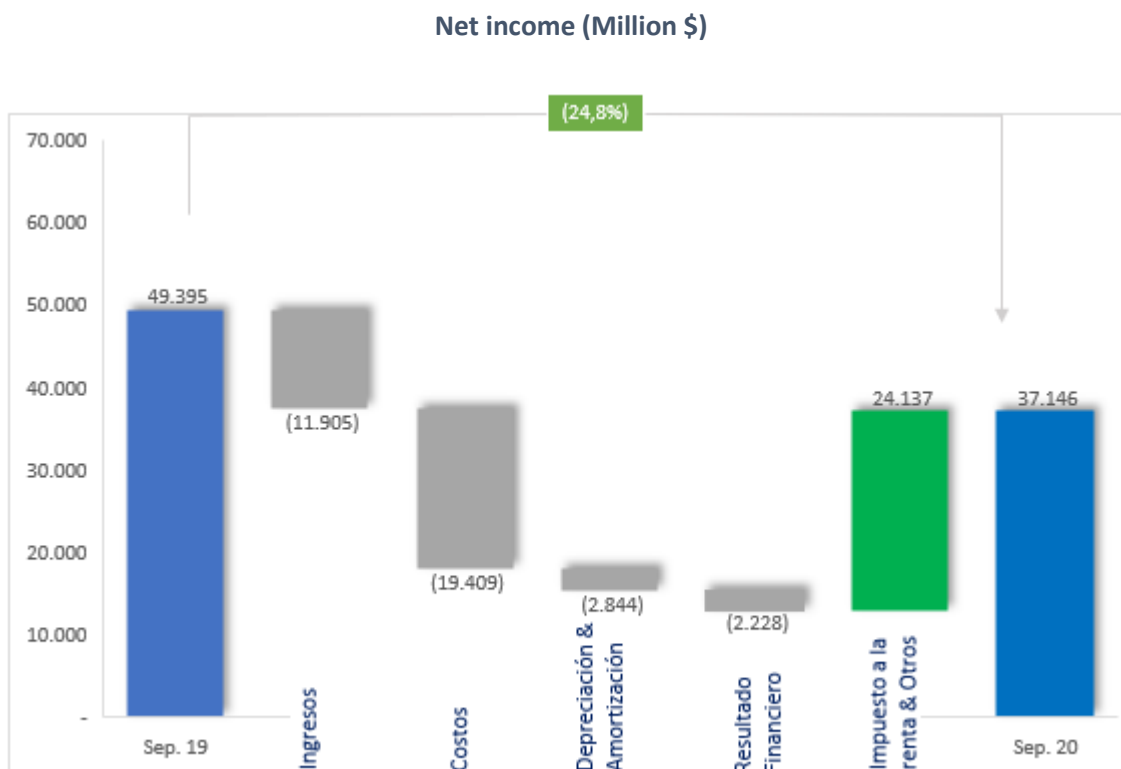


Earnings Release  
Inversiones Aguas Metropolitanas S.A.  
Period ended September 30, 2020

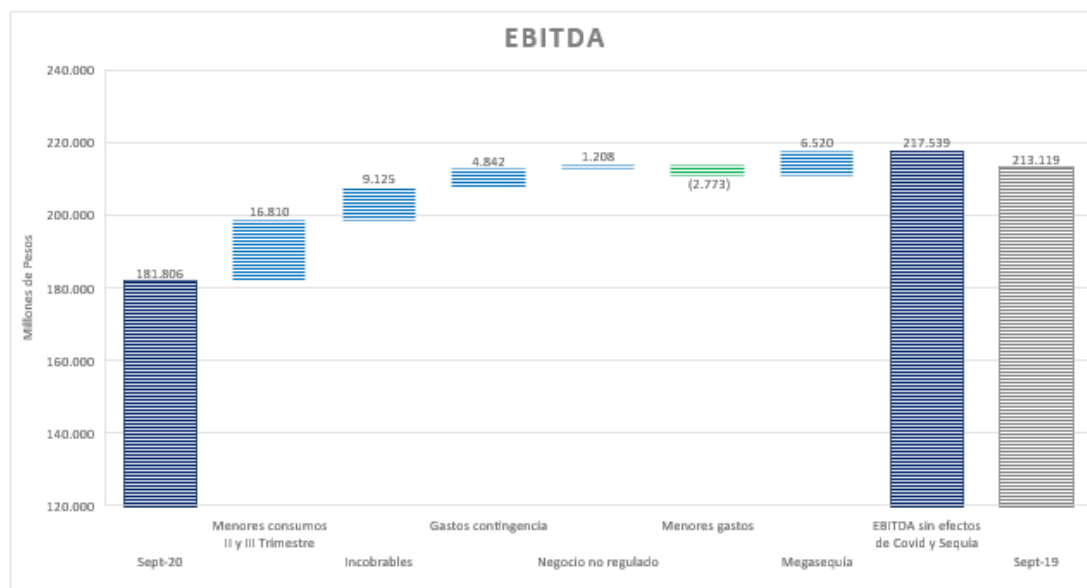


## 1. Summary of the period

- On October 13, 2020, **Aguas Andinas completed the sale of its subsidiary ESSAL** to Eco Acquisitionco SpA, a company established in Chile and controlled by the Canadian company Algonquin Power & Utilities Corp. As a result of this operation and in accordance with IFRS 5, the accumulated results as of September 2020 and 2019 include Inversiones Iberaguas Ltda. and ESSAL S.A. in a line as "Discontinued operations". It should also be noted that in the balance sheet to September 30, 2020, the assets and liabilities of Iberaguas and ESSAL are presented under the line "Assets and liabilities held for sale". The balance sheet to December 31, 2019 does not contain this accounting effect.
- Net income as of September 30, 2020 was \$37,146 million.** The main changes from the same period last year are shown in the following chart:



- The EBITDA as of September 30, 2020 was \$181,806 million, decreasing 14.7% regarding the same period of previous year, strongly influenced by impacts derived of Coronavirus contingency and higher costs for the Mega-drought. These effects are presented below:



**Impacto Covid-19: \$29.213 millones**

**Situation of Covid-19.** The Company has developed an action plan to ensure service continuity in the regions it operates, implementing various measures to manage the exceptional situation resulting from the Coronavirus Pandemic.

As of September 30, 2020, a global impact of \$29,213 million is estimated due to the direct and indirect effects presumably derived from the exceptional situation by Covid-19, which are explained below:

- A decrease in sales volumes of \$16,810 million, associated with lower sales to Residential customers by 1.3% and to non-Residential customers by 13.8%.
- A lower collection of regulated client accounts that increased the age of the accounts receivable balance, having to recognize an amount of \$12,114 million as a provision for bad debts, generating a higher bad debt expense of \$9,125 million with respect to the same period of the previous year.

The bad debt recognition policy used by the Company is based on collection statistics according to the age of the invoice. In this sense, the debt of customers with more than 8 balances is 100% provisioned. Additionally, debts for consumption transformed into payment agreements are provisioned at 100% of the agreed balance.

The evolution of gross debt as of the third quarter of 2020 is shown below:

Age of gross debt (in million of \$)	Sep. 20	Dec. 19 *	2020 / 2019
less than three months	68,330	108,705	(40,375)
between three and six months	4,451	5,047	(596)
between six and eight months	6,506	1,705	4,801
more than eight months	24,496	13,852	10,643
Agreements	18,474	23,156	(4,682)
<b>Total</b>	<b>122,257</b>	<b>152,465</b>	<b>(30,209)</b>

\* 2019 contains the effect of uncollectibles of Essal company for \$6,152 million.

- There were direct costs of \$4,842 million associated with containment plans, personnel transportation, hygiene supplies, telecommuting, safety measures, worker health monitoring program, logistics and communications.
- A decrease in activity associated with unregulated income of \$1,208 million, mainly due to home and engineering services, with a decrease in business volume of nearly 40%.
- The lower expenses of \$2,773 million are mainly associated with services to customers for reduced cut-off and replenishment services, meter reading, savings on printing commercial documents, together with reduced corporate activities and administration expenses.

💧 **Mega-drought.** Due to the fact that the region is going through the greatest drought the biggest drought since records began and the one that has been going on for more than a decade, the Company has recorded higher costs by a total of \$6,520 million associated to raw water purchase and an increase in electric energy consumption mainly related to increased groundwater collection and potable water lift in Metropolitan Region. It should be noted that the Company has invested and several projects are underway to strengthen supply security in the face of this extreme drought scenario.

💧 Revenues were lower by \$11,905 million (3.3%), mainly associated with lower regulated consumption and unregulated revenues due to the Covid-19 situation mentioned above, which is partially offset by tariff indexation due to inflation in the period, the latest being January 2020 for Aguas Andinas, March 2020 for Aguas Cordillera and May 2020 for Aguas Manquehue.

💧 At the non-operating level, the financial result presented a loss of \$2,228 million with respect to the same previous period, mainly associated with the recognition of foreign currency forwards to cover the flows from the sale of ESSAL together with higher interest on financial debt as a result of the greater volume of debt obtained to finance the company's investment plan. The above is partially offset by lower debt revaluation due to the variation of the *Unidad de Fomento* (1.4% in 2020 versus 1.8% in 2019).

**Generation and Position of Cash.** During the third quarter of 2020, the balance of cash and cash equivalent increased by \$13,854 million regarding end of June, reaching \$183,028 million. This figure is in turn 6.5 times higher than the \$29,372 million held by the Company as of September 2019. The increase in the balance of cash and cash equivalent in the third quarter is mainly explained by the positive amount of operating cash flow and by obtaining bank financing, which were partially offset by investment cash flow. The levels of cash and cash equivalents allow the Company to comfortably deal with the uncertainties of the current environment.

### Investments

💧 As of September 30, 2020, investments of \$78,444 million were executed. The main projects developed were:

- 🔧 Renewal of Wastewater and Potable Water networks
- 🔧 Drilling and reinforcement of potable water supply systems
- 🔧 Construction of *Pirque* Tanks
- 🔧 Nitrate Treatment at *La Farfana* and *Mapocho-Trebal* Biofactories
- 🔧 Asset Replacement at *La Farfana* and *Mapocho-Trebal* Biofactories
- 🔧 Starters and meters

Expansion of *Padre Hurtado* Potable Water Treatment Plant

Expansion of *Quilicura* Arsenic Treatment Plant

- The **Pirque Tanks** project is in operation since February 2020. This project allows to increase the autonomy of the capital city from 11 to 34 hours of potable water, to cope with the effects of climate change, and thereby minimize the potable water cuts caused by increased levels of turbidity caused by rainfall in the high mountain range.
- To face the effects of the **Mega-drought**, the Company has carried out investment works such as the Hydraulic Efficiency Plan to be able to reduce the losses of potable water in the network and the new Operational Control Center for the constant monitoring of the networks. In addition, a plan of future investments has been contemplated to ensure consumption by the inhabitants, such as new drillings in wells and reinforcements in the potable water supply system such as the expansion of the Padre Hurtado Potable Water Treatment Plant.
- In addition, works to face extreme turbidity events for up to 48 hours are considered, as well as Aguas Andinas has committed new fundamental works to address drought and climate change, which will be incorporated into the Company's updated Development Plan, prior approval by the SISS, highlighting the following:

(i) Works to reuse 3 m<sup>3</sup>/s of wastewater

(ii) Drilling in the central aquifer by 1.8 m<sup>3</sup>/s

#### **KEY FACTS**


- **Aguas Andinas concretes sale of ESSAL** - On October 13, 2020, Aguas Andinas concluded the sale and assignment to Eco Acquisitionco SpA, a company established in Chile and controlled by the Canadian company Algonquin Power & Utilities Corp., from 100% of its direct and indirect participation in Inversiones Iberaguas Ltda., which in turn owns 488,712,657 Series A shares of Empresa de Servicios Sanitarios de Los Lagos S.A. ("Essal"), representing approximately 51% of the total shares issued by the latter, at a price of US\$ 87,975,000, which was received on this same date.

Additionally and in the context of this operation, Aguas Andinas S.A., participated in the public offer for the acquisition of Essal shares ("OPA") announced by Eco Acquisitionco SpA on September 24, 2020, accepting the sale of Aguas Andinas S.A.'s direct participation in Essal, amounting to 24,018,816 Series A shares, equivalent to 2.51% of the total shares issued by said company, at the total price of US\$ 4,323,717, amount that will be received in the terms, time and conditions offered in the OPA.

Thus, as a result of this operation and in accordance with the provisions of the contract signed with Algonquin Power & Utilities Corp on September 11, 2020, Aguas Andinas S.A. will receive the total amount of US\$ 92,298,717 from the sale of its entire direct and indirect participation in Essal, which will generate an expected impact on the company's net results, after taxes, of approximately \$7,000 million.

- **Revaluation of Assets.** As of September 30, 2020, Aguas Group decided to use the revaluation model for the "Lands" asset class classified within the property, plant and equipment grouping. In this way, the value of this asset class will be periodically updated according to its market value. The prospective application of this policy resulted in an increase in value of the property, plant, and equipment grouping of \$211,945

million. Together with this, an increase in Equity was also generated as a result of the revaluation surplus of \$78,017 million.

 **Results VII Tariff Process.** As of September 30, 2020, the new tariff decrees for Aguas Andinas, Aguas Cordillera and Aguas Manquehue, for the period 2020-2025, are in the process of being published, following the respective agreements with the Superintendence of Sanitary Services.

In the case of Aguas Andinas, a reduction in the tariff for potable water and wastewater treatment of - 3% was determined. Within this new tariff framework, the execution of various investments that will progressively increase the autonomy of the capital before episodes of extreme turbidity up to 48 hours, and new fundamental works to address the drought and climate change. The result of the tariff process for the companies Aguas Cordillera and Aguas Manquehue, considered a decrease of -1.5% compared to the tariffs agreed for the previous five-year period. The agreement also included works to ensure quality and continuity of service in the context of climate change and water scarcity, in order to extend the companies' operational autonomy.

## 2. Earnings for the period

### 2.1. Accumulated earnings

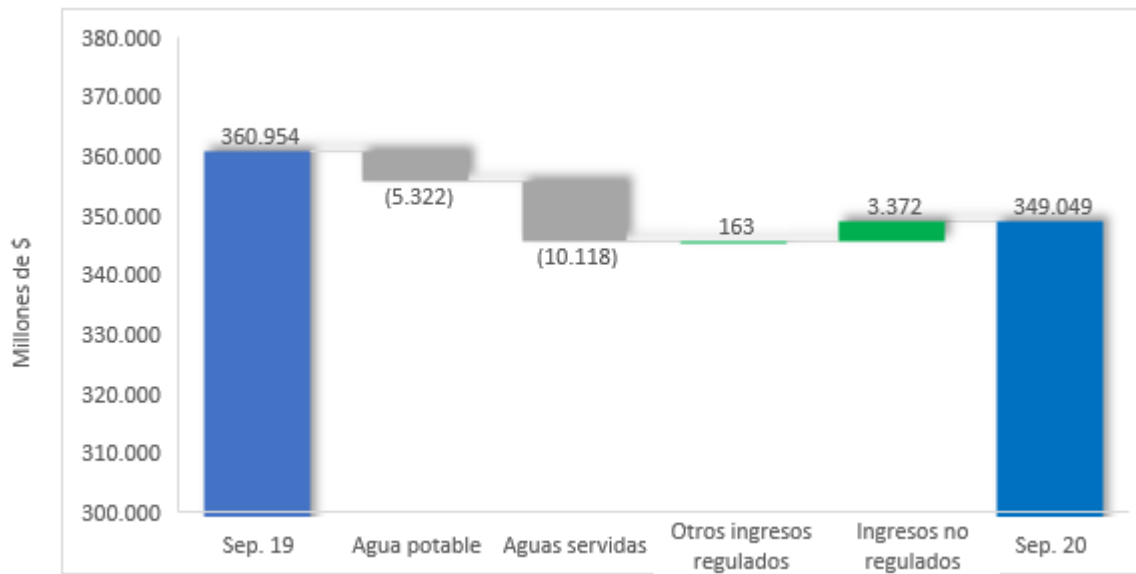
<b>Income Statement (M\$)</b>	<b>Sep. 20</b>	<b>Sep. 19</b>	<b>% Var.</b>	<b>2020 / 2019</b>
Ordinary Revenues	349,049,010	360,953,673	(3.3%)	(11,904,663)
Operational Costs and Expenses	(167,243,183)	(147,834,310)	13.1%	(19,408,873)
<b>EBITDA</b>	<b>181,805,827</b>	<b>213,119,363</b>	<b>(14.7%)</b>	<b>(31,313,536)</b>
Depreciation and Amortization	(49,725,471)	(46,881,278)	6.1%	(2,844,193)
<b>Income From Operations</b>	<b>132,080,356</b>	<b>166,238,085</b>	<b>(20.5%)</b>	<b>(34,157,729)</b>
Other Earnings	(1,874,103)	(1,763,455)	6.3%	(110,648)
Impairment losses	(1,370,426)	-	>200%	(1,370,426)
Financial Result*	(32,217,304)	(29,988,947)	7.4%	(2,228,357)
Tax expense	(24,291,880)	(34,781,768)	(30.2%)	10,489,888
Discontinued operations	4,346,601	(1,753,935)	<(200%)	6,100,536
<b>Net earnings</b>	<b>37,145,560</b>	<b>49,394,728</b>	<b>(24.8%)</b>	<b>(12,249,168)</b>

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

## 2.2. Revenue analysis

Revenues present a decrease of 3.3% regarding previous year, according the following:

	Sep. 20		Sep. 19	
	Sales		Sales	
	Thousands \$	Participation	Thousands \$	Participation
Potable Water	140,126,040	40.2%	145,448,143	40.3%
Wastewater	160,316,451	45.9%	170,434,591	47.2%
Other Regulated Income	9,873,467	2.8%	9,710,107	2.7%
Non-Regulated Income	38,733,052	11.1%	35,360,832	9.8%
<b>Total</b>	<b>349,049,010</b>	<b>100.0%</b>	<b>360,953,673</b>	<b>100.0%</b>



Sales Volume (Thousands of m³)	Sep. 20	Sep. 19	% Var.	Difference
Potable Water	387,745	413,988	(6.3%)	(26,243)
Wastewater Collection	372,004	397,334	(6.4%)	(25,330)
Wastewater Treatment and Disposal	319,841	341,765	(6.4%)	(21,924)
Interconnections*	93,221	96,393	(3.3%)	(3,172)

Customers	Sep. 20	Sep. 19	% Var.	Difference
Potable Water	2,161,412	2,124,314	1.7%	37,098

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



## Regulated Businesses

### a) Potable water

Potable water income as of the third quarter of 2020 reached M\$140,126,040, which meant a decrease of M\$5,322,103, mainly due to a lower consumption registered in the period. In terms of tariffs, the results of the VII Tariff Process are recognized in Aguas Andinas, Aguas Cordillera and Aguas Manquehue, together with the indexations applied, the last being in January 2020 for Aguas Andinas, March 2020 for Aguas Cordillera and May for Aguas Manquehue.

### b) Wastewater

As of September 30, 2020 the wastewater income reached M\$160,316,451, which represented a decrease of 5.9%, mainly due to lower volume registered. On the other hand, the tariffs reduction related to the last tariff process was offset with the indexations applied during 2020.

### c) Other regulated income

This line item presented an increase of M\$163,360, mainly due to growth in customers in the period.

## Unregulated Income

### a) Sanitary services

Includes the income of US\$10 million associated to the agreement for the *Alto Maipo* project, since that company exercised its option to extension, established in the contract signed between the parties. The above is partially offset by lower activity in home services to customers, sanitary infrastructure modifications and technical advice on rural potable water, which finally results in an increase of M\$3,372,220.

### b) Non-sanitary services

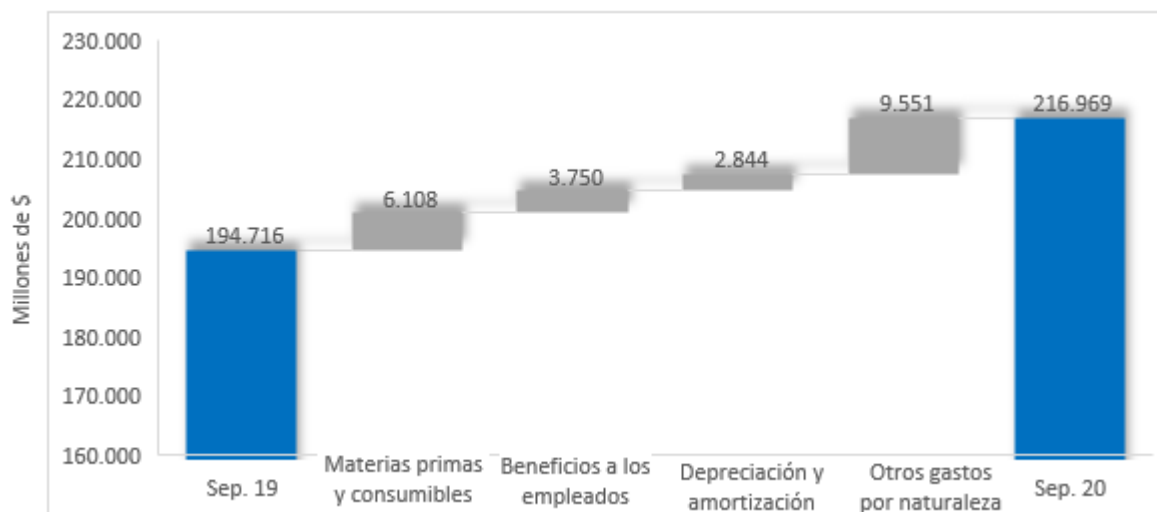
A decrease of M\$36,304 was mainly explained by lower material sales in Gestión y Servicios, which is offset by higher plant operating revenues in EcoRiles and higher potable water analysis and sampling in Anam.

(Thousands of \$)	Sep. 20	Sep. 19	% Var.
EcoRiles S.A.	11,697,815	10,143,846	15.3%
Gestión y Servicios S.A.	4,606,385	6,396,925	(28.0%)
Anam S.A.	3,783,581	3,287,114	15.1%
Aguas del Maipo S.A.	460,374	756,574	(39.2%)
<b>Non-sanitary non-regulated products</b>	<b>20,548,155</b>	<b>20,584,459</b>	<b>(0.2%)</b>



### 2.3. Expense analysis

The variation in expenses with respect to the previous year is shown in the following graph:



#### a) Raw materials and consumables

As of September 30, 2020, the costs of raw materials and consumables reached M\$32,757,572, M\$ 6,108,347 higher than the one obtained in the third quarter of 2019. The increase was mainly due to purchase of raw water by M\$4,923,831, to increase the security of supply of our customers due to the low flow in the Maipo river basin, and to higher costs in electric power by M\$1,595,981. Additionally, a higher cost of chemical inputs by M\$732,687, due to the increase in the dollar exchange rate, and costs of hygiene supplies and personal security for contingency Covid-19 by M\$304,145 million. The above is offset with lower material sale of Gestión y Servicios subsidiary by M\$1,384,458 million.

#### b) Employee benefits

At the end of the third quarter 2020, employee benefit expenses reached M\$49,725,471, which was M\$2,844,193 higher than the one obtained in the previous year. This increase is mainly related to higher costs associated to confinement plans by Covid-19, CPI adjustments and increased provision for accrued vacation.

#### c) Depreciation and amortization

As of September 30, 2020, depreciation and amortization amounted to M\$49,725,471, M\$2,844,193 higher than the one obtained in the previous year. This was due to the depreciations related to new incorporated assets in the period, as the *Pirque* tanks.

#### d) Other expenses by nature

At the end third quarter of 2020, these expenses amounted to M\$93,395,118, which was M\$9,550,535 higher mainly due to higher level of uncollectibility in M\$9,125,421 and expenses for Covid-19 in M\$2,947,891, related to confinement plans, telecommuting, measures of security, health, logistic and communications.

In addition, there was a higher expense in maintenance of potable water and sewage networks of M\$693,279, higher expenses in real estate contributions of M\$341,729 and insurances of M\$396,023. The above is offset by lower expenses in customer services of M\$ 1,744,123 mainly associated with lower activity in cut and replenishment services, meter reading, savings from printing commercial documents together with lower corporate activities and administration expenses of M\$1,029,000. Finally, due to lower activity in the sale of home services and modifications to sanitary infrastructure, lower costs of M\$2,310,402 were generated.

## **2.4. Analysis of Financial revenues and others**

### **a) Impairment losses**

As of September 30, 2020, impairment losses of M\$1,370,426 were recognized, which was explained by the effect on the revaluation of the Company's lands.

### **b) Financial income**

At the end of the third quarter of 2020, financial income amounted to M\$3,160,713, a decrease of M\$448,120, mainly explained by lower interest on repurchase of promissory notes for reimbursable financial contributions.

### **c) Financial costs**

As of September 30, 2020, financial costs amounted to M\$21,727,771, an increase of M\$1,543,255. This was mainly explained by higher interest on financial debt as a result of the higher volume of debt obtained to finance the company's investment plan, partially offset by higher financial activation.

### **d) Foreign exchange gains (losses)**

This item presented a variation of M\$1,696,792 regarding the same period of the previous year, associated mainly with the recognition of foreign currency forwards to cover the flows from the sale of ESSAL.

### **e) Results by readjustment unit**

At the end of the third quarter of 2020, the readjustment unit fees were M\$11,866,830, resulting in a lower expense of M\$1,459,810, due to the lower revaluation of the financial debt as a result of the variation in the *Unidad de Fomento* (1.4% in 2020 versus 1.8% in 2019).

### **f) Income Tax Expenses**

Income tax expense as of September 30, 2020 was M\$24,291,880, M\$10,489,888 lower, mainly explained by lower before taxes income.

### g) Discontinued operations

At the end of the third quarter of 2020, discontinued operations reached a higher profit of M\$6,100,536 compared to the same period of the previous year, due to Essal's higher profit which in 2019 showed a loss due to the Osorno contingency.

### h) Earnings

Net income as of September 30, 2020 amounted to M\$37,145,560, M\$12,249,168 lower than the one obtained in the previous year, representing a decrease of 24.8%.

## 2.5. Results by segment

### a) Accumulated income, Water segment

Income Statement (M\$)	Sep. 20	Sep. 19	% Var.	2020 / 2019
External Revenue	328,418,487	340,322,837	(3.5%)	(11,904,350)
Revenues Segments	646,640	853,362	(24.2%)	(206,722)
Operating Costs and Expenses	(149,645,179)	(130,109,867)	15.0%	(19,535,312)
<b>EBITDA</b>	<b>179,419,948</b>	<b>211,066,332</b>	<b>(15.0%)</b>	<b>(31,646,384)</b>
Depreciation and Amortization	(48,371,499)	(45,601,218)	6.1%	(2,770,281)
<b>Income from Operations</b>	<b>131,048,449</b>	<b>165,465,114</b>	<b>(20.8%)</b>	<b>(34,416,665)</b>
Other Earnings (Losses)	(1,583,640)	(1,552,413)	2.0%	(31,227)
Financial Results*	(32,044,377)	(29,817,321)	7.5%	(2,227,056)
Tax Expense	(23,791,658)	(34,169,739)	(30.4%)	10,378,081
Discontinued operations	3,593,312	(2,858,194)	<(200%)	6,451,506
<b>Net earnings</b>	<b>75,548,785</b>	<b>98,383,089</b>	<b>(23.2%)</b>	<b>(22,834,304)</b>

The results of this segment showed a decrease of 24.6%, mainly due to:

- A decrease in external income, mainly associated with lower regulated income due to a lower sale volumes registered in the period. In terms of tariffs, the results of the VII tariff process are recognized for Aguas Andinas, Aguas Cordillera, and Aguas Manquehue, together with the indexations applied, the latest being January 2020 for Aguas Andinas, March 2020 for Aguas Cordillera, and May 2020 for Aguas Manquehue.
- In non-regulated income, there was less activity in home services to customers, modifications to sanitary infrastructure and technical advice on rural potable water, which is offset by the income received from the agreement with Aes Gener.
- Costs increased mainly due to higher uncollectibility in M\$9,048,573 and expenses for Covid-19 in M\$4,471,252, related to confinement plans, personnel costs, hygiene supplies, telecommuting, measures of security, health, logistic and communications. In addition, due to the extreme drought affecting the central area of the country, there have been increases in water purchase expenses of M\$4,923,831 due to the low flow in the Maipo river basin and higher electricity costs of M\$1,595,981,

mainly associated with increased groundwater collection and potable water lift in the Metropolitan Region.

- Depreciation was M\$2,770,281 higher than that obtained in the same quarter of the previous year. This was the result of the depreciation associated with the new assets incorporated in the period, such as the *Pirque* tanks.
- As of September 30, 2020, impairment losses of M\$ 1,370,426 were recognized, which was explained by the effect on the revaluation of the Company's lands.
- The financial result presented a loss of M\$2,227,056 regarding the third quarter of 2019, mainly associated with the recognition of foreign currency forwards to cover the flows from the sale of ESSAL together with higher interest on financial debt as a result of the higher volume of debt obtained to finance the company's investment plan. The above is partially offset by lower debt revaluation due to the variation in the *Unidad de Fomento* (1.4% in 2020 versus 1.8% in 2019).
- Income tax expense as of September 30, 2020 was M\$23,791,680, M\$10,378,059 lower, mainly explained by lower before taxes income.
- At the end of the third quarter of 2020, discontinued operations reached a higher profit of M\$6,451,506 compared to the same period of the previous year, due to Essal's higher profit as the Osorno contingency expenses were recognized in 2019.

#### b) Accumulated income, Non-Water segment

Income Statement (M\$)	Sep. 20	Sep. 19	% Var.	2020 / 2019
External Revenue	20,633,890	20,634,103	0.0%	(213)
Revenues Segments	3,347,975	3,525,820	(5.0%)	(177,845)
Operating Costs and Expenses	(19,826,506)	(20,278,180)	(2.2%)	451,674
<b>EBITDA</b>	<b>4,155,359</b>	<b>3,881,743</b>	<b>7.0%</b>	<b>273,616</b>
Depreciation and Amortization	(1,367,623)	(1,398,996)	(2.2%)	31,373
<b>Income from Operations</b>	<b>2,787,736</b>	<b>2,482,747</b>	<b>12.3%</b>	<b>304,989</b>
Other Earnings (Losses)	(269,701)	(189,980)	42.0%	(79,721)
Financial Results*	(159,614)	(192,397)	(17.0%)	32,783
Tax Expense	(672,684)	(537,102)	25.2%	(135,582)
<b>Net Earnings</b>	<b>1,685,737</b>	<b>1,563,268</b>	<b>7.8%</b>	<b>122,469</b>

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

The results of the Non-Water segment showed an increase of M\$122,469 in relation to the previous year, mainly due to:

- A decrease of material sales in Gestión y Servicios, which is partially offset by higher plant operating revenues in Ecoriles, together with higher water analysis and samples in Anam.
- The decrease in costs by 2.2% is mainly associated with the lower activity in the sale of materials of the company Gestión y Servicios, partially offset by the cost associated with the operation of plants of the

company EcoRiles, together with an increase in personnel expenses due to a higher endowment of the company Anam.

- Income tax expense as of September 30, 2020 was M\$672,684, M\$135,582 higher regarding the same period of previous quarter, mainly explained by higher before taxes income.

### 3. Quarterly results

Income Statement (M\$)	3Q20	3Q19	% Var.	3Q20 - 3Q19
Ordinary Revenues	105,370,225	106,305,850	(0.9%)	(935,625)
Operational Costs and Expenses	(59,834,790)	(50,029,114)	19.6%	(9,805,676)
<b>EBITDA</b>	<b>45,535,435</b>	<b>56,276,736</b>	<b>(19.1%)</b>	<b>(10,741,301)</b>
Depreciation and Amortization	(16,257,062)	(15,727,478)	3.4%	(529,584)
<b>Income From Operations</b>	<b>29,278,373</b>	<b>40,549,258</b>	<b>(27.8%)</b>	<b>(11,270,885)</b>
Other (Losses) Earnings	(435,245)	(497,658)	(12.5%)	62,413
Financial Result*	(9,113,336)	(9,151,707)	(0.4%)	38,371
Impairment losses	(1,370,426)	-	>200%	(1,370,426)
Tax expense	(5,134,389)	(9,163,673)	(44.0%)	4,029,284
Discontinued operations	(101,388)	(5,635,727)	(98.2%)	5,534,339
<b>Net earnings</b>	<b>6,524,991</b>	<b>9,357,314</b>	<b>(30.3%)</b>	<b>(2,832,323)</b>

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

#### 3.1. Income analysis

##### a) Operating income

Ordinary revenues for the third quarter of 2020 amounted to M\$105,370,225, which is lower by M\$935,625 than in the same quarter of the previous year, mainly due to the decrease in consumption registered. In addition, the results of the VII Tariff Process of Aguas Andinas, Aguas Cordillera and Aguas Manquehue are recognized in tariffs, together with the tariff indexations, the latest being in January 2020 for Aguas Andinas, March 2020 for Aguas Cordillera and May 2020 for Aguas Manquehue.

In non-regulated income, there was less activity in home services to customers, modifications to sanitary infrastructure and technical advice on rural potable water, which is offset by the income received from the agreement with Aes Gener.

#### 3.2. Expenses analysis

##### a) Raw materials and consumables

During the third quarter of 2020, the costs of raw materials and consumables amounted to M\$11,576,215, M\$2,314,388 more than the one obtained in the same quarter of 2019, mainly associated with the purchase of water for M\$1,879,859 and chemical inputs for M\$153,379.

#### **b) Employee benefits**

Employee benefit expenses for the third quarter of 2020 reached M\$14,774,579, which was M\$3,010,884 higher than the one obtained in the previous year. This increase is mainly related to higher costs associated to confinement plans by Covid-19, CPI adjustments and increased provision for accrued vacation.

#### **c) Depreciation and amortization**

During the third quarter of 2020, depreciation and amortization amounted to M\$16,257,062, M\$529,584 higher than the one obtained in 2019, due to the depreciations related to new incorporated assets in the period, as the *Pirque* tanks.

#### **d) Other expenses**

In the third quarter of 2020, the other expenses amounted to M\$33,483,996, M\$4,480,404 higher than the one obtained in 2019, mainly explained by higher uncollectibility in M\$6,029,298 and expenses for Covid-19 in M\$1,662,100, related to confinement plans, telecommuting, measures of security, health, logistic and communications. The above is partially offset by savings in customers service by M\$886,106 and lower costs of sale of home services and sanitary infrastructure modifications by M\$877,402.

### **3.3. Financial result analysis and others**

#### **a) Impairment losses**

As of September 30, 2020, impairment losses of M\$1,370,426 were recognized, which was explained by the effect on the revaluation of the Company's lands.

#### **b) Financial income**

The financial result for the third quarter of 2020 showed losses of M\$9,113,336, which decreased by M\$38,371 compared to 2019, mainly due to lower debt revaluation due to the lower variation of the *Unidad de Fomento* (0.0% in 2020 versus 0.5% in 2019) compared to the same quarter in 2019. The above is partially offset by the recognition of foreign currency forwards to cover the flows from the sale of ESSAL together with higher bank interest.

#### **c) Income Tax Expenses**

Income tax expense in the third quarter of 2020 was M\$5,134,389, M\$4,029,284 lower regarding the same quarter of the previous year, mainly explained by lower before taxes income.

#### **d) Discontinued operations**

In the third quarter of 2020, discontinued operations reached a higher profit of M\$5,534,339 compared to the same quarter of the previous year, due to Essal's higher profit which in 2019 registered higher expenses derived from the contingency in Essal.

## e) Earnings

Net income of the third quarter of 2020 amounted to M\$6,524,991, M\$2,832,323 lower than the one obtained in the same quarter of 2019.

## 4. Statement of Financial Position

	Sep. 20	Dec. 19	% Var.
	M\$	M\$	
<b>Assets</b>			
Current Assets	279,747,783	198,693,178	40.8%
Non-Current Assets	2,066,832,768	2,075,152,748	(0.4%)
Assets held for sale	256,220,852	-	n/a
<b>Total assets</b>	<b>2,602,801,403</b>	<b>2,273,845,926</b>	<b>14.5%</b>
<b>Liabilities and Equity</b>			
Current Liabilities	190,776,299	242,608,281	(21.4%)
Non- Current Liabilities	1,063,383,377	1,072,110,134	(0.8%)
Liabilities held for sale	157,122,242	-	n/a
<b>Total liabilities</b>	<b>1,411,281,918</b>	<b>1,314,718,415</b>	<b>7.3%</b>
Shareholders' Equity	709,702,621	594,540,262	19.4%
Minority Interest	481,816,864	364,587,249	32.2%
<b>Total Shareholders' Equity</b>	<b>1,191,519,485</b>	<b>959,127,511</b>	<b>24.2%</b>

In accordance with IFRS 5, the balance sheet on September 30, 2020 contains ESSAL and Inversiones Iberaguas Ltda. under the lines "Assets and liabilities held for sale". The information on December 31, 2019 does not include this accounting effect.

### 4.1. Assets analysis

The total assets of Inversiones Aguas Metropolitanas S.A. at consolidated level on September 30, 2020 showed an increase of 14.5% with respect to December 31, 2019, equivalent to M\$328,955,477.

Current assets increased by M\$81,054,605 mainly due to an increase in cash and cash equivalents of M\$109,970,573, as a result of bank loans managed during the year. The above is partially offset by lower commercial debtors and other receivables of M\$34,906,354 mainly explained by the seasonality of the sales cycle, together with the effect of the sale of the company Essal. Additionally, there was an increase in other current financial assets of M\$ 5,219,587 due to the recording of the advance payment of capital and bond interest payable on October 1 of this year.



Non-current assets decreased by M\$8,319,980 mainly explained by the effect of the sale of Essal company which is partially offset by the revaluation of Lands and to the investments made in the period. The main investment works of the period are:

<b>Investments (M\$)</b>	<b>Sep. 20</b>
Drillings and water supply system reinforcements	8,279,116
Renovation of wastewater networks	7,151,226
Pirque Tank Construction	6,478,362
Treatment of nitrates La Farfana and Mapocho-Trebal Biofactories	5,805,988
Asset replenishment La Farfana and Mapocho-Trebal Biofactories	5,608,555
Renovation of potable water networks	5,178,426
Starter and meters	4,196,366
Expansion of Padre Hurtado Potable Water Treatment Plant	2,953,020
Expansion of Quilicura Arsenic Treatment Plant	2,128,943

#### 4.2. Liabilities and equity analysis

Liabilities payable as of September 2020 increased by M\$96,563,503 compared to December 2019.

Current liabilities decreased by M\$51,831,982. This variation was mainly due to the effect of the sale of Essal company, decrease of accounts payable associated to investments and expenses together with the distribution of interim dividends made during the first quarter of 2020. The above is partially offset by new bank loans.

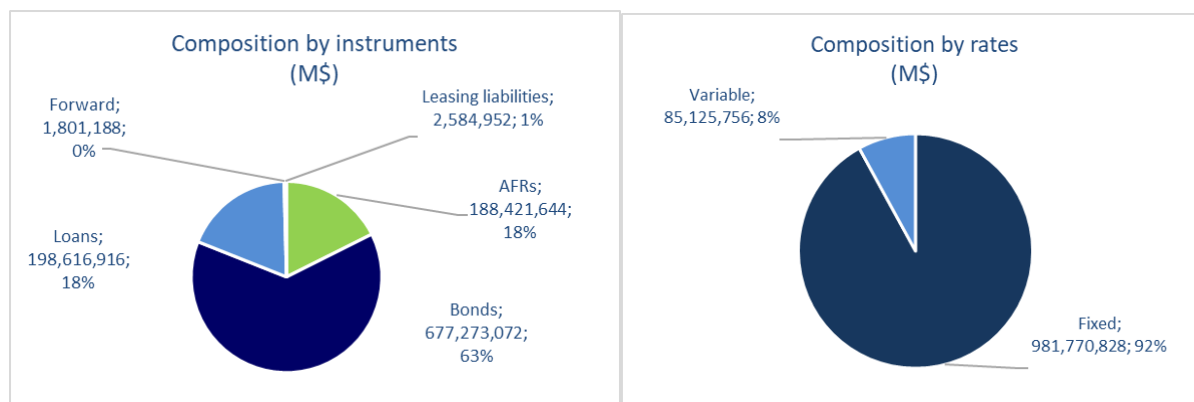
Non-current liabilities presented a decrease of M\$8,726,757 (0.8%). This variation mainly corresponds to a decrease of Other financial liabilities by M\$6,018,933 related to the effect of the sale of Essal company, which is partially offset with an increase in bank loans.

Total equity increased by M\$232,391,974 and net shareholders' equity attributable to the owners of the parent company increased by M\$115,162,359, mainly explained by the revaluation of Lands, to the earnings of the period together with the non-distribution of profits for 2019 over the amount already distributed in January 2020, fact agreed at the Ordinary Shareholders' Meeting.

The maturity profile of the financial debt as of September 30, 2020 is as follows:

<b>Financial Debt M\$</b>	<b>Currency</b>	<b>Total</b>	<b>12 months</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>
AFRs	\$	188,421,644	14,530,653	52,069,595	34,829,714	86,991,682
Bonds	\$	677,273,072	20,086,036	32,240,734	16,083,946	608,862,356
Loans	\$	198,616,916	32,758,484	116,158,870	49,699,562	-
Forward	USD	1,801,188	1,801,188	-	-	-
<b>Total other financial liabilities</b>		<b>1,066,112,820</b>	<b>69,176,361</b>	<b>200,469,199</b>	<b>100,613,222</b>	<b>695,854,038</b>
Leasing liabilities	\$	2,584,952	1,236,099	1,209,007	75,653	64,193
<b>Total leasing liabilities</b>		<b>2,584,952</b>	<b>1,236,099</b>	<b>1,209,007</b>	<b>75,653</b>	<b>64,193</b>
<b>Total</b>		<b>1,068,697,772</b>	<b>70,412,460</b>	<b>201,678,206</b>	<b>100,688,875</b>	<b>695,918,231</b>

### 4.3. Structure of financial liabilities



## 5. Cash flow statements

Cash Flow Statement (M\$)	Sep. 20	Sep. 19	% Var.
Operating Activities	154,415,609	173,019,576	(10.8%)
Investment Activities	(106,982,024)	(107,758,469)	(0.7%)
Financing Activities	62,536,988	(76,976,885)	(181.2%)
<b>Net Cash Flow for the Period</b>	<b>109,970,573</b>	<b>(11,715,778)</b>	<b>&lt;(200%)</b>
<b>Final Cash Balance</b>	<b>183,027,691</b>	<b>29,371,499</b>	<b>&gt;200%</b>

Cash flow from operating activities decreased by M\$18,603,967, when compared to September 2020 and September 2019.

The main variations were the following:

- Decrease in collections from the sale of goods and provision of services for MCh\$27,558,787, as a result of lower collections from regulated customer accounts due to the situation of COVID-19, since there are no cut-off instances, only collections through virtual platforms are made, which increased the age of the debt between three and nine months.
- Increase in payments to suppliers of M\$8,146,173, mainly associated with infrastructure suppliers.
- Increase in interest paid by M\$3,737,065, mainly related to higher financial debt interests due to the higher volume of debt obtained.

These variations were partially offset by the following concepts:

- Decrease in income tax paid by M\$7,151,606, this variation was mainly explained by the suspension of Provisional Monthly Payments (PPMs, for its acronym in Spanish) for three months due to the exceptional situation of COVID-19 and a lower income tax return regarding the previous year.

- Decrease in payments for premiums and benefits, annuities and other obligations arising from policies subscribed for M\$2,548,364, associated with the payment of corporate all-risk insurance on physical goods for 18 months.
- Increase in other charges for operating activities derived from the policies signed for M\$8,395,652, mainly associated with the *Alto Maipo* project agreement, since AES GENER exercised its option to extend the contract term.

Disbursements for investment activities decreased by M\$776,445, mainly due to higher investments and reinforcements of the potable water supply system and the construction of *Pirque* tanks made in 2019, which have been in operation since February 2020.

The financing activities made a net cash flow (increase) of M\$139,513,873, which is mainly explained by a higher obtaining bank loans to finance the company's investment plan and a lower dividends payment during the first semester of 2020.

## 6. Financial ratios

		Sep. 20	Dec. 19
<b>Liquidity</b>			
Current liquidity	times	1.54	0.82
Acid Test Ratio	times	0.53	0.30
<b>Leverage</b>			
Total Leverage	times	1.18	1.37
Current Leverage	times	0.25	0.18
Non-Current Leverage	times	0.75	0.82
Annualized Financial Expenses Coverage	times	5.73	7.22
<b>Profitability</b>			
Annualized equity profitability attributable to the controller's property owners	%	8.83	11.79
Annualized asset profitability	%	2.40	3.14
Annualized earnings per share	\$	57.67	69.92
Dividend yield (*)	%	3.91	7.99

*Current liquidity:* current assets/current liabilities

*Acid test ratio:* cash and cash equivalents/current liabilities

*Total indebtedness:* total liabilities / total shareholders' equity.

*Current debt:* current liabilities / total liabilities

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

*Financial expense coverage:* annualized profit before tax and interest / annualized financial expense.

*Equity profitability:* annualized profit for the year/annualized average total equity for the year.

*Asset profitability:* annualized profit for the year / average total assets for the year annualized.

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

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

(\*) The share price as of September 2020 amounts to \$569, while as of December 2019 it amounts to \$819.92.

As of September 2020, current liquidity increased by 87.8%, due to the increase in current assets of M\$ 337,275,457, mainly explained by higher cash and cash equivalents, resulting from higher obtaining bank loans and the classification of assets held for sale of ESSAL and Iberaguas companies, partially offset by the increase of current liability by M\$105,290,260, due to the classification above mentioned.

The indebtedness ratio decreased by 13.9%, mainly due to an increase in total equity of M\$232,391,974, explained by the revaluation of Lands and the earnings of the period, partially offset with an increase in the

current liabilities by M\$96,563,503 due to the classification of liabilities included in assets groups for its disposal classified as held for sale of ESSAL and Iberaguas companies.

The profitability of shareholders' equity attributable to the owners of the parent company decreased by 25.1% due to an increase of average equity by M\$60,345,743, due to the revaluation of Lands and a decrease in annualized profit by M\$12,249,168.

Dividend returns decreased by 51.1%, mainly due to the non-distribution of profits for 2019 over the amount already distributed in January 2020, as agreed at the Ordinary Shareholders' Meeting.

## 7. Other background information

### 7.1. Tariffs

The most important factor determining the results of our operations and financial condition is the tariffs set for our regulated sales and services. As a water utility, we are regulated by the S.I.S.S. and our tariffs are established in accordance with the D.F.L. No. 70 of 1988 on Sanitation Service Tariffs Law.

Our tariff levels are reviewed every five years and, during that period, are subject to additional readjustments linked to an indexation polynomial, which are applied when the accumulated variation since the previous adjustment is 3.0% or higher, as calculated based on various inflation indexes. Specifically, adjustments are applied based on a formula that includes the Consumer Price Index (IPC, for its acronym in Spanish), the Price Index for Imported Goods in the Manufacturing Sector and the Manufacturing Producer Price Index, all measured by the Chilean National Institute of Statistics. The latest indexations made by each Company of the Group were applied on the following dates:

#### Aguas Andinas S.A.:

Group 1	January 2020
Group 2	January 2020
Rinconada de Maipú	May 2019 and January 2020

#### Aguas Cordillera S.A.:

March 2020

#### Aguas Manquehue S.A.:

Santa María	May 2020
Los Trapenses	May 2020
Chamisero	May 2020
Chicureo	January 2020
Valle Grande 3	January 2020

#### Essal S.A.:

Group 1, 2 and 3	July 2019 and May 2020
Los Alerces	July 2019 and May 2020
Chinquihue	July 2019 and May 2020

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

The current tariffs for the period 2015-2020 for Aguas Andinas S.A., were approved by Decree No. 83 dated June 5, 2015, 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 October 19, 2015, and came into force on June 30, 2015 (published in the Official Gazette on November 25, 2015) and the current tariffs of Aguas Manquehue S.A. 2015-2020 were approved by Decree No. 139 dated September 16, 2015, and came into force on May 19, 2015 (published in the Official Gazette on November 25, 2015).

As of September 30, 2020, the new tariff decrees for Aguas Andinas, Aguas Cordillera and Aguas Manquehue, for the period 2020-2025, are in the process of being published, following the respective agreements with the Superintendence of Sanitary Services.

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

## *7.2. Market risk*

Our company presents a favorable situation in terms of risk, which is mainly due to the particular characteristics of the water utility sector. Our business is seasonal and operating results may vary from quarter to quarter. 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, water demand is higher in the warmer months than in the temperate ones, mainly due to additional water requirements generated by irrigation systems and other external water uses.

Adverse climatic conditions may eventually affect the optimal delivery of water utility services, because the processes of collecting and producing drinking water depend to a large extent on the climatic conditions that develop in the river basins. Factors such as meteorological precipitation (snow, hail, rain, fog), temperature, humidity, dragging of sediments, river flows and turbidity determine not only the quantity, quality and continuity of raw water available in each intake, but also the possibility of it being properly treated in potable water 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 adverse weather conditions could generate for our operations. In the current 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 to provide 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 legal regulations, it does not have competitors in its concession area.

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

Aguas Cordillera S.A. has 100% coverage of potable water, 98.9% of sewerage service and 100% of 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 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 affect the result of our operations and financial situation is capital investments. These are of two types:

**Committed investments.** We have an obligation to agree on an investment plan with the S.I.S.S., which describes the investments we must make during the 15 years following the date on which the corresponding investment plan comes into force. 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 aforementioned investment plan is subject to review every five years, with the possibility of requesting amendments when certain relevant facts are verified.

Approval and update dates of the Aguas Group's development plans:

**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 contemplated in the investment plan and that we make voluntarily in order to ensure the quality of our services and replace obsolete assets. These generally relate 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 in the financed construction work, up to the total amount of such interest, applying the respective rate to disbursements made at the date of submission of the financial statements. Accordingly, financial costs associated with our capital investment plan affect the amount of interest expense recorded in the income statement and are reported along with the work in progress under the line item "property, plant and equipment" in our statement of financial position.

### *7.5.Financial aspects*

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

Our revenues are largely linked to the evolution of the local currency. As a result, our debt is primarily issued in local currency so we do not have significant foreign currency risks.

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

As of September 30, 2020, the interest rate risk held by Aguas Andinas S.A. was 92% at a fixed rate and 8% at a variable rate. The fixed-rate debt is made up of: issues of short- and long-term bonds (69.0%), reimbursable financial contributions (19.2%), bank loans (11.5%) and lease liabilities (0.3%), while the variable-rate debt corresponds to loans with domestic banks.

As of December 31, 2019, the interest rate risk held by Aguas Andinas S.A. was 88.9% at a fixed rate and 11.1% at a variable rate. The fixed-rate debt is made up of: issues of short- and long-term bonds (78.8%) and reimbursable financial contributions (20.8%) and lease liabilities (0.4%), while the 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 credit rating agencies have assigned us a risk rating of AA+ for long-term debt. In the case of shares, Feller Rate assigned us a classification of first-class level 1 and Fitch Ratings assigned us a classification of first-class level 2.