



AGUAS ANDINAS

1st Half 2019 Results

27 September, 2019



www.aguasandinas.cl
www.aguasandinasinversionistas.cl



AGUAS
andinas®

Innovando contigo y con Santiago

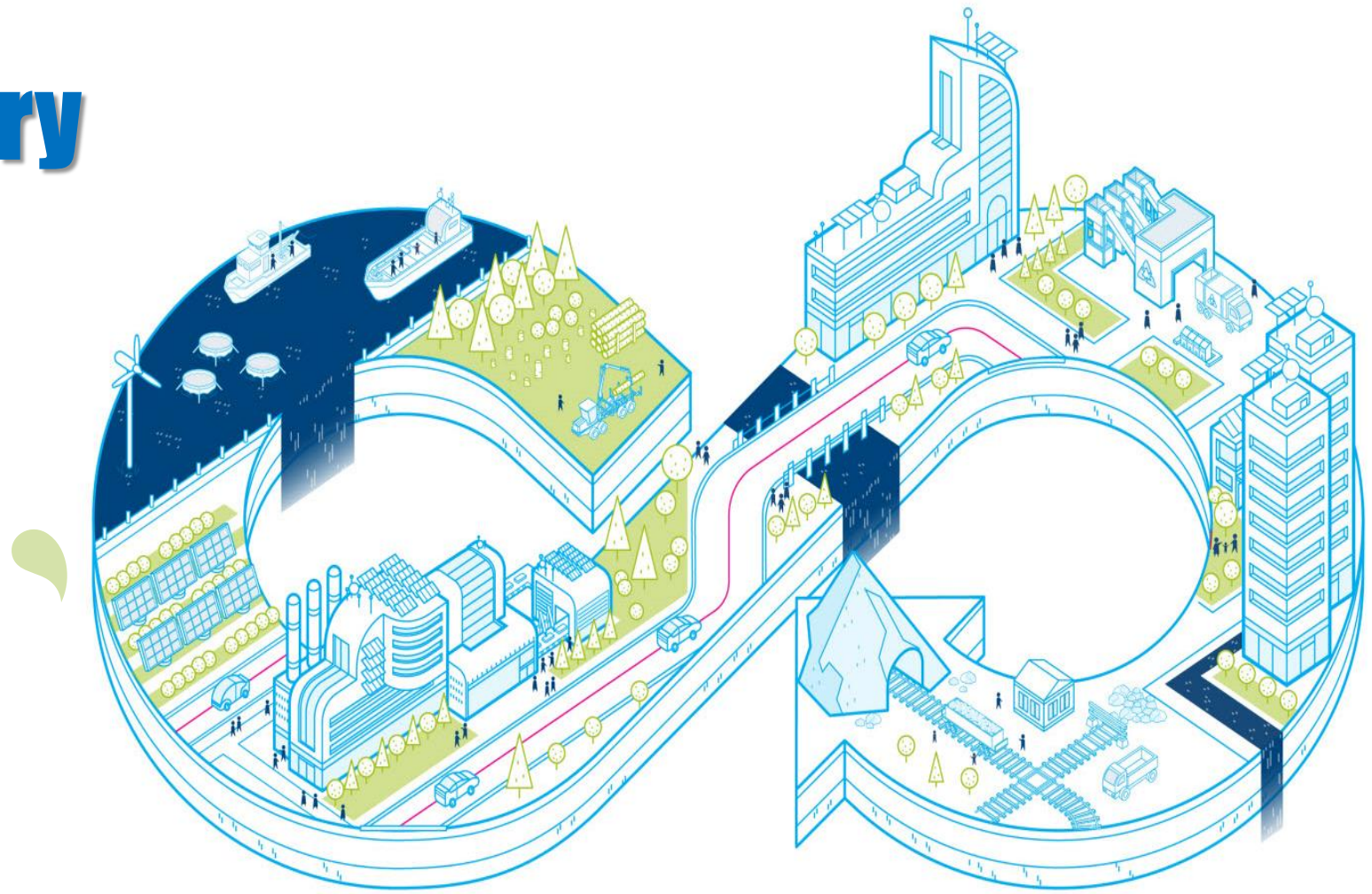
 **Financial Summary**

 **Investments**

 **Water Situation**

 **Tariff Revision**

 **ESSAL**



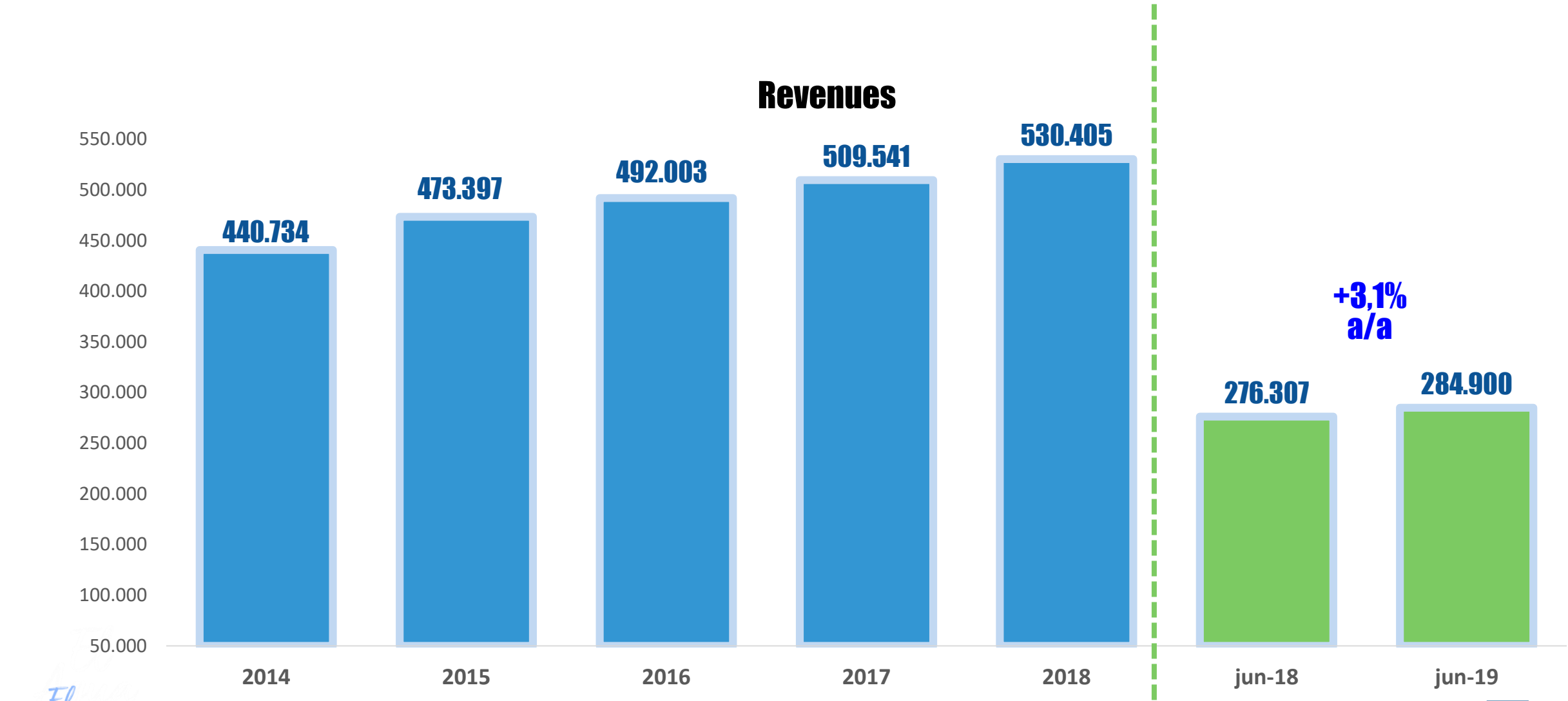
FINANCIAL SUMMARY



Financial Results

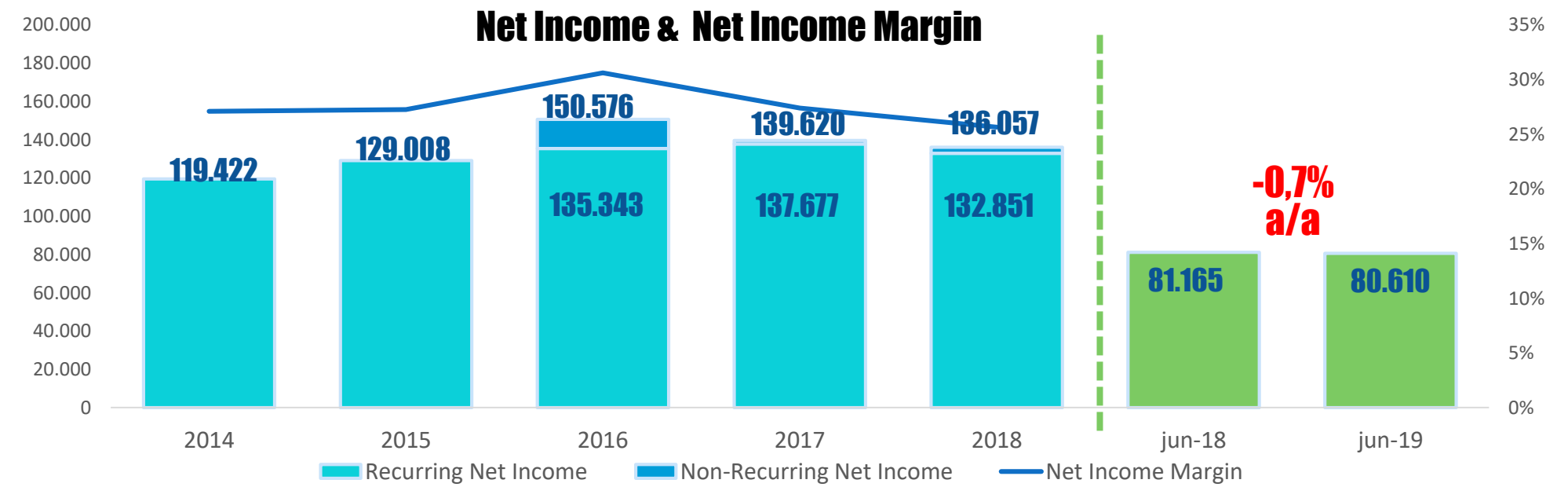
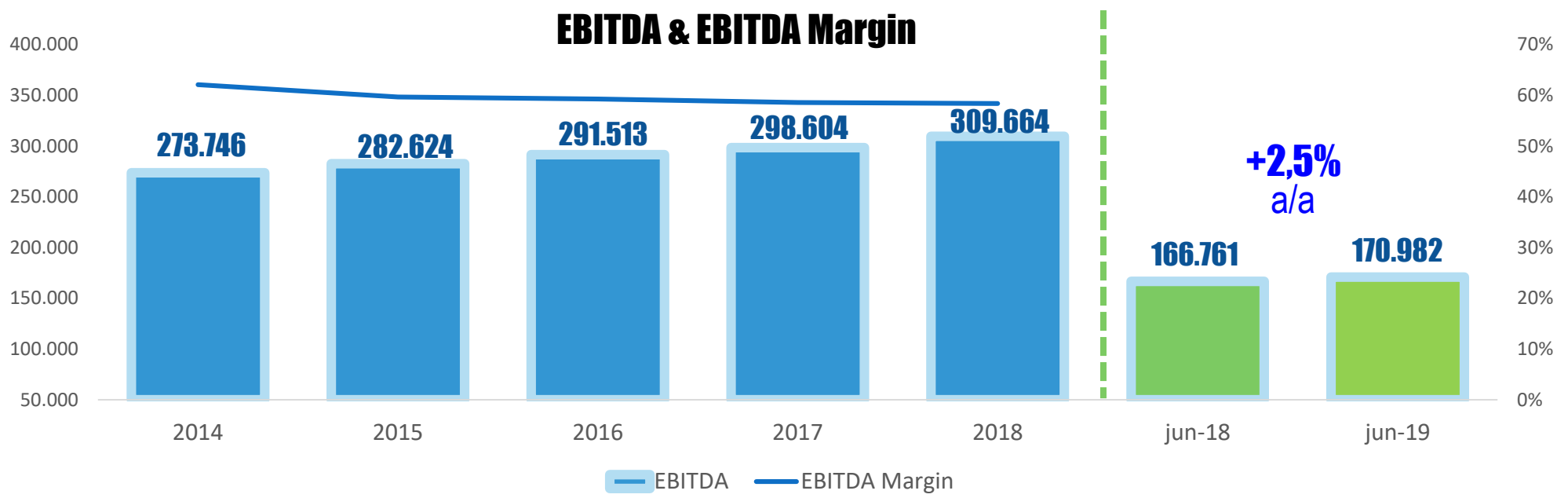
Figures in CLP million

Revenues



Financial Results

Figures in CLP million

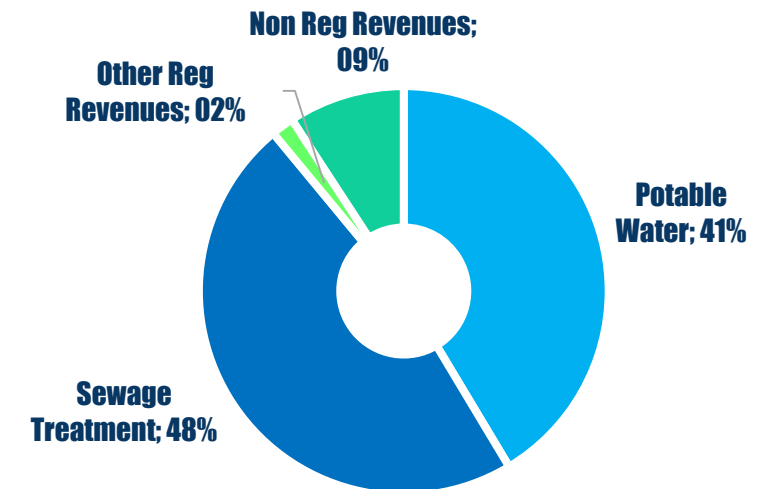
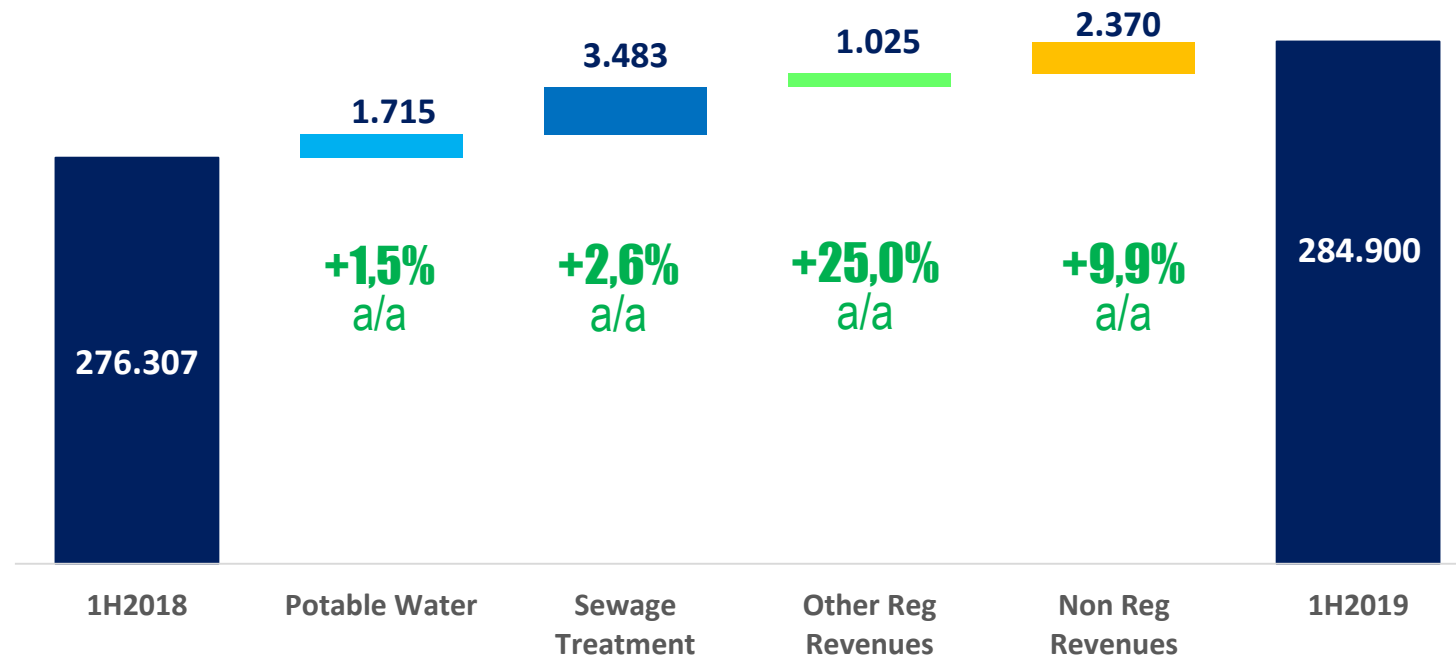


Revenues Increased by 3.1%

Company's revenues increased to \$285 billion

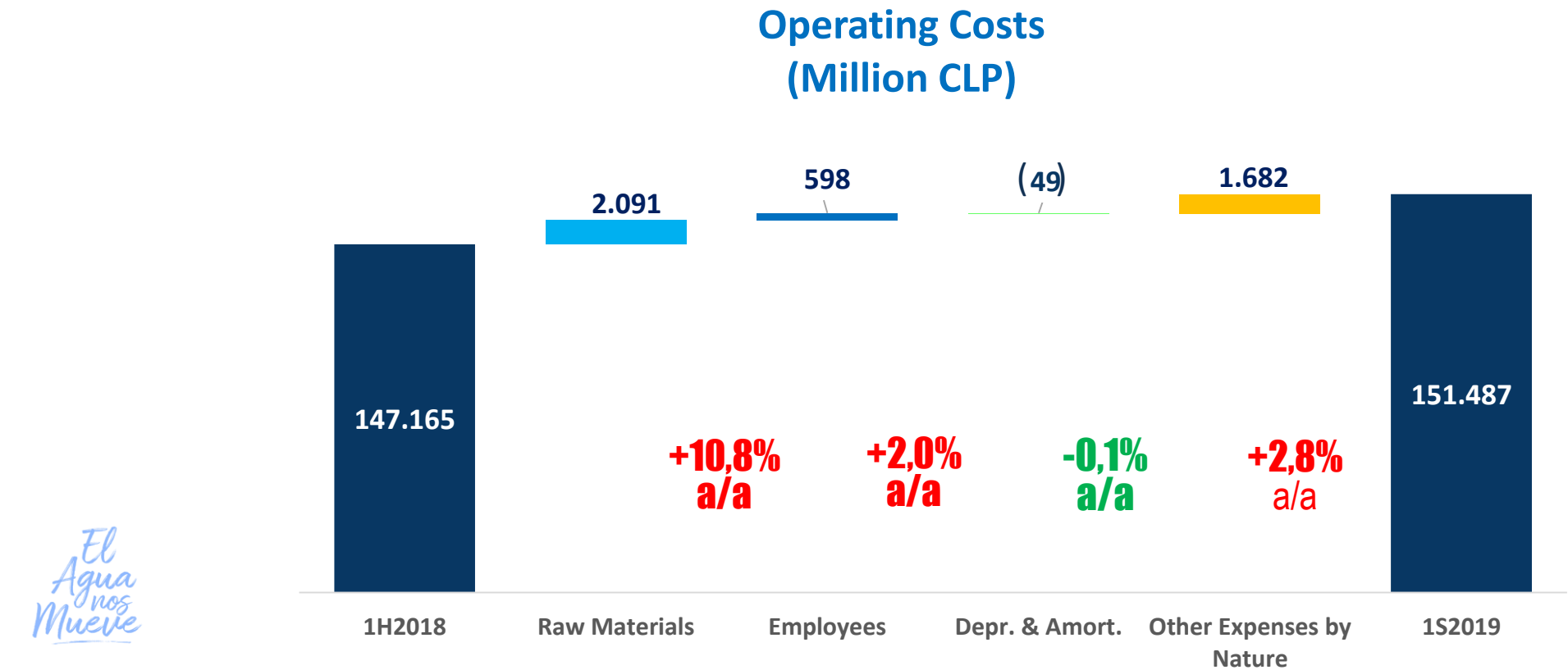
- Regulated Revenue:** mainly explained by tariff indexations recorded in the previous year, partially offset by lower volumes supplied in Potable Water and Served Water (-0.4% and -0.4% respectively).
- Non-Regulated Revenue:** mainly explained by higher revenues in non-sanitary subsidiaries, technical advice for the rural drinking water segment, and greater activity in modifications of sanitary infrastructure requested by clients, compensated by lower activity in customer home services.

Operating Revenues (Million CLP)



Costs Increased by 4.0%

- Raw Materials and Consumables:** Higher cost of sale of materials by the subsidiary Gestión y Servicios for \$ 1,016 million together with greater use of chemical inputs for \$ 590 million. Higher energy consumption partially offset by lower electricity rates due to the entry into force of supply free customers contracts for 52 of the Company's premises.
- Other expenses, by nature:** Lower costs for biosolid management for \$ 380 million and other general services for \$ 269 million. Higher expenses for advisory and studies of \$ 1,007 million, maintenance of equipment and enclosures for \$ 767 million and cost of sale associated with greater activity in modifications of sanitary infrastructure for \$ 359 million.



Proyectos de eficiencia

💧 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 \$380 million were made from the beneficial use of sludge as fertilizer and soil recuperator.

Other projects

Improvements in costs of customers management services by \$269 million .

Lower electric rates

Savings obtained as a result of the migration plan for clients regulated to free clients, for 52 company enclosures.



Other Highlights

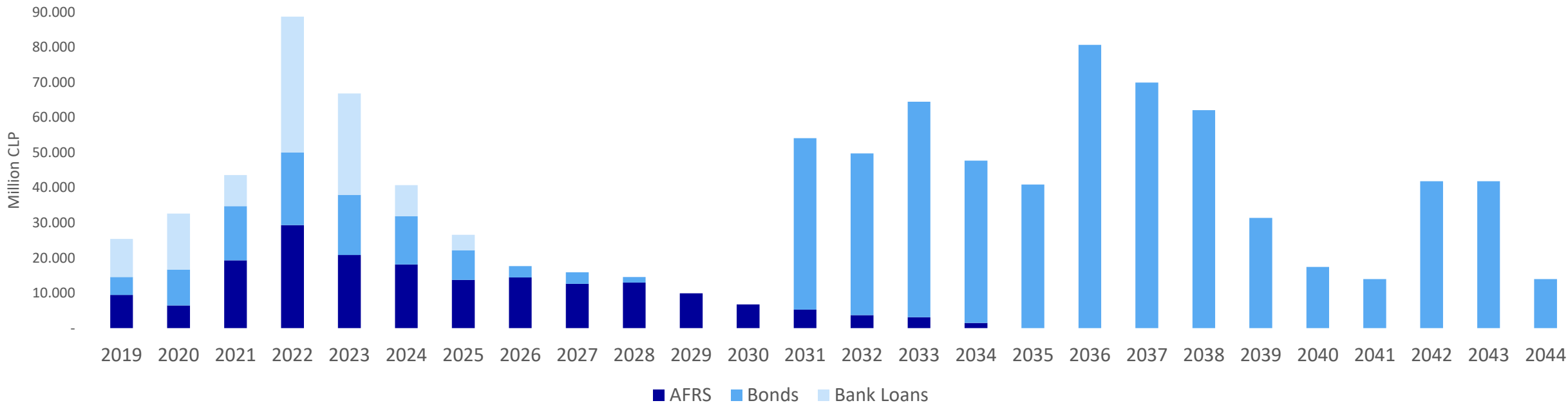
Other gains (losses)
\$ (3,818) million
lower profit
Mainly associated
with the fact that in
the first semester of
the year 2018
expendable lands were
sold located in
various communes of
the Metropolitan
Region.

Financial Result
\$ 1,059 million
of higher
expenses, mainly
due to higher
interest on
financial debt
and lower
financial income.

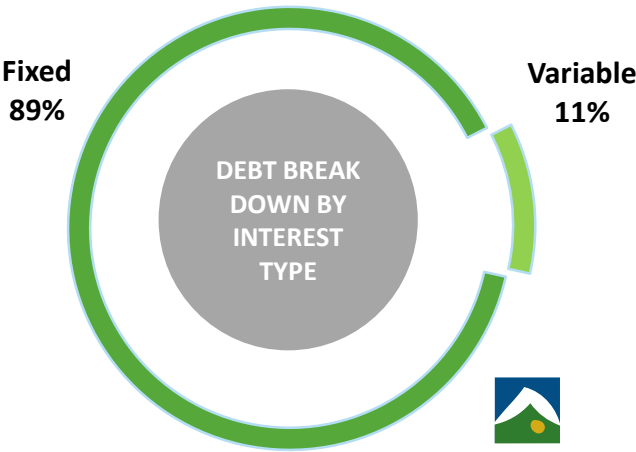
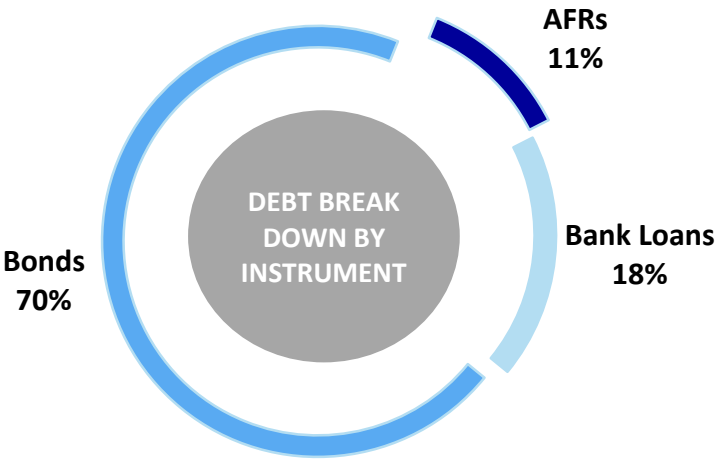
Tax expense
\$ (26,816) million
\$ 445 million lower
than the same period
of the previous
year. This variation
was mainly explained
by a lower result
before taxes

Net profit
\$ 80,610 million
figure lower by \$
555 million or
0.7% than the one
obtained in the
previous year.

Debt Structure as of June 30, 2019



- Leverage: **1,8x** Limit: **2,0x**
- Financial Expense Coverage: **7,0x**
- Local Credit Rating: **AA+**
- Total Net Financial Debt: **CLP\$1,015 billion**
- Net Debt/EBITDA Ratio: **3,2x**



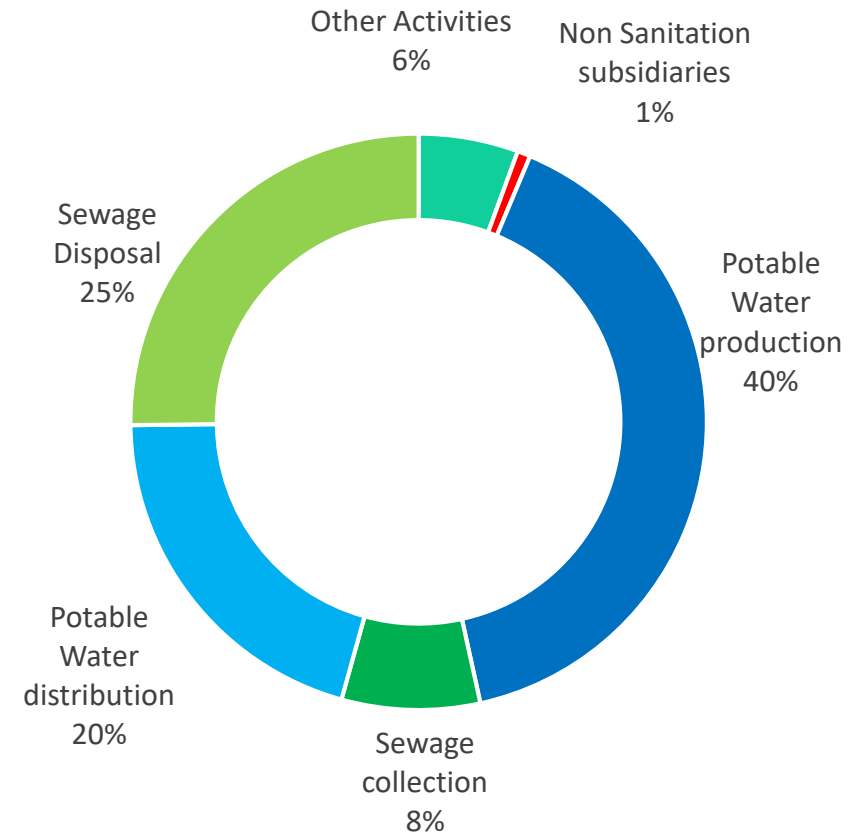


INVESTMENTS

Investments: continuous growth

Investments as of June 2019		Million CLP
Construction of Pirque Tanks		18,640
Potable Water Networks Renewal		5,038
Cogeneration capacity for La Farfana-Trebal		4,096
Asset replacement Biofactories La Farfana-Trebal		3,544
Sewerage Networks Renewal		3,132
Ammonia Treatment Plant Sewage Treatment Farfana-Trebal		2,544
Other investments		23,641
Total		60,635

Investments as of June 2019



PIRQUE PROJECT: tripling hours of autonomy



9

Reserve tanks with 54 million liters of capacity

16

Wells to extract underground water

~\$24

Million USD invested



11 hours of AUTONOMY for emergencied



6

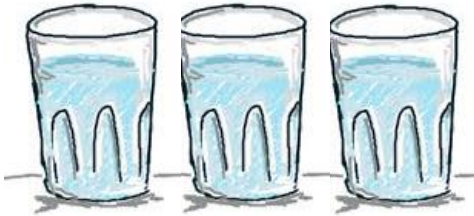
mega reserve tanks

1,500

million liters of capacity

~\$121

Million USD invested



34 hours of AUTONOMY for emergencies

El Agua por Muelle

PIRQUE PROJECT: start of operations by the end of 2019

high zone

Civil Works, Supply of Equipment, Assembly and Commissioning, Corresponding to Each of the Six Water Reservoir Tanks for Human Consumption.



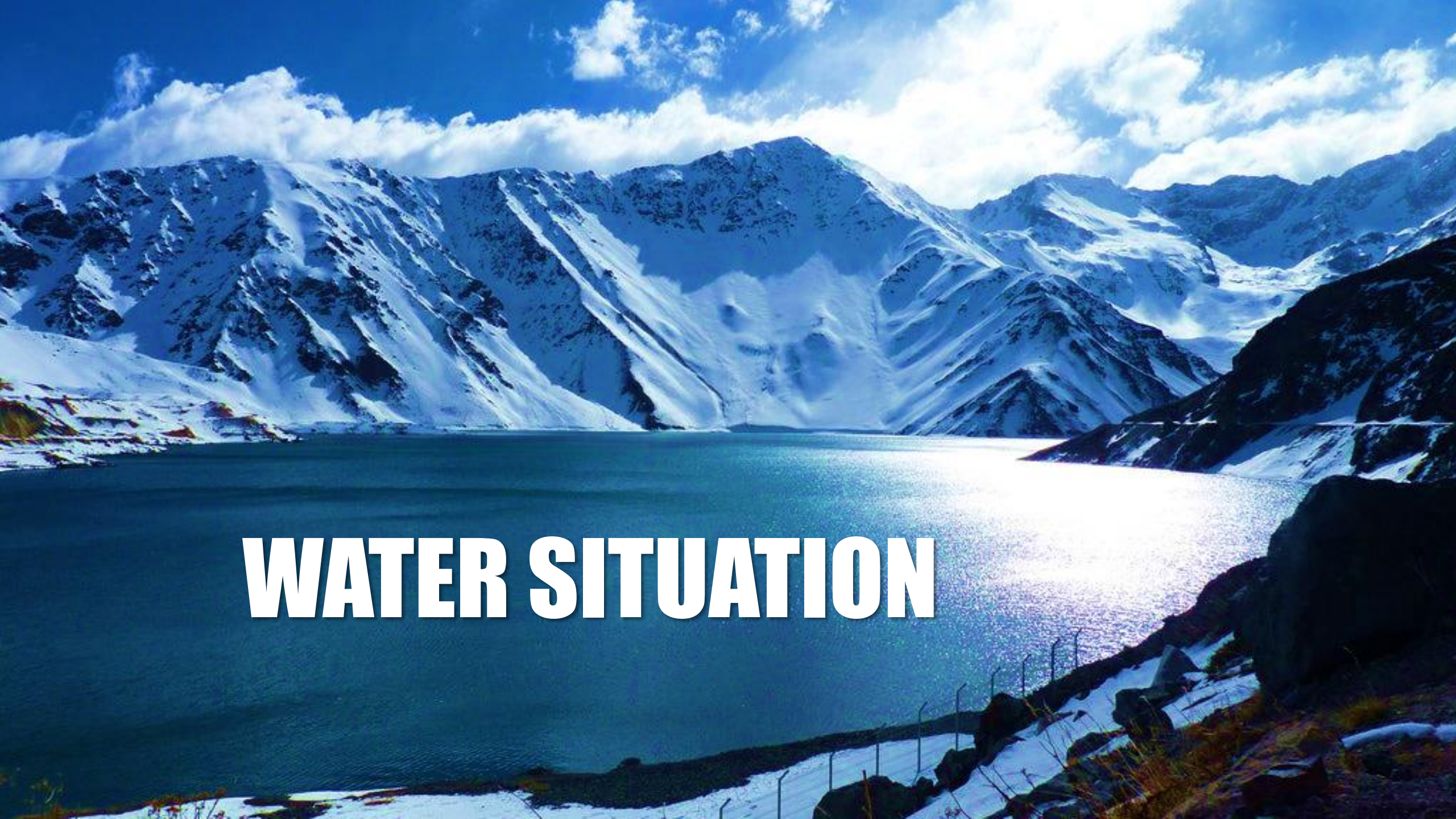
low zone

Construction of the Civil Works, Supply of Equipment, Assembly and Commissioning, Corresponding to the Elevation and Emptying Works - Water Reserve Tanks for Human Consumption.



84% progress*

* As of June 30, 2019



WATER SITUATION

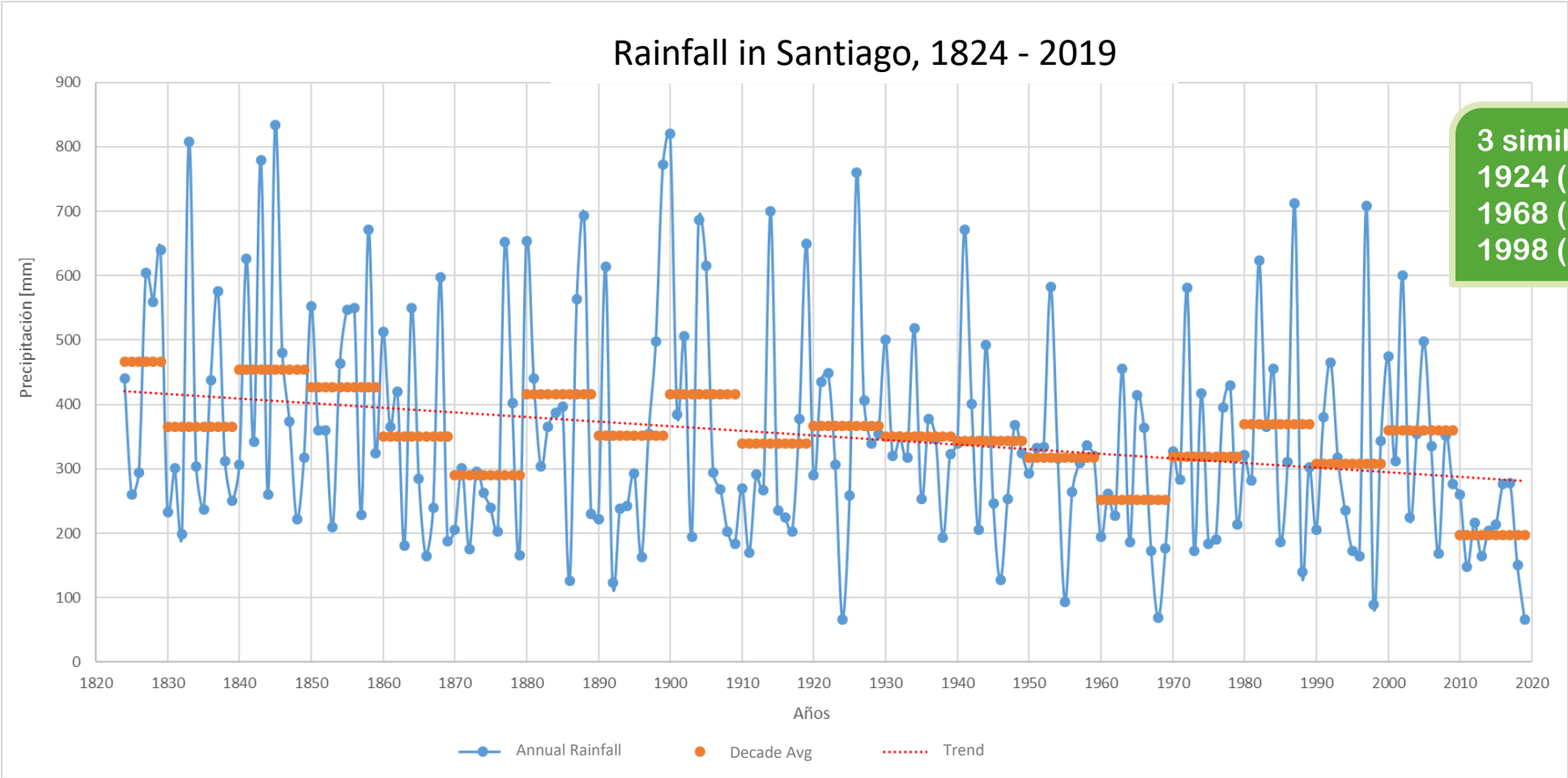
Rainfall in Metropolitan Region



The drought that currently affects the Metropolitan Region, dates from the beginning of the decade, transforming the decade of 2010 into the driest of the last 190 years.



This is how between the 1820s and 2010, Santiago went from having average rainfall of 460 to 198 mm / year.



Addressing water scarcity

SECCIONES

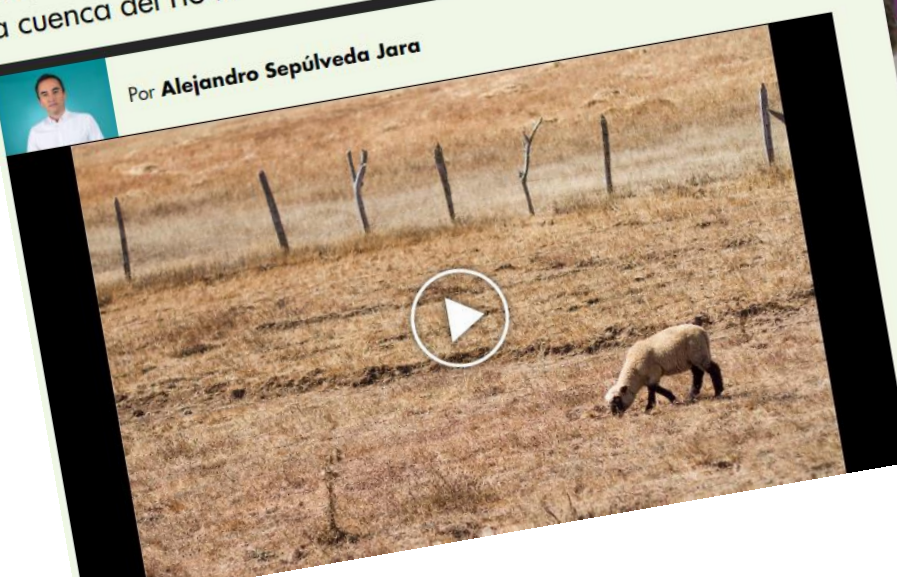
NOTICIEROS COMPLETOS

TRENDING SEQUÍA 03.09.2019 / 17:21

Aguas Andinas advierte que debemos "priorizar el consumo humano" y que este verano será "complicado"

La empresa de servicios sanitarios y la Junta de Vigilancia de la Primera Sección del Maipo le solicitaron a la Dirección General de Aguas declarar "zona de escasez hídrica" la cuenca del río más importante para el abastecimiento de agua en Santiago.

Por **Alejandro Sepúlveda Jara**



DESTACAMOS



La sanitaria señaló que esta decisión se debe a que la región atraviesa la mayor sequía del último siglo, la que ya se prolonga por más de una década, pero que este año alcanza la categoría de extraordinaria, ya que los datos de pluviometría acumulados al 2019, podrían ser los más bajos desde que existen registros. Bajo este escenario, acordaron solicitar la declaración de zona de escasez hídrica a la Dirección General de Aguas a través de la Intendencia Metropolitana. También anunciaron medidas de contingencia y un llamado al buen uso del recurso.

elmostrador

Noticias Mercados Tecnología Generación M Agenda País Braga Avisos Legales

Ante sequía extraordinaria Aguas Andinas solicita declarar zona de escasez hídrica en cuenca del Maipo

por El Mostrador | 31 agosto, 2019



Universidad de Concepción

SÚMATE AL
#CENTENARIOUdeC

Visítanos

Addressing water scarcity

Hydro Efficiency Plan / Leak Detection

Purchase of raw water in autumn-winter months

Management with Municipalities and fraud control

Mass Awareness Campaigns

Intensive use of drilling

**Reservoir closure El Yeso
Nov-Aug instead of Nov-Mar**

Rent of additional water rights

Drilling and Enabling New Wells

Purchase / lease of additional shares to canalistas

Water Swap with irrigators

Purchase of water in summer
(November to March)

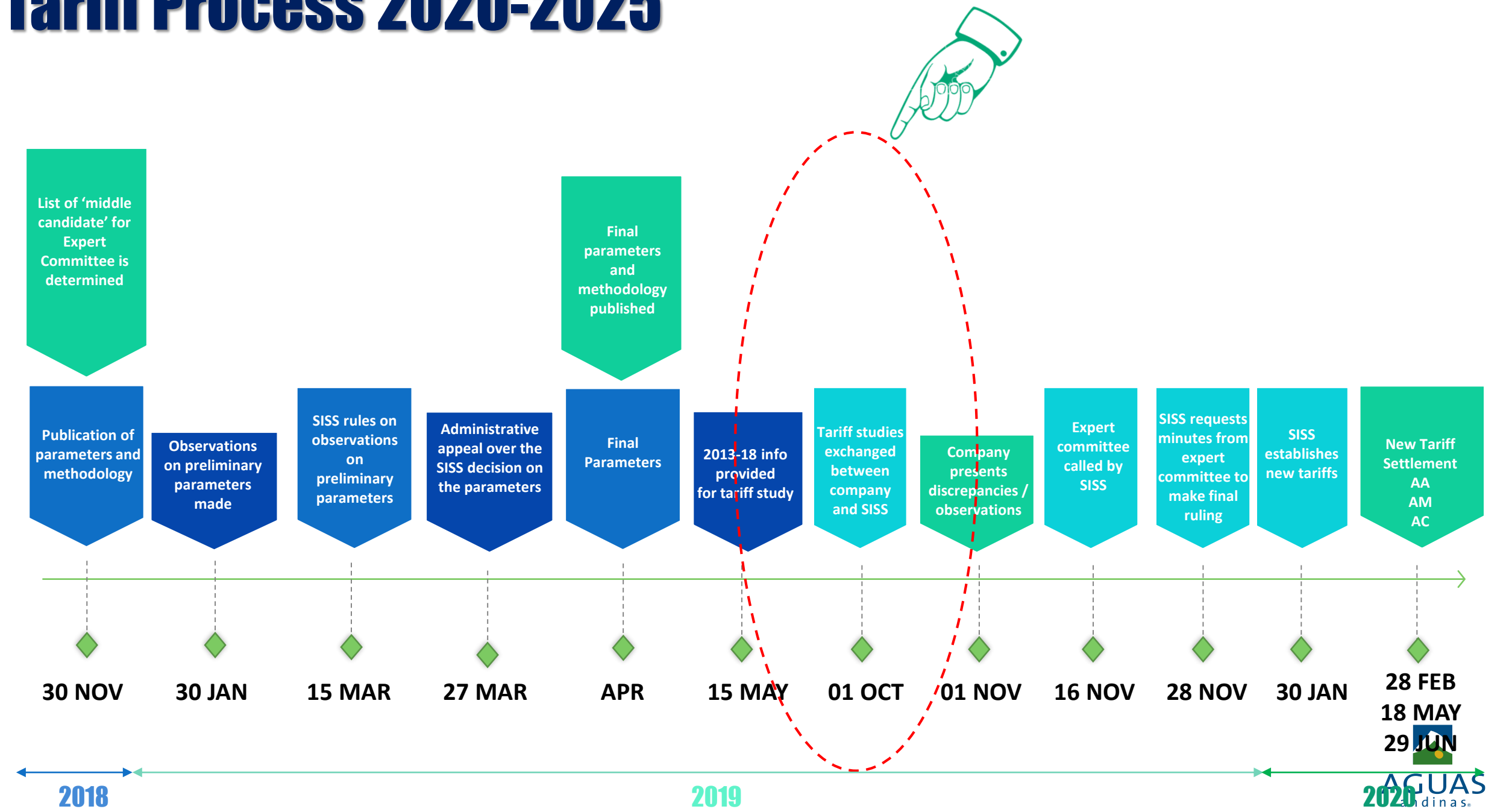
Reuse of treated water



Short, medium and long term strategy

Tariff Revision

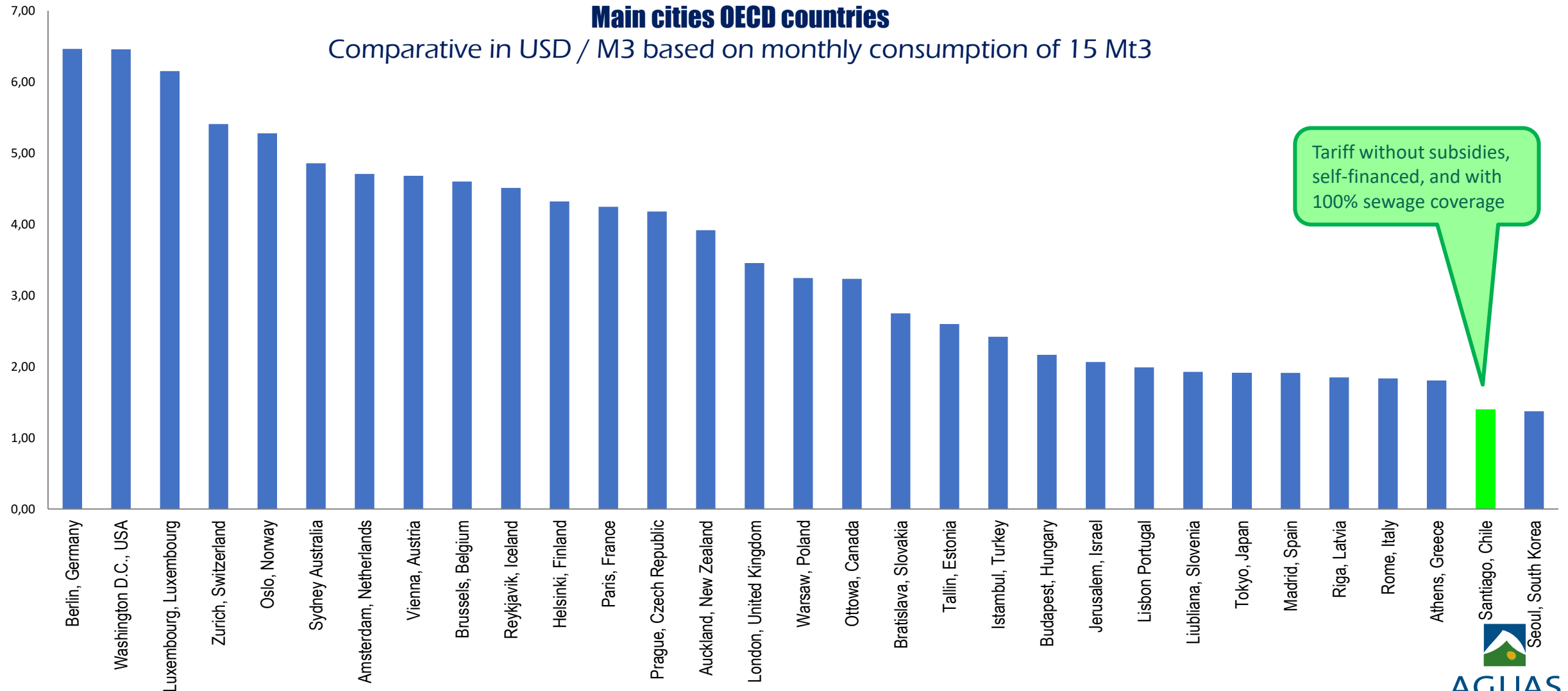
Tariff Process 2020-2025



OECD'S Tariffs

Integrated Tariff for Drinking Water and Sewerage Service Main cities OECD countries

Comparative in USD / M3 based on monthly consumption of 15 Mt3



ESSAL



Background



01

A hydrocarbon spill occurs at the Osorno Drinking Water Production Plant.

02

Safety protocols were activated and ESSAL had to suspend the supply of drinking water, for several days, at the same time as necessary repairs were made.

03

The service is gradually restored from July 17, normalizing the supply for all customers on July 21.

Osorno,
Lamentamos
lo sucedido



Conoce aquí
el monto de tu
compensación

Actions at the operational level



1

140 tons of filter material were moved and replaced

2

More than 500 people worked, including Essal's own staff, contractors and technicians from Aguas Andinas

3

The drinking water plant was completely rehabilitated in very limited times given the magnitude of the damage



Issues at the corporate level

1

07/30/19 CEO Gustavo Gómez Jiménez resigns. In his replacement José Sáez Albornoz was appointed

2

08/06/19 Resigns Guillermo Pickering de la Fuente as Chairman of Essal and Aguas Andinas

3

09/09/19 At the Extraordinary Shareholders Meeting, the ESSAL Board of Directors is renewed, whose presidency Gustavo Mayor Lemarie assumes

Economic Impact

\$2.900
million

Automatic
compensation
Law No. 19,496
on the
Protection of
Consumer Rights

\$300
million

Lower billing on
court days

T.B.D.

Costs and
Investments
Replacement
Service

T.B.D.

Voluntary
Procedure with
Consumer
Service, for
additional
damages

T.B.D.

Various entities
with sanctioning
powers could
apply fines



There are committed insurances that have been activated with the respective companies and whose scope of coverage is in the process of analysis and evaluation

Originated Legal Processes

 **SISS - Sanction Process and Special Expiry Process**

 **Sernac - Collective Voluntary Procedure (PVC) and Automatic Compensation Control**

 **Ministry of Economy - Compensation to micro and small businesses affected**

 **Other Administrative Procedures of Sanctions: SEC, Seremi de Salud and DGA**



 **Public Prosecutor - Investigation regarding possible crimes**

 **Valdivia Court - Local Police Courts - LPDC individual claims**

 **Environmental and financial-legal information requirements**

Special Expiry Process

Res. SISS 2864: Special process begins to determine if there is merit to issue an Expiry Report.

Article 26 ° DFL 382/88 General Sanitation Services Law

The President of the Republic, based on a technical report prepared by the regulatory entity, may declare expired concessions that are in operation:

- a) if the conditions of the service provided do not correspond to the requirements established in the law or its regulations, or to the conditions stipulated in the respective concession decree;
- b) if the concessionaire does not fulfill the development program;
- c) for breach of the contract referred to in the second paragraph of article 11 and of the provisions of article 32 of this law.

For the classification of these causes, the regulatory entity must consider the seriousness of their consequences and the repetition of their occurrence.

Special Expiry Process

On September 24, the company presented its response to the expiration process to the SISS.

Arguments:



The “service conditions” provided by ESSAL do correspond to the established requirements



The interruption of service was only one, there is no repetition. Forced use of the penalty type



SISS jurisprudence contemplates expiration for extreme cases



Expiration would apply due to technical and / or economic infeasibility (insolvency): ESSAL is absolutely viable to continue providing service in Osorno



Historical compliance that Essal has made of its services and Development Plans



Correct performance of Essal compared to other concessionary companies



Essal's ability to face a serious contingency and execution of major works in record time



Historical investments, additional works and future investment plan are of high magnitude

Special Expiry Process

On September 24, the company presented its response to the expiration process to the SISS.

Arguments:

Expiration has a legal nature of sanction. Principles of sanctioning administrative law: last ratio, proportionality, reasonableness, etc.



Violation of the non bis in idem in the “adjective” phase (fine process and expiration file for identical facts)



Violation of the non bis in idem in the “substantive” phase (sanction to companies and executives)



Need for due process.
Pre-judgments



Public anticipation of pronouncements without having heard the company.



Violation of the principle of objectivity in the audit

