

AGUAS ANDINAS

A successful experience in a regulated market



February 2016



01 CHILEAN SANITATION SECTOR

WATER & SEWERAGE INDUSTRY IN CHILE

An example of a successful public-private alliance



**1998 BEGINNING
OF THE
PRIVATIZATION
PROCESS**

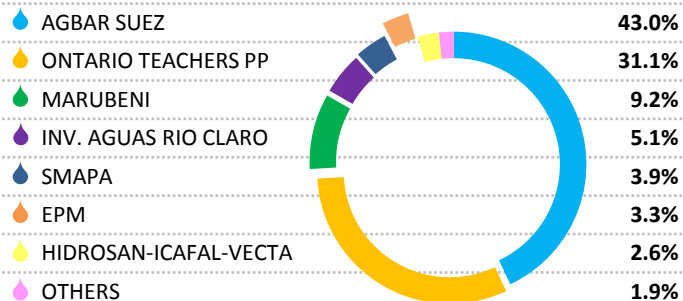


TWO CONCESSION MODELS

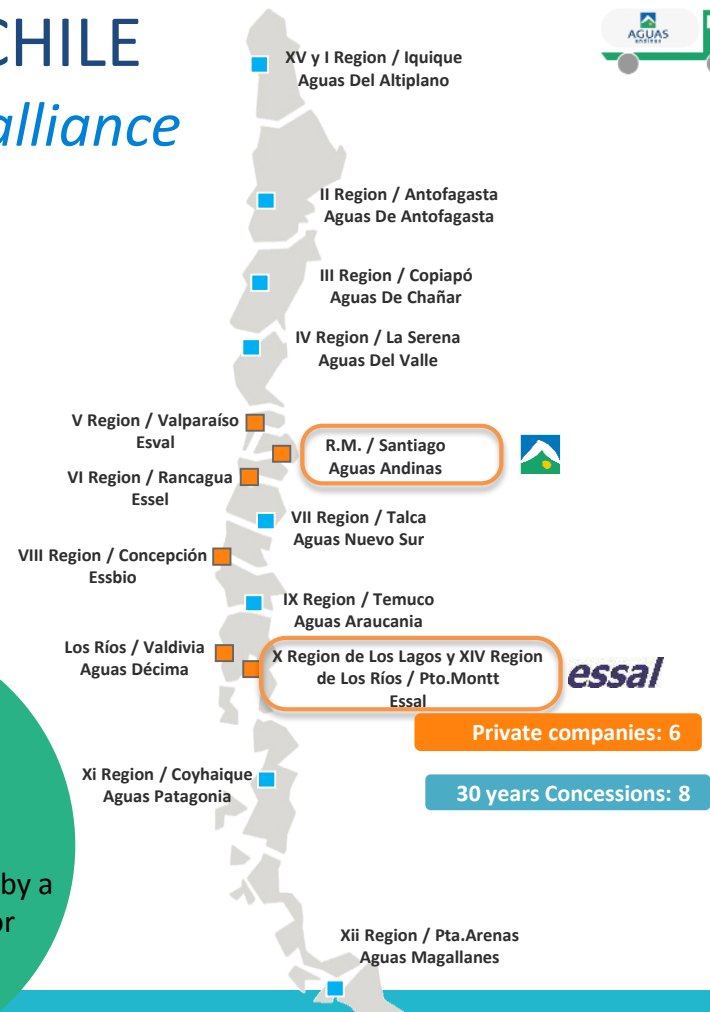
Indefinite concession

Concession for 30 years

Clients breakdown by Economic Group

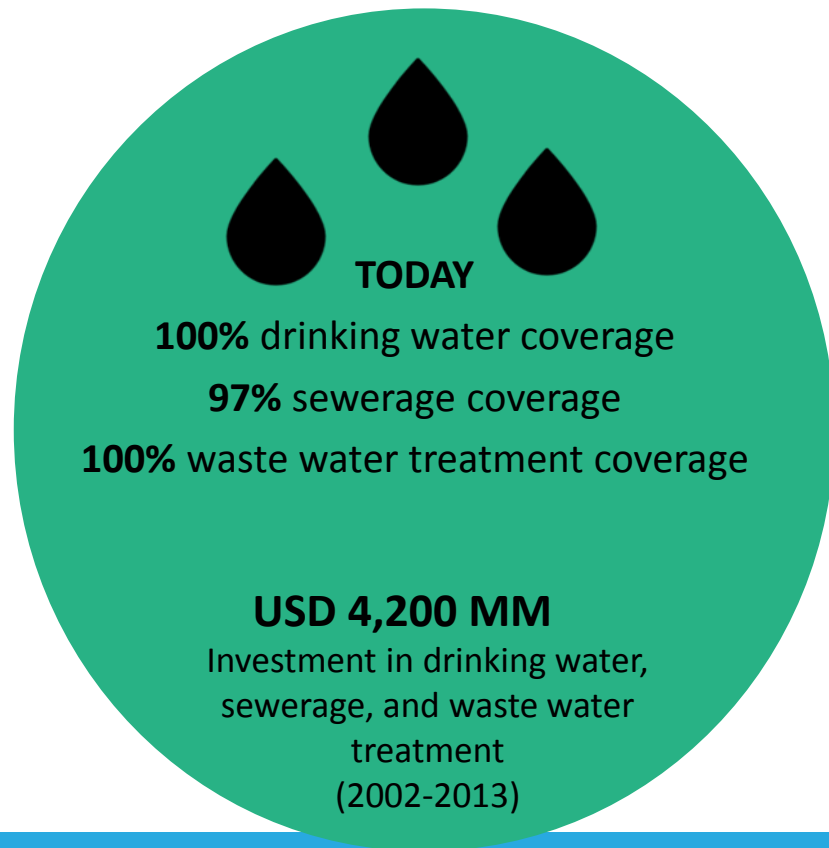
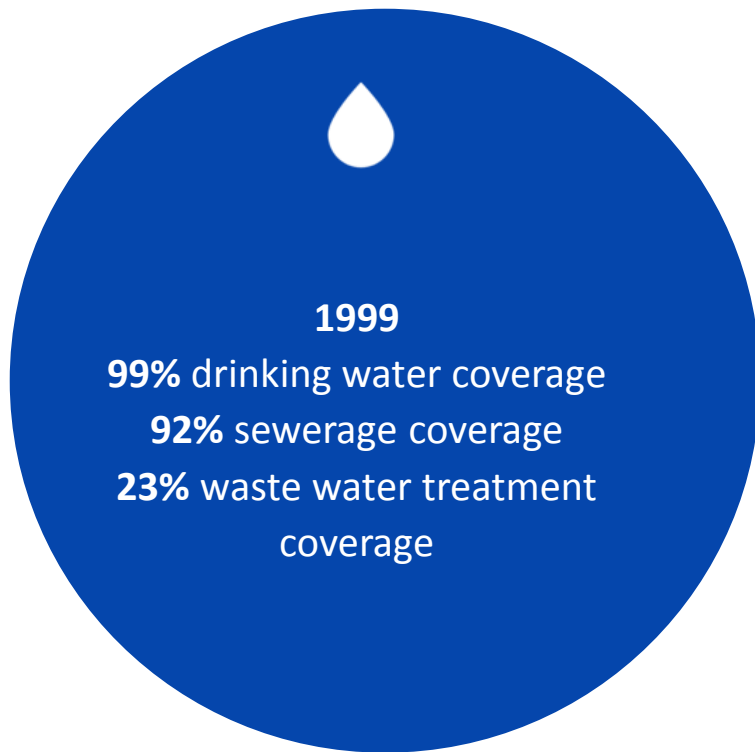


96% OF CLIENTS served by a
privately-held operator



EVOLUTION OF WATER & SEWERAGE INDUSTRY

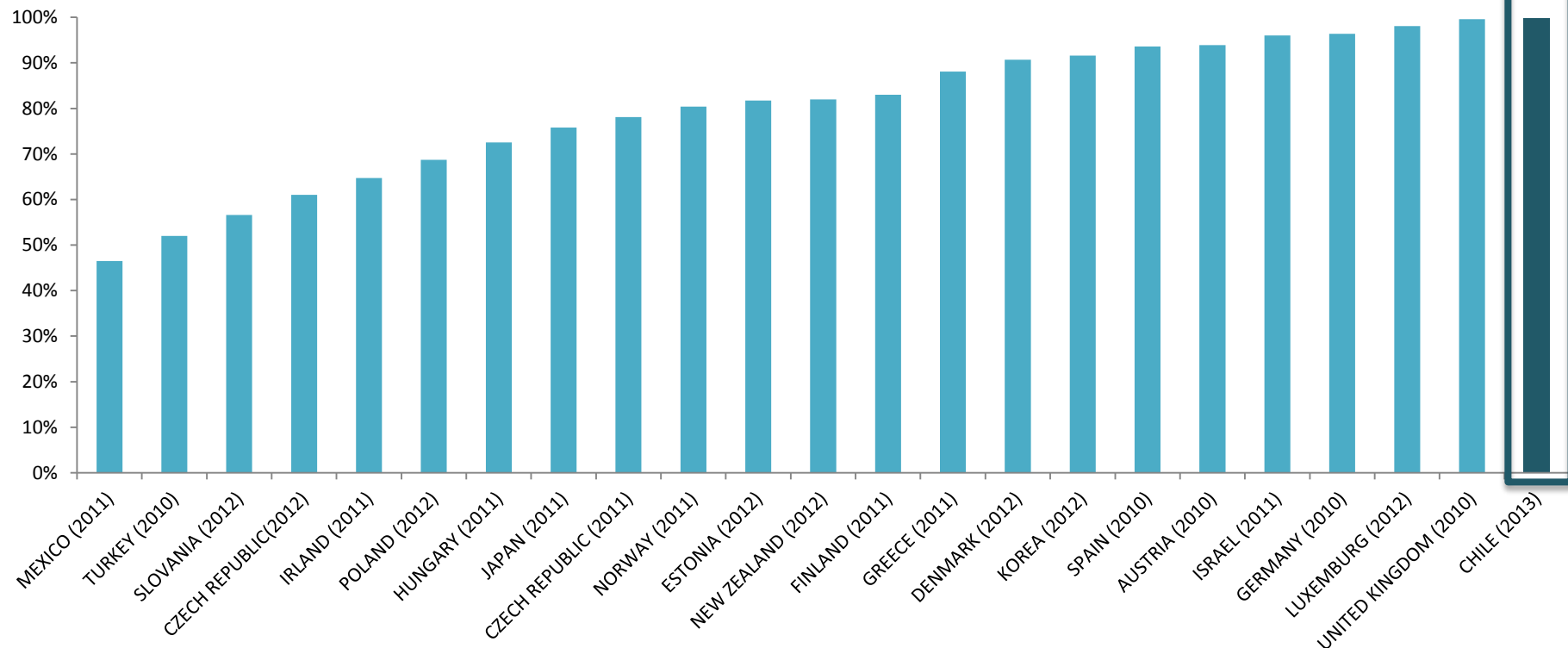
Rising levels of investment to increase coverage and quality



CHILE IN COMPARISON TO THE WORLD



*The first Latin-American country with 100% waste water treatment
...at the highest international standards*



Source: OECD, Environmental Statistics, Treatment of Waste Water.

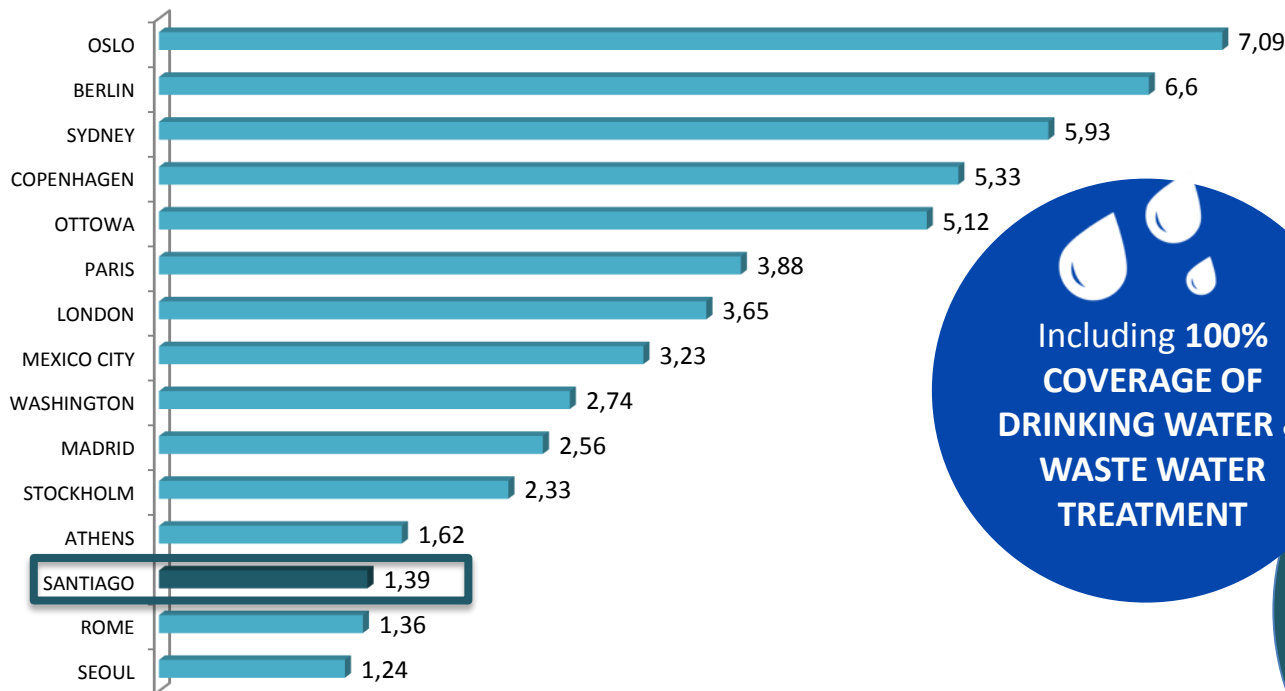
CHILE IN COMPARISON TO THE WORLD

Efficient tariffs, one of the lowest in the OECD



TARIFFS

(Drinking Water, sewerage, and Waste Water Treatment US\$/m3)



Including **100%
COVERAGE OF
DRINKING WATER &
WASTE WATER
TREATMENT**

EFFICIENT TARIFFS

The lowest of the
capitals of countries
member of the
OECD

And with **SELF-FINANCED**
companies



FOCUS: CHILEAN SANITATION REGULATORY FRAMEWORK

HIGHLY REGULATED SANITATION INDUSTRY

Proven, Stable, and Transparent Framework



- Regulatory framework in place for more than 25 years
- Superintendence of Sanitation Services (SISS) acts as the regulator counterpart in the tariff setting process, which lasts for 1 year approximately
- Tariffs are reset every five years, based on an unbiased and technical model:
 - Based on the long term total cost of a model company
 - Discrepancies are solved by an independent experts committee
 - Minimum real return on assets of 7% after taxes
 - Automatic interim adjustments linked to polynomials based on CPI and WPI indexes
- Government subsidies for low-income clients
- The regulatory framework of the Chilean water industry has been fundamental to the development of the sector

MODEL COMPANY vs. REAL COMPANY

MODEL COMPANY	AGUAS ANDINAS
Greenfield operation	Existing infrastructure
Latest technology	Combination of new and existing technologies
Cost efficiency	Real costs
100% coverage in all services	Real coverage
Self-financing of investments through tariffs	Self-financing of investments through tariffs
Minimum Return on Assets	Ability to use debt to finance Capex and enhance return on equity

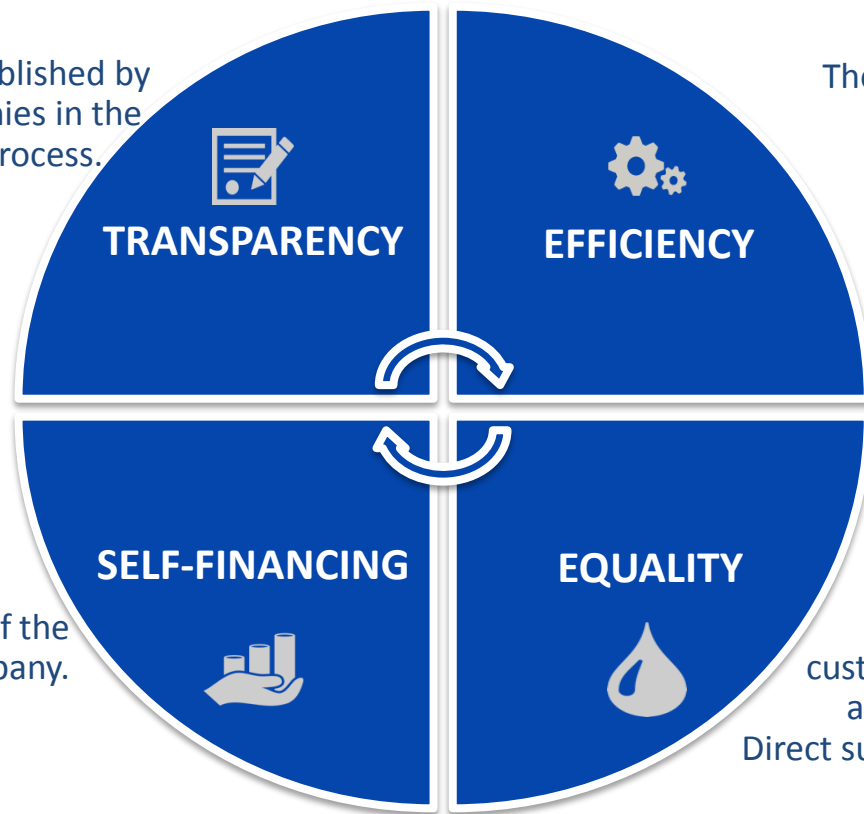
PRINCIPLES OF THE TARIFF MODEL

Ensuring the self-financing of an efficient company



Regulatory framework is established by law and applies to all companies in the industry. Public negotiation process.

The tariff model aims to simulate a competitive market.



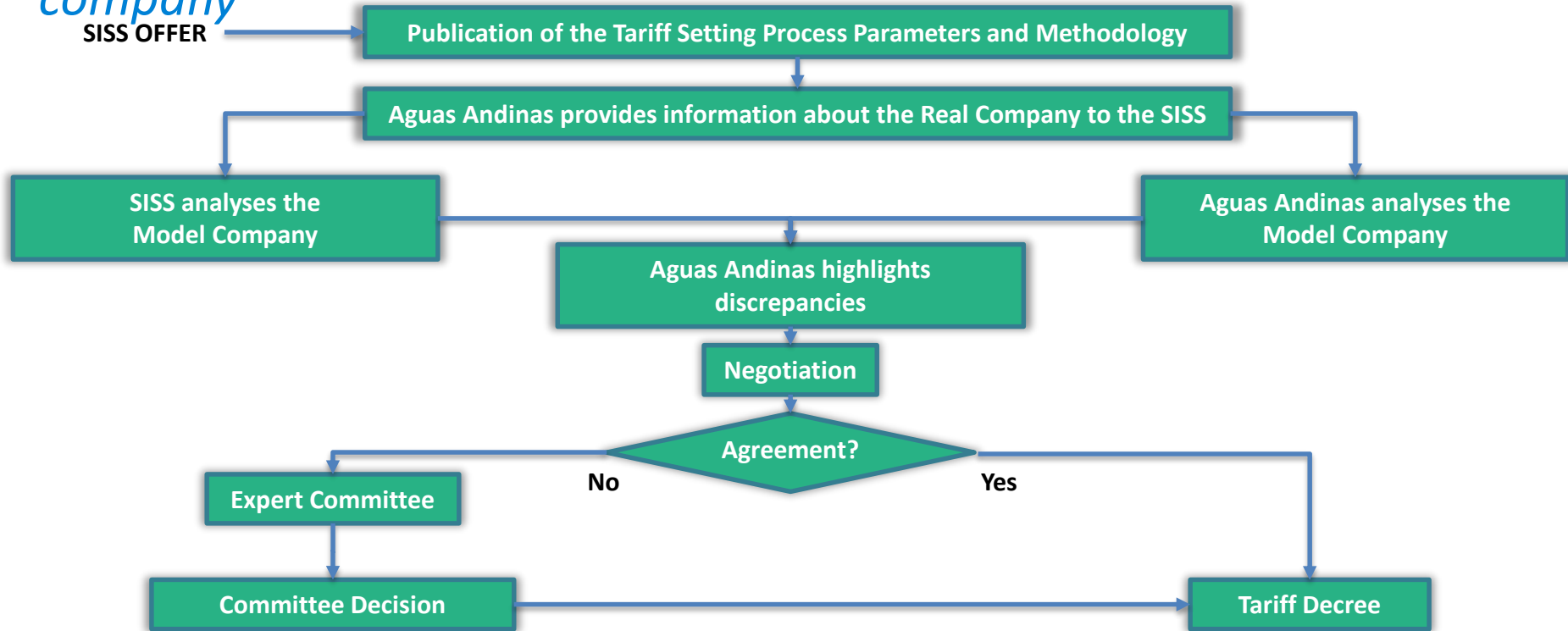
Revenues cover the costs of the efficient Model Company.

The same tariff is applied to all customers (regardless whether they are industrial or residential, etc.).
Direct subsidies provided to low-income customers.

STAGES OF THE TARIFF NEGOTIATION PROCESS

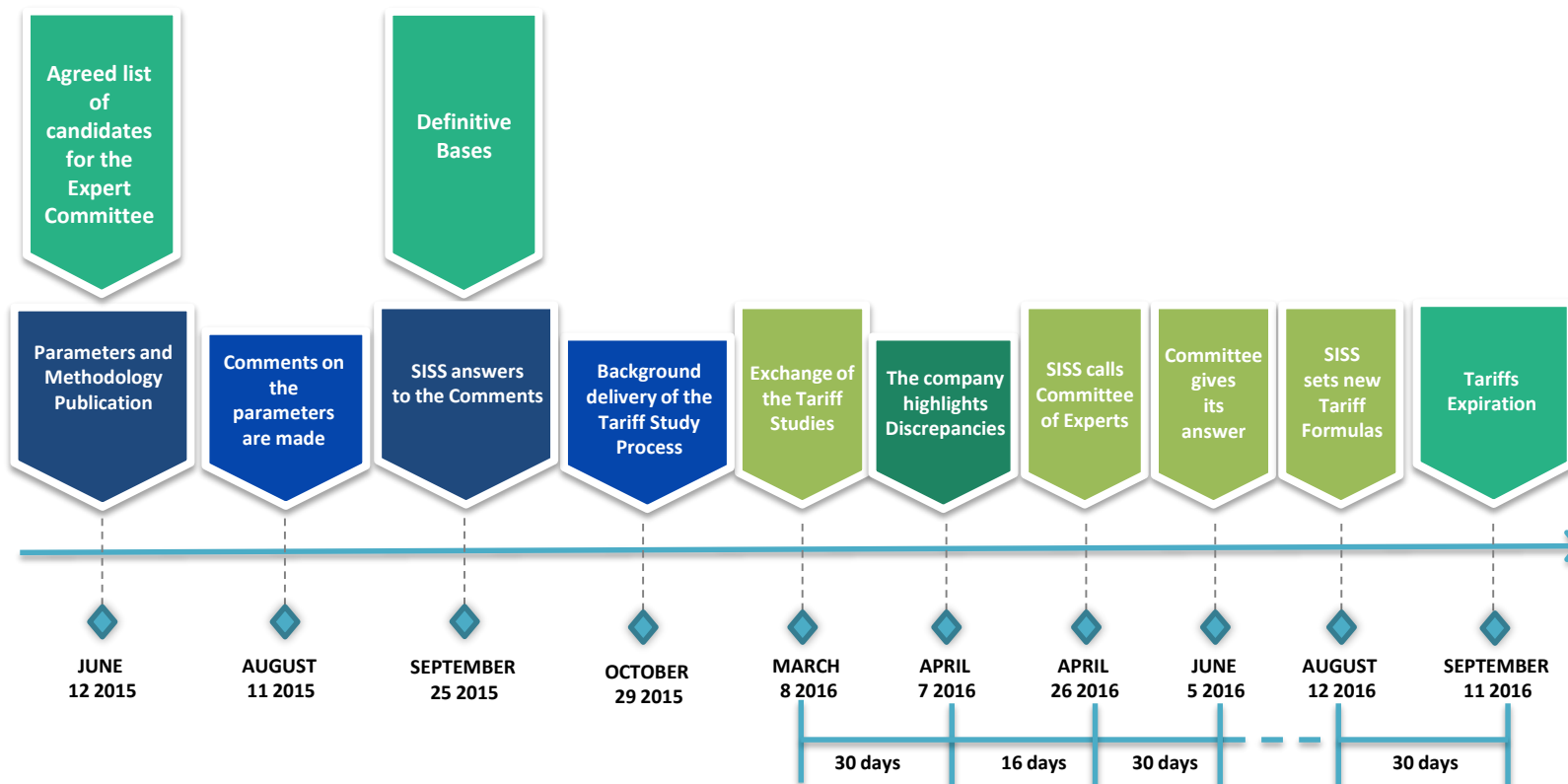


From general parameters to the negotiation of the size of the model company



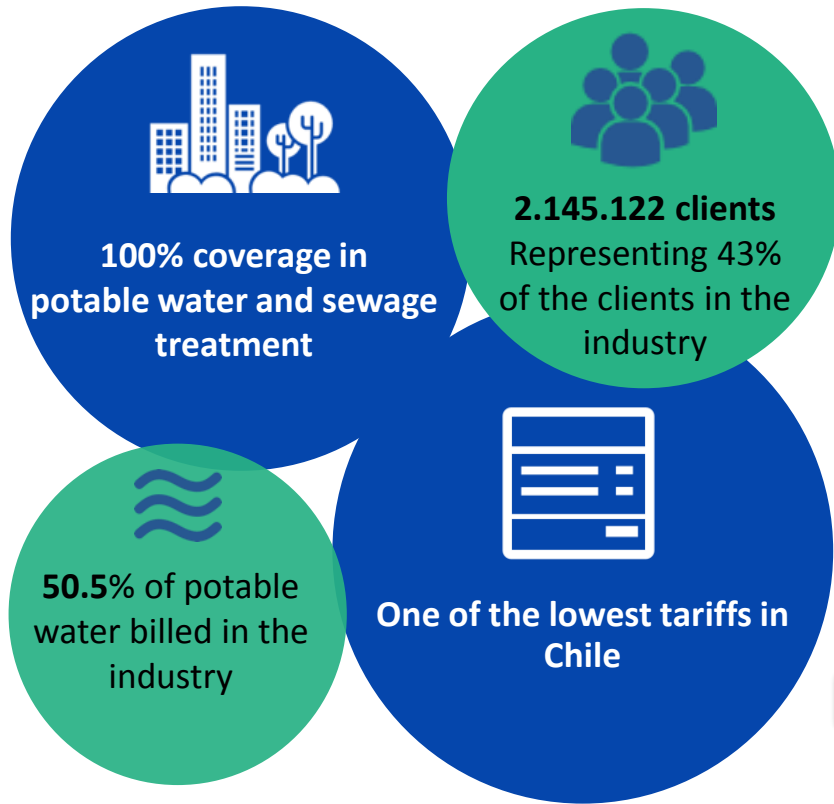
ESSAL TARIFF-SETTING PROCESS

Technical and Negotiation Process For One Year



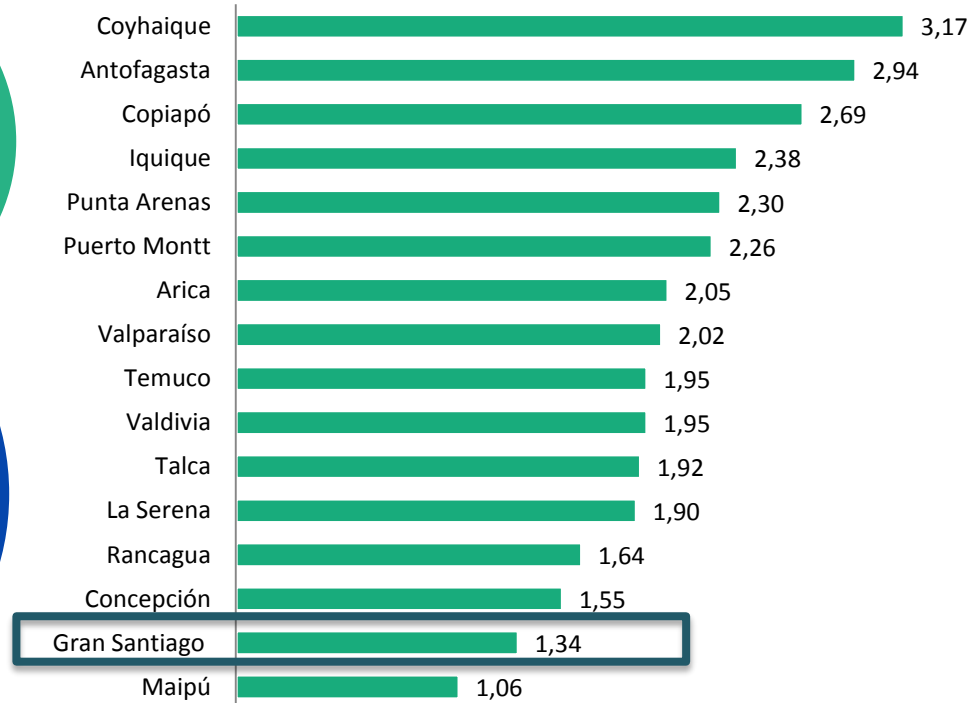


AGUAS ANDINAS' EXPERIENCE IN CHILE



TARIFFS

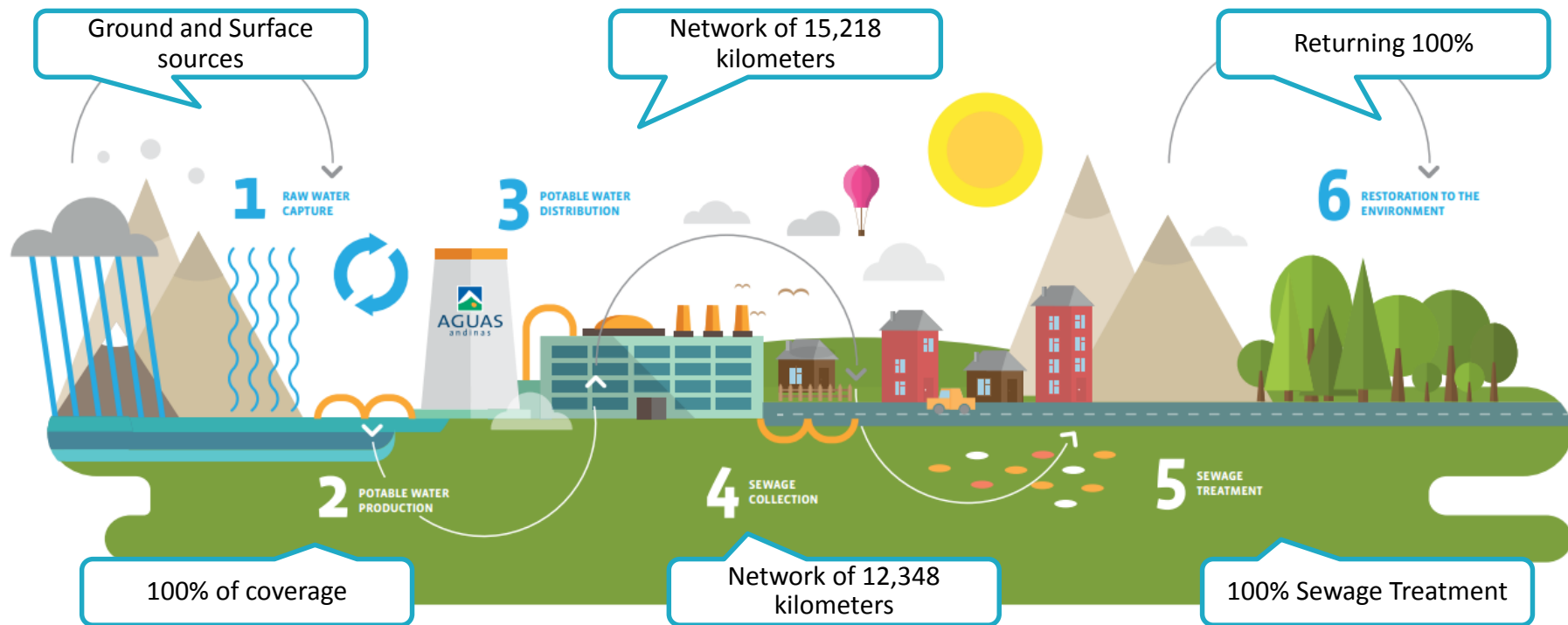
(Potable Water, Sewerage, and Sewage Treatment US\$/m³)



Tariffs as of December 2014 considering US \$1= \$607.38

INTEGRAL WATER CYCLE MANAGEMENT

100% Coverage of Potable Water, Sewerage, and Sewage Treatment

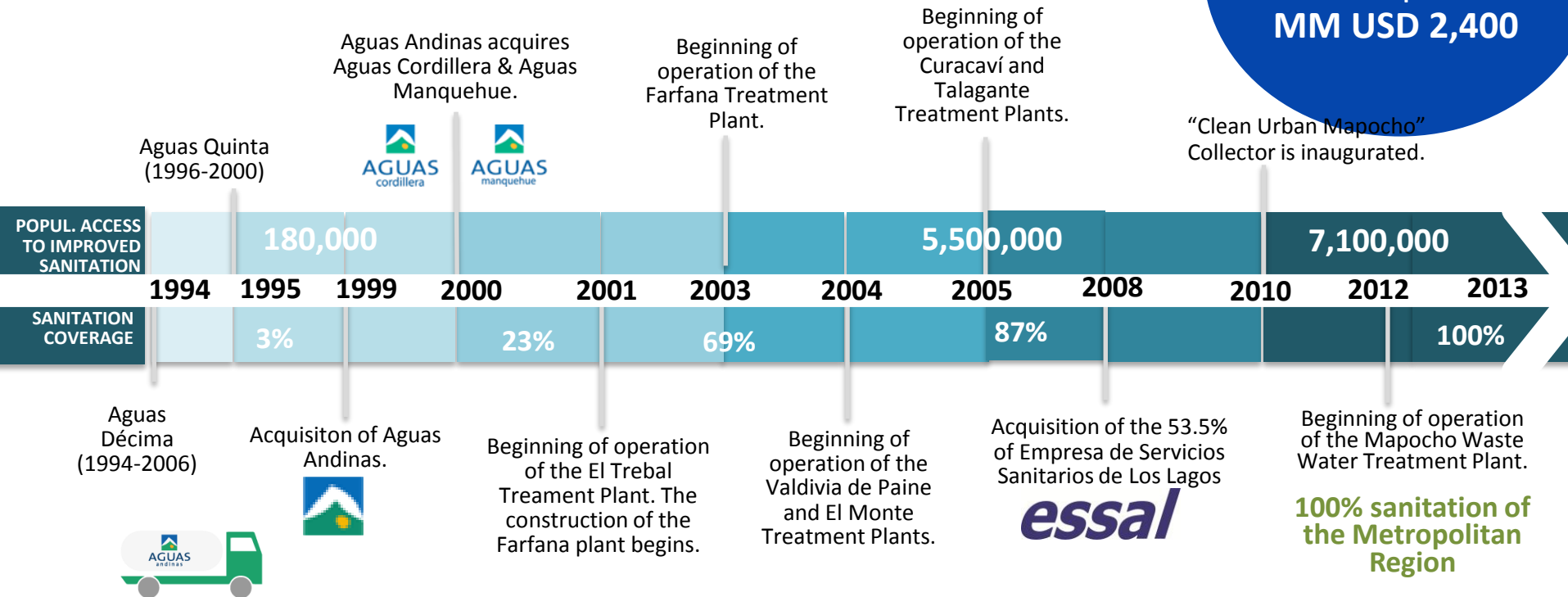


AGUAS ANDINAS' INVESTMENTS

Long-term commitment with the integrated water cycle in Chile



**Total investment
since acquisition
MM USD 2,400**



EFICIENCIA Y GARANTÍA DEL SERVICIO

Trabajo constante para continuar mejorando los estándares



Company's world class positioning in Health and Safety standards
"10 Rules that Save Lives"



INCREASE IN AUTONOMY of the potable water distribution system for 9 hours for when there is an emergency that does not allow for the production of water



Implementation of arsenic abatement treatments

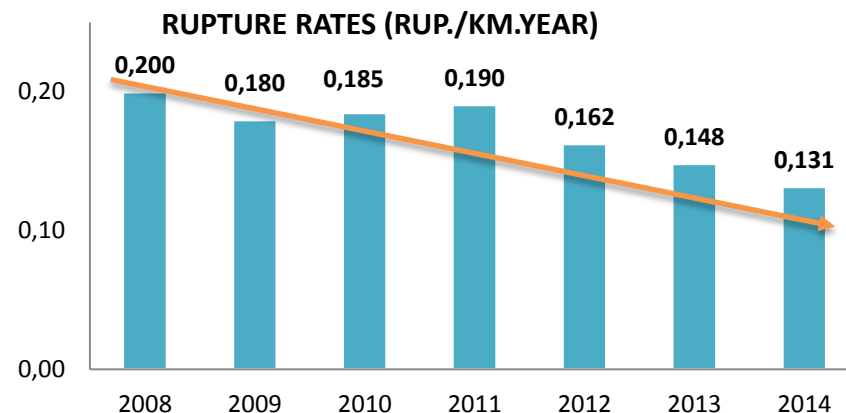


REDUCTION by ~35% of the annual ruptures/km rates in 6 years



VALUATION OF RESIDUES IN WASTEWATER TREATMENT PLANTS:

- Water suitable for all types of irrigation
- Bio-methane at the Farfana Plant
- Bio-solids
- Biodiesel (R&D)



AGUAS ANDINAS' SUSTAINABILITY

Sustainability efforts linked with the Company's stakeholders



Human Capital



Career development and training; equal opportunities; good labor conditions and communication; health and safety

Clients



Quality and continuity of supply; customer service, service channels and complaints management; transparency and accuracy in billing

Shareholders



Profitability; investment stability; risk management; transparent management

Neighboring Communities



Impact management; dialogue and relationships; local development opportunities

Suppliers & contractors



Transparent and equal conditions; timely payments; development opportunities

Authorities



Legal Compliance; collaborative relationships; contribution to local development



CHALLENGES

Honour the trust of our consumers



VOCATION FOR SERVICE & CLIENT FIRST ATTITUDE

Nearby, visible, and exceeding expectations



ENSURING CONTINUITY BY MANAGING NEW VARIABLES

Geographic and demographic growth of the city

Sustained annual increase over 2% in the number of clients in recent years



Investing in SAFETY & QUALITY OF SERVICE

Effects of climate change
Longer periods of drought, the occurrence of convective rainfall & the extreme turbidity of the Maipo River



Managing resources sustainably



TAKING CARE OF FRESHWATER SOURCES

Innovation and technology to protect freshwater sources and to monitor the glaciers in the Maipo River basin



Hydraulic Efficiency Plan to reduce losses and
Energy Efficiency Plan





PORQUE ENTREGAMOS

agua, 
vida  entregamos



AGUAS
andinas®