



AGUAS ANDINAS CORPORATE PRESENTATION

May 2018

AGUAS ANDINAS



Chile's largest water utility company



100% coverage in potable water and sewage treatment



2,249,314 clients
Representing 43% of the industry's clients

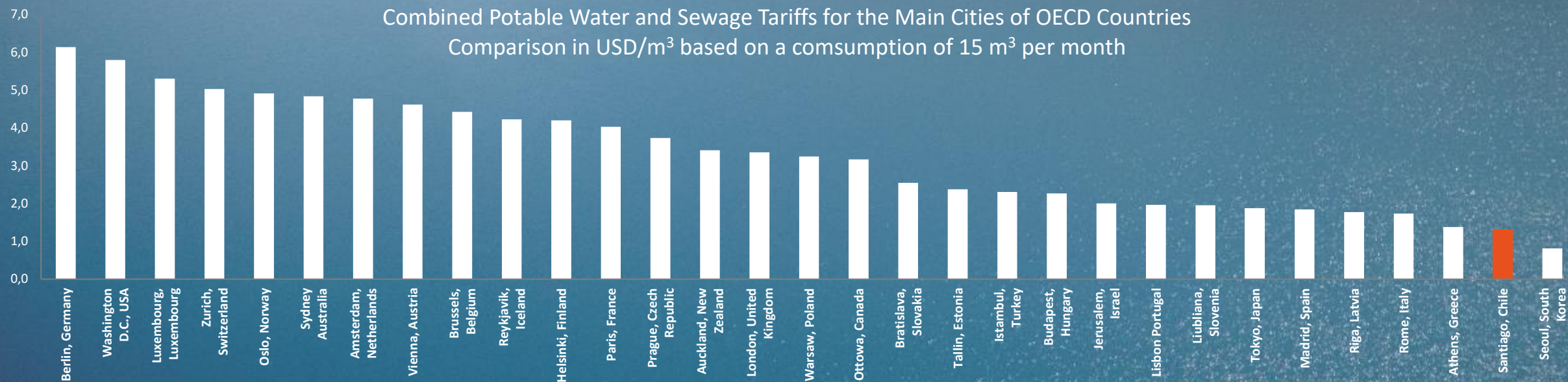


50% of the industry's potable water (m³) billing



One of the lowest tariffs in Chile and in OECD nations

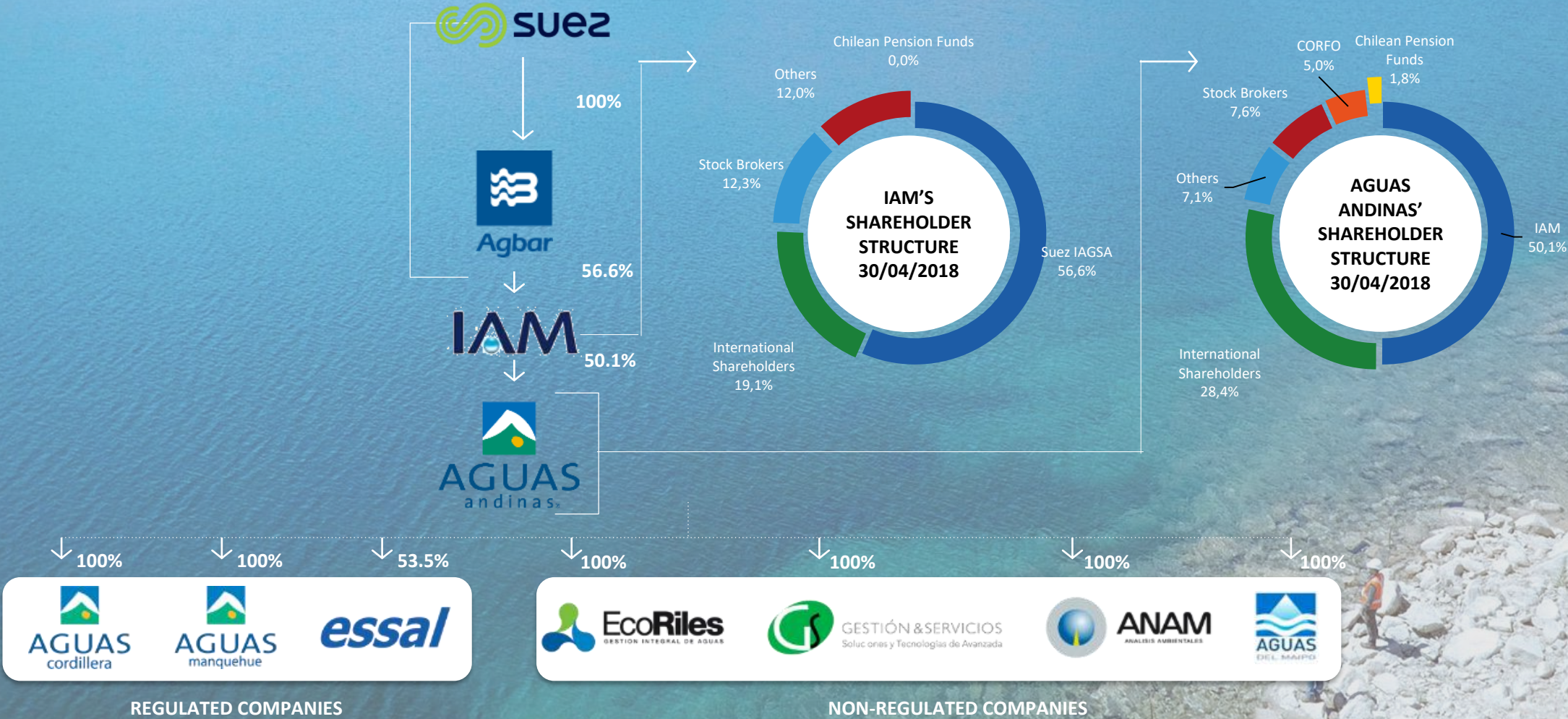
Combined Potable Water and Sewage Tariffs for the Main Cities of OECD Countries
Comparison in USD/m³ based on a consumption of 15 m³ per month



Note: In the cases of Australia, New Zealand and Switzerland, the cities considered are Sydney, Auckland and Zurich respectively.

Source: Global Water Intelligence Water Tariff Survey 2017, Suez, SISS 2016 Management Report

CORPORATE STRUCTURE



CONCESSION AREAS

METROPOLITAN REGION

In the Metropolitan Region, the concession area is located in the Santiago watershed, in the intermediate depression of central Chile, bordered on the north by the Chacabuco slope and to the south by Angostura de Paine.



LOS LAGOS AND LOS RÍOS REGIONS

In the south of the country, the concession area belonging to ESSAL includes 33 localities of the provinces of Valdivia and Ranco in the Region of Los Ríos; and Osorno, Llanquihue, Chiloé and Palena in the Los Lagos Region.



STRATEGY TO ACCOMPLISH OUR COMMITMENT



1. BUSINESS MODEL



2. RESILIENCE



3. DIGITALIZATION



4. CIRCULAR ECONOMY



5. SOCIAL LEGITIMACY



6. INNOVATION AND PEOPLE



7. WATER AND QUALITY OF LIFE



CHALLENGES

- **Transform** its sewage treatment plants into biofactories
- **Reuse** 100% of residues and transform them into energy for their production.
- **Drastically reduce** its carbon foot print and that of the country.
- Aguas Andinas and its subsidiaries are contributing to the country, through **15 of the 17 Sustainable Development Goals**.
- The SDGs were subscribed to by the **Chilean Government** as a guide in sustainable development matters.

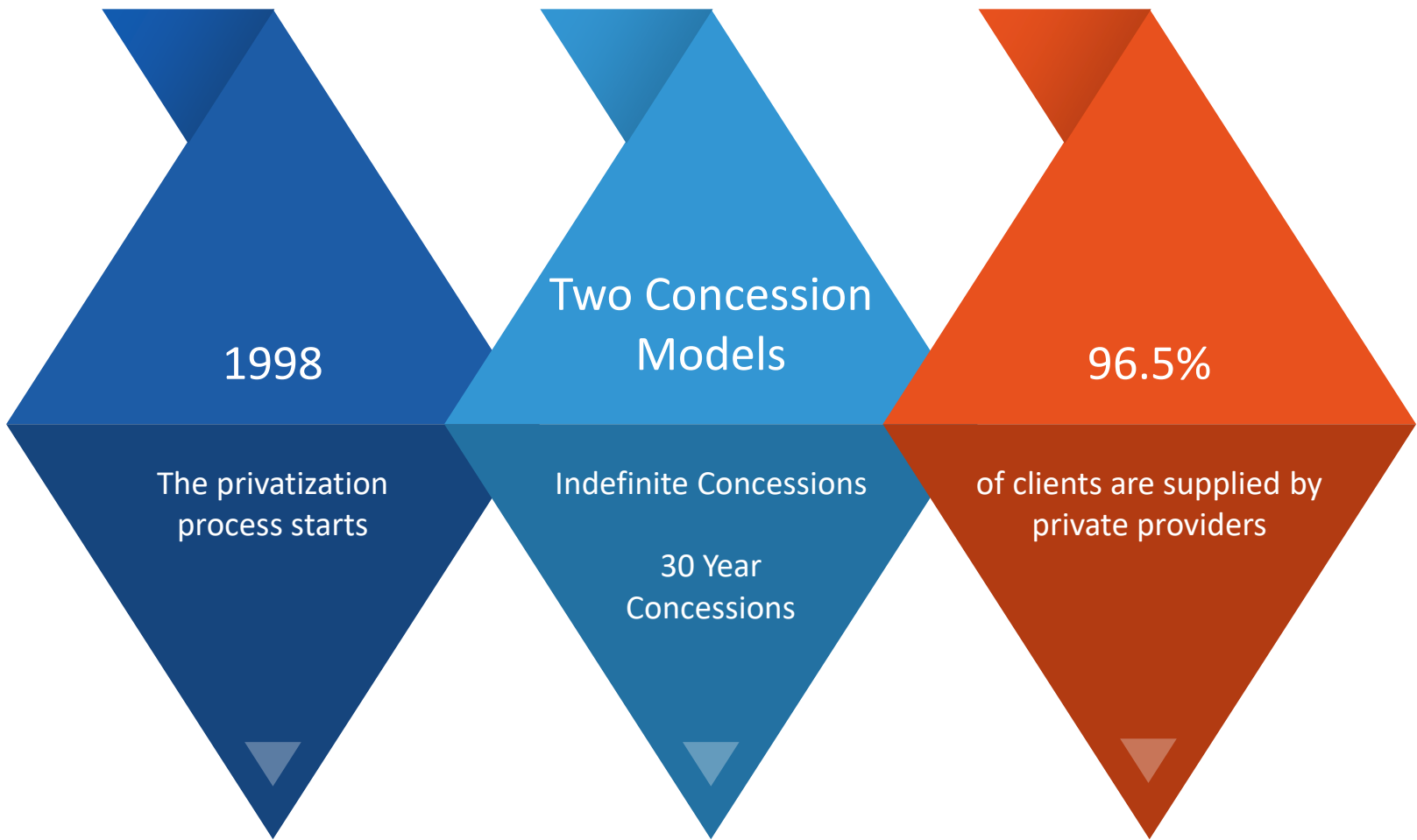
**Aguas Andinas' goal ins
to achieve zero
emissions**



REGULATORY FRAMEWORK

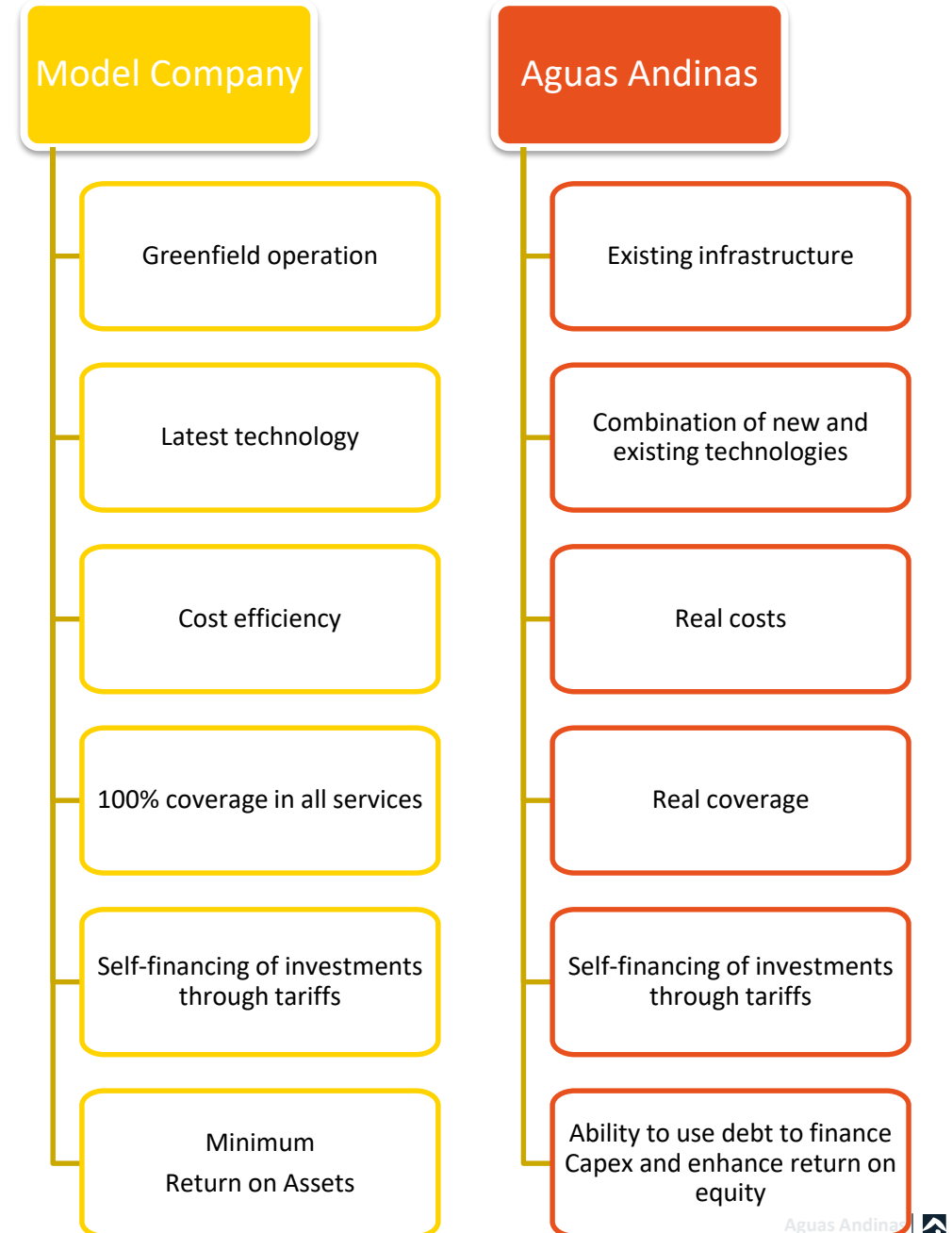


CHILEAN WATER UTILITY INDUSTRY

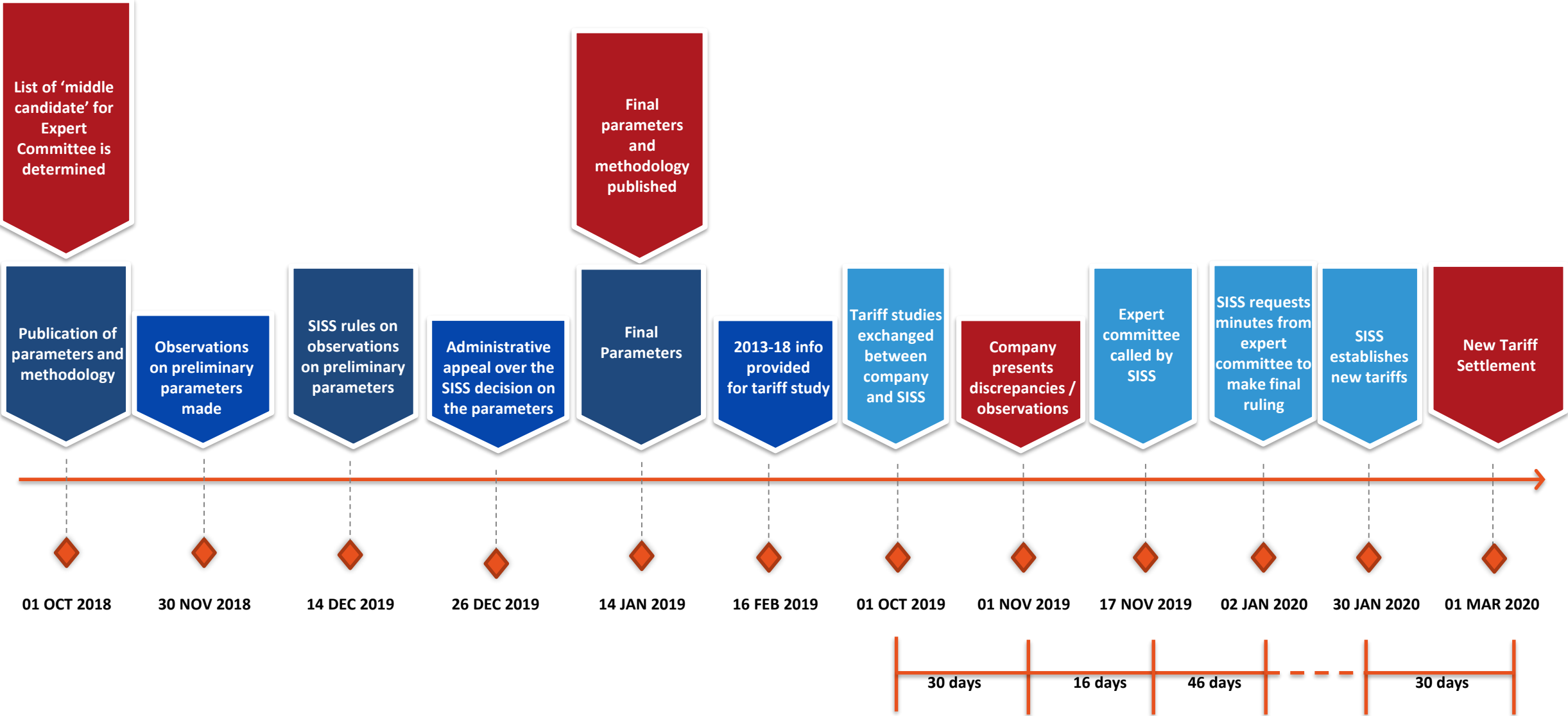


HIGHLY REGULATED INDUSTRY

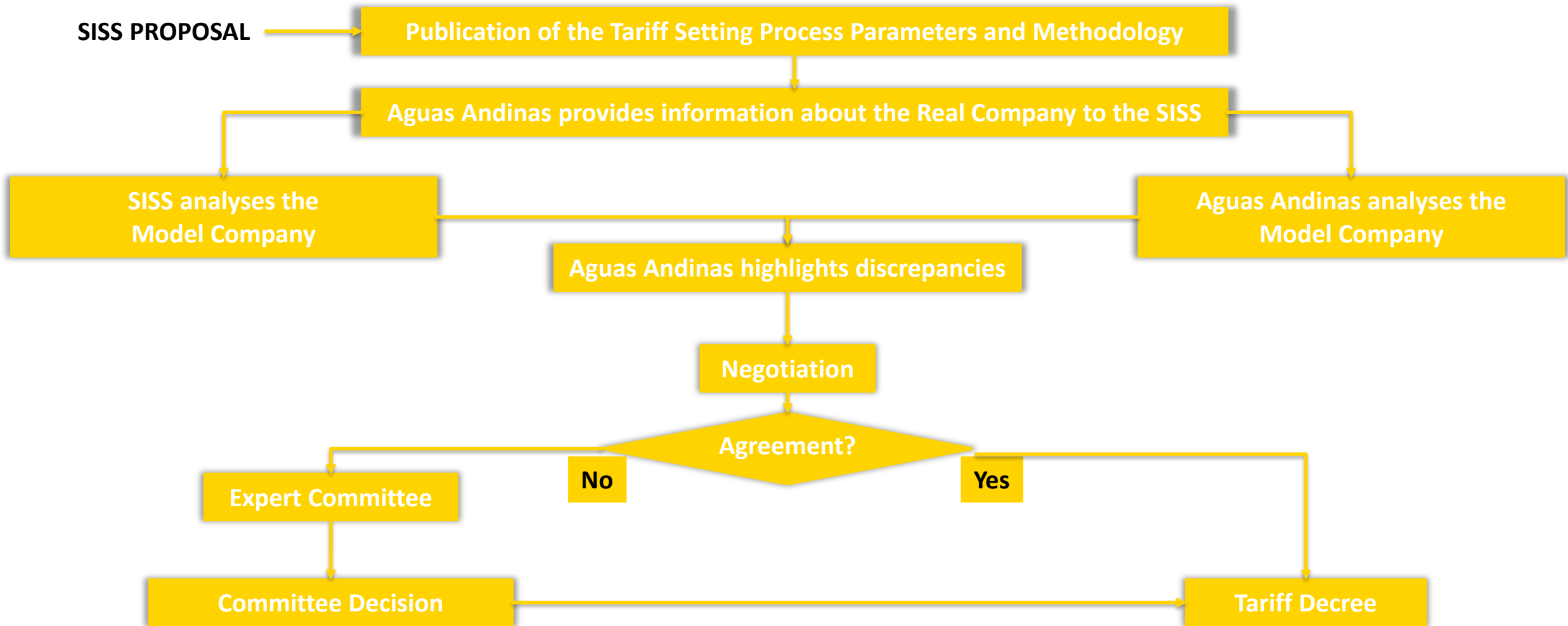
- Technical regulatory framework defined by law
- Superintendence of Sanitation Services (SISS) acts as the regulator counterpart in the tariff setting process, which lasts for 1 year approximately
- Tariffs are reset every five years, based on an unbiased and technical model:
 - Based on the long term 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



TARIFF PROCESS TIMELINE



STAGES OF THE TARIFF NEGOTIATION PROCESS



REGULATORY RISK: PROJECT OF LAW 10.795-33

- In December 2016, the Chamber of Deputies approved the Project of Law Bulletin N° 10795-33 which intends to modify the legislation which applies to public sanitation services in regards to:
 - non-regulated services,
 - the tariff-setting process and
 - the fulfillment of development plans by service providers.
- This initiative has been submitted to the Senate in its second legislative instance and is currently in the Commission of Public Works.
- Sessions of the Commission of Public Works:

January 4th 2017

Commission of Public Works requests constitutionality report from the Secretary General of the President (Segpres)

May 3rd 2017

Commission of Public Works receives the reports from the MOP and Segpres

March 1st 2017

Commission of Public Works requests formal report from the Ministry of Public Works (MOP) stating its opinión on the Project of Law

May 2018

The Commission of Public Works requests a formal report from the new Minister of Public Works

REGULATORY RISK: PROJECT OF LAW 10.795-33

Conclusions from the Constitutionality Report from the SEGPRES

- *“...In short, we are dealing with a bill that transgresses the rules on the formation of the law, the framework of which has been established by the Constitution and the National Congress, which should never have been dealt with in the Chamber of Deputies and which, given its current state of progress, warrants the rejection of the Senate, given its inadmissibility”*
- Three main reasons determining the unconstitutionality of the articles in the project of law:
 - The modifications included in December surpass the foundations of the initiative and are inadmissible
 - The executive branch of government is the only entity that can pass laws that affect the Government's budgets
 - The executive branch of government is the only entity that can pass laws that can determine the role of public entities

Conclusions from the MOP's Report 2017

- The Ministry of Public Works **does not sponsor**:
 - The elimination of the current cost of capital rate
 - The decrease of the risk premium
 - The change to the composition and functioning of the Committee of Experts.
- The Ministry of Public Works provides **improvement recommendations** on:
 - The calculations of the costs and variables included in the non-regulated businesses discount
 - The public participation aspect of tariff setting processes
 - The incorporation of territories to concession areas
 - The compensations provided to consumers due to water cuts
 - The elimination of the charge for cut and replenishing of service
 - Increasing the faculties of the SISS to require information
 - Modernizing the sanctions system

SERNAC STRENGTHENING LAW – BULLETIN Nº 9369-03

Largest Changes for the Water Utilities Sector

Fines

- The suspension, paralysis or non-provision without justification of the basic services of potable water and sewerage will be sanctioned with a fine of up to 1,500 UTM
- The Court may apply a fine for each consumer (up to 1,500 UTM).
- The multiplicity of fines will not proceed when the company has fully and effectively repaired the damage caused to all affected consumers. In this case, only a lump sum, no more than 30% of the sales during the suspension or double the economic benefit will be charged. With all, the fine may not exceed 45,000 UTA.

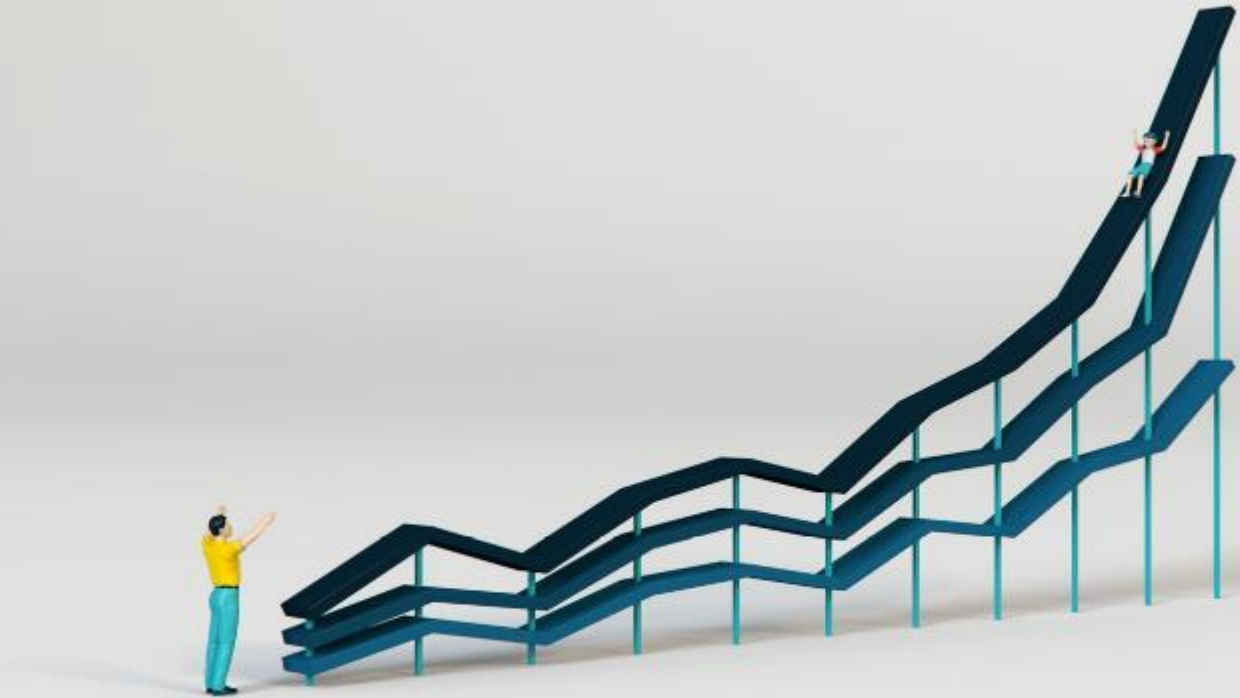
Minimum Compensation

- Direct and automatic compensation for each affected consumer/client
- For each water cut day = amount equivalent to the average daily value of the previous account x 10.
- 1 day water cut = 4 continuous hours or more within a period of 24 hours from the start of the event. In all other cases, proportionality applies.
- It only applies if the industry's specific law does not provide for compensation of this nature.

Moral Damage in Class Action Lawsuits

- Moral damage is incorporated in collective lawsuits
- The judge may establish a common minimum amount. Those consumers who do not agree may request the difference in a later trial.
- The common minimum amount may be proposed by the supplier, which may be differentiated by groups or subgroups of consumers.

INVESTMENTS



FOCUSING OUR INVESTMENTS ON OUR STRATEGIC PILLARS IN LINE WITH OUR 2017 – 2022 PLAN

1. BUSINESS MODEL

2. RESILIENCE

3. DIGITALIZATION

4. CIRCULAR ECONOMY

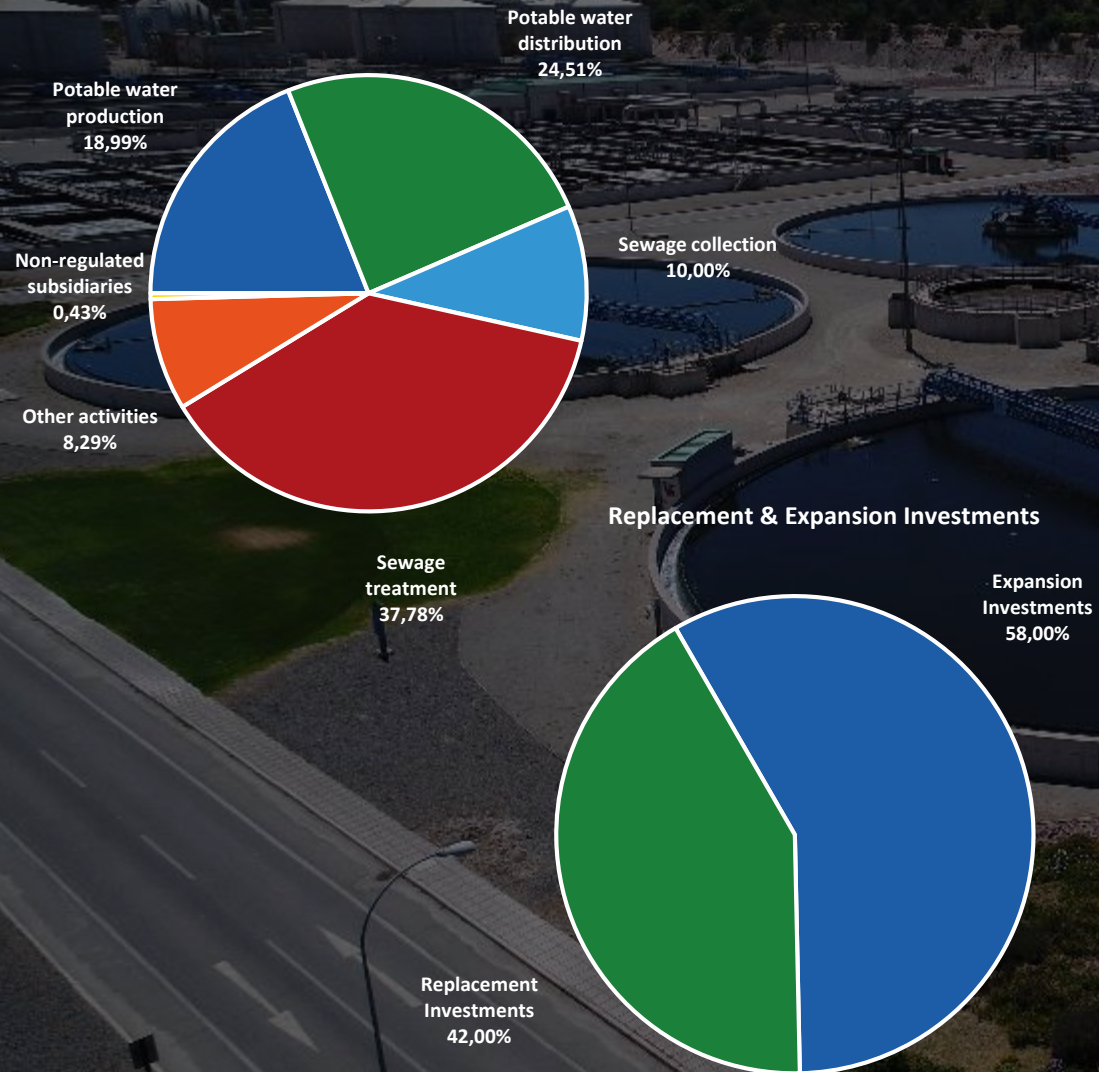
5. SOCIAL LEGITIMACY

6. INNOVATION AND PEOPLE

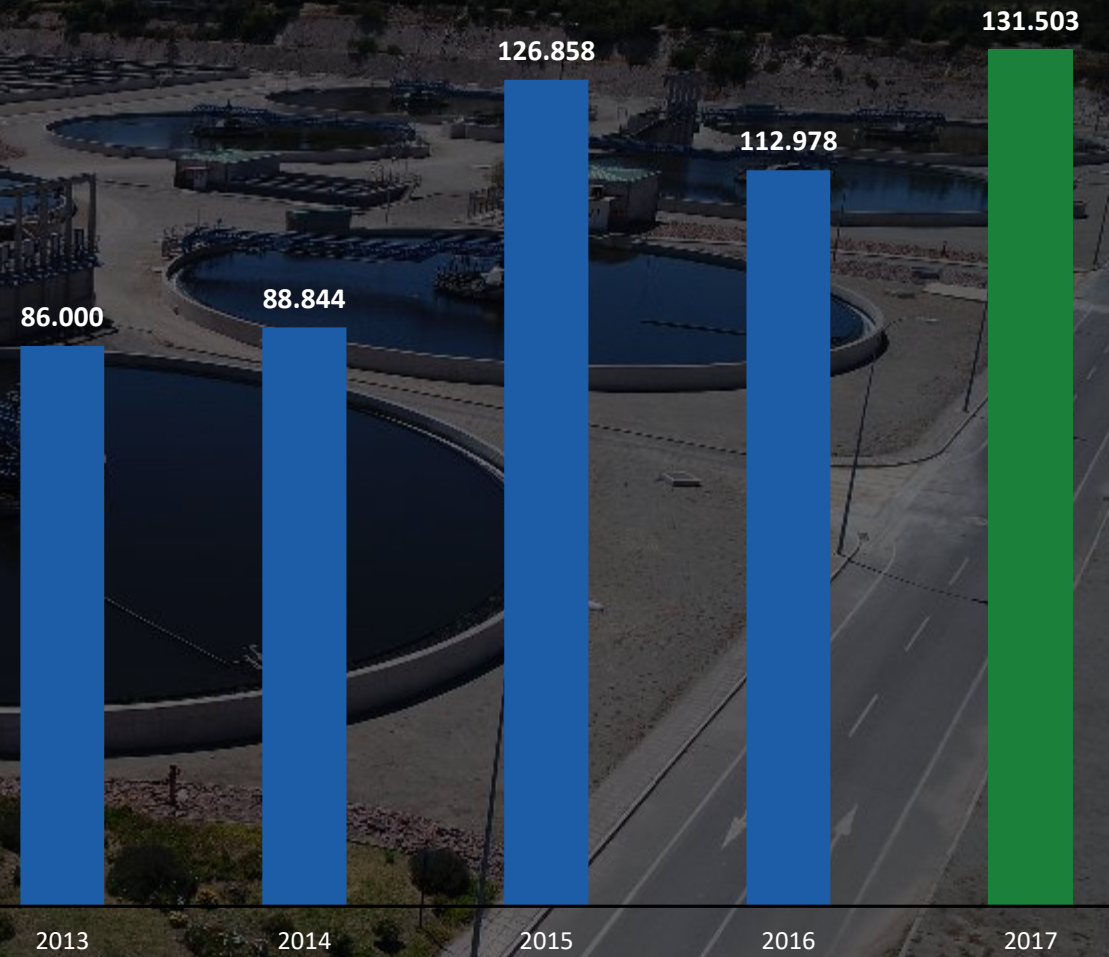
7. WATER AND QUALITY OF LIFE

2017 INVESTMENTS

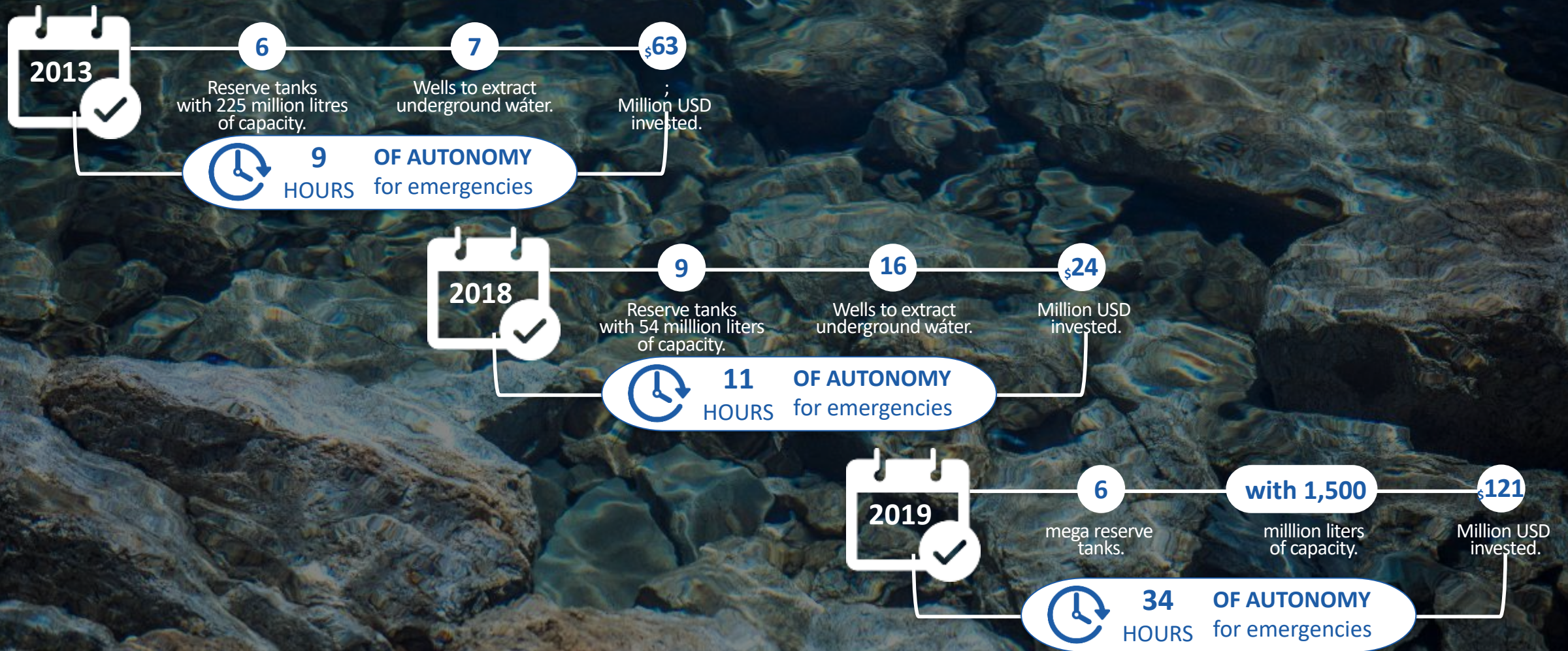
Investments by Stage of the Water Cycle



Historical Investments



SUPPLY CONTINUITY HAS BEEN A FOCUS FOR THE COMPANY



INVERSTMENTS TO ENSURE THE SUSTAINABILITY OF URBAN GROWTH

Upgrade of the Las Vizcachas Complex

Expansion, rehabilitation, modernization and improvement of the Vizcachas Complex (Vizcachas Plant, Vizcachitas and Antonio Tagle).

- Renovation and rehabilitation of the filters of the Vizcachas Plant.
- Total investment in the Upgrade plan: \$63 billion pesos.

Improving the Quality of Water

Commissioning of the San Antonio Arsenic Abatement Plant:

- Allows the use of groundwater from underground aquifers.
- Operational since April 2017.
- Investment of \$6.7 billion pesos.

Capacity increase of the Arsenic Abatement Plant in Quilicura:

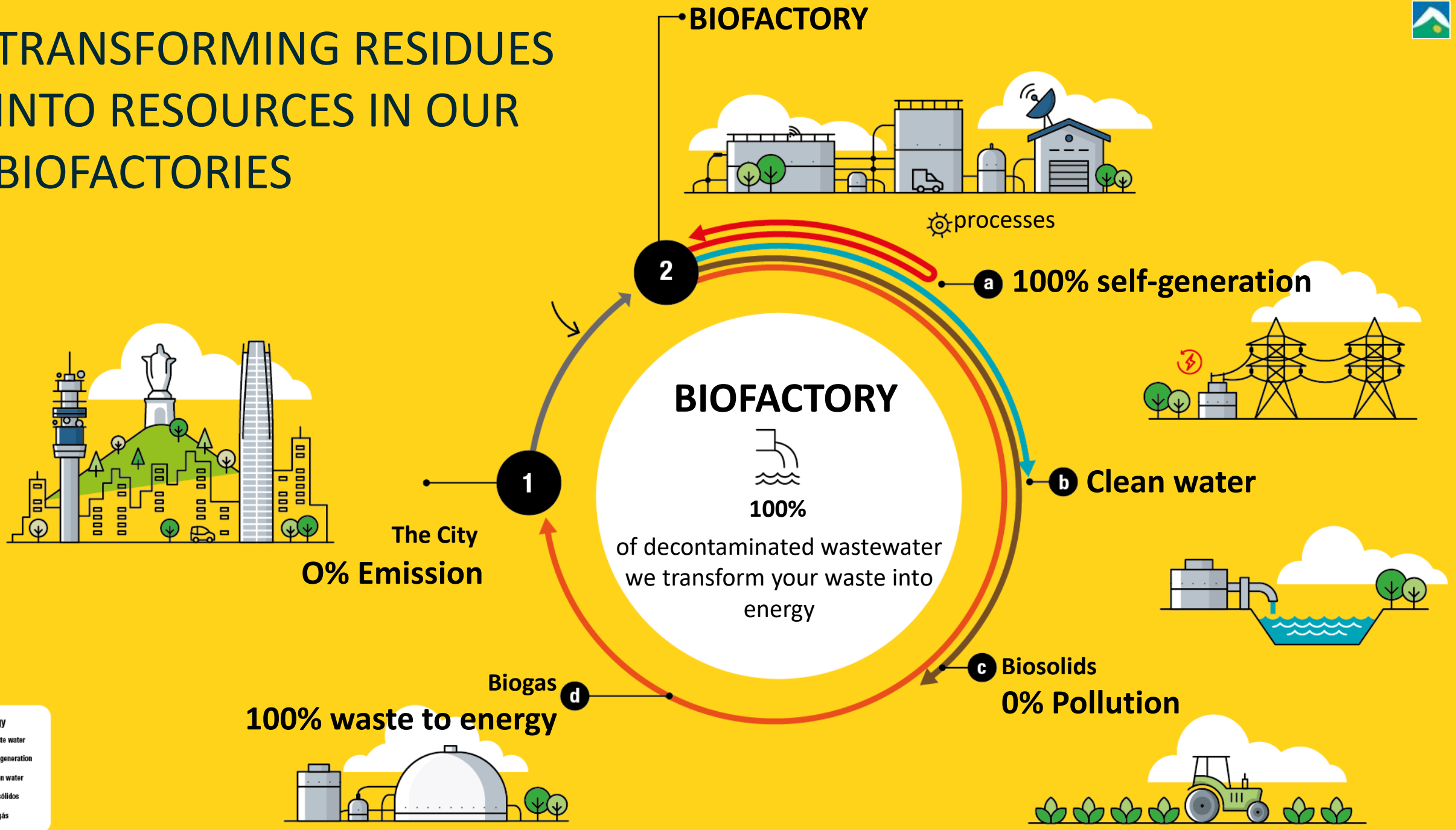
- Increase its flow rate from 100 l/s to 250 l/s.
- The first stage was completed at the end of 2017.
- Investment of \$1.7 billion pesos

New Chamisero potable water production plant

It will respond to the demand of the growing population in the Chamisero and Chicureo areas.

- In the final phase of construction.
- Operation: from May 2018.
- Investment of \$14.9 billion pesos.

TRANSFORMING RESIDUES INTO RESOURCES IN OUR BIOFACTORIES

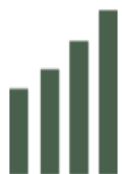


FINANCIAL PERFORMANCE



FINANCIAL PERFORMANCE AS OF DECEMBER 31 2017

Numbers in millions of Pesos

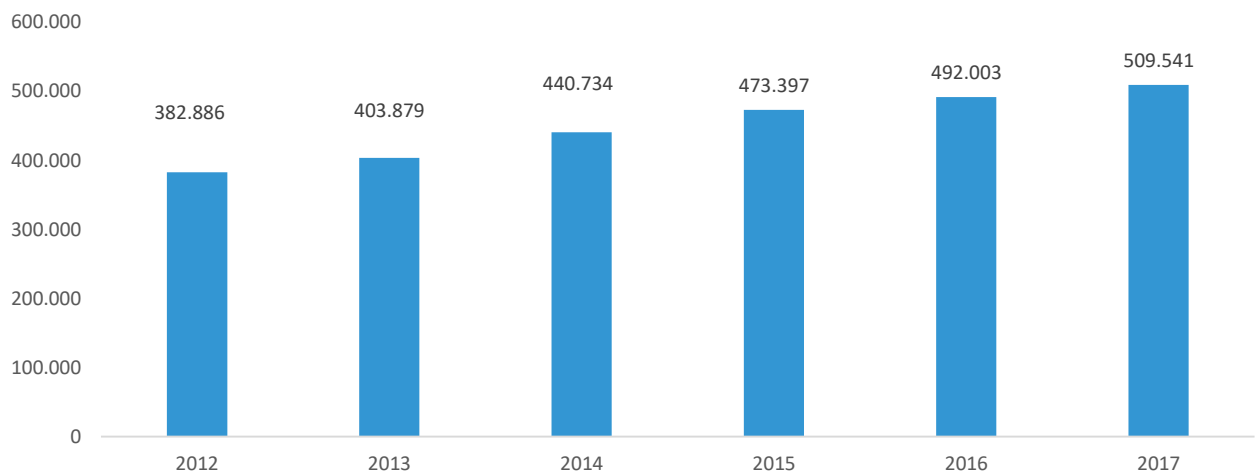


Revenue CAGR of 5.9% and EBITDA CAGR of 4.3% over the 2012 – 2017 period.

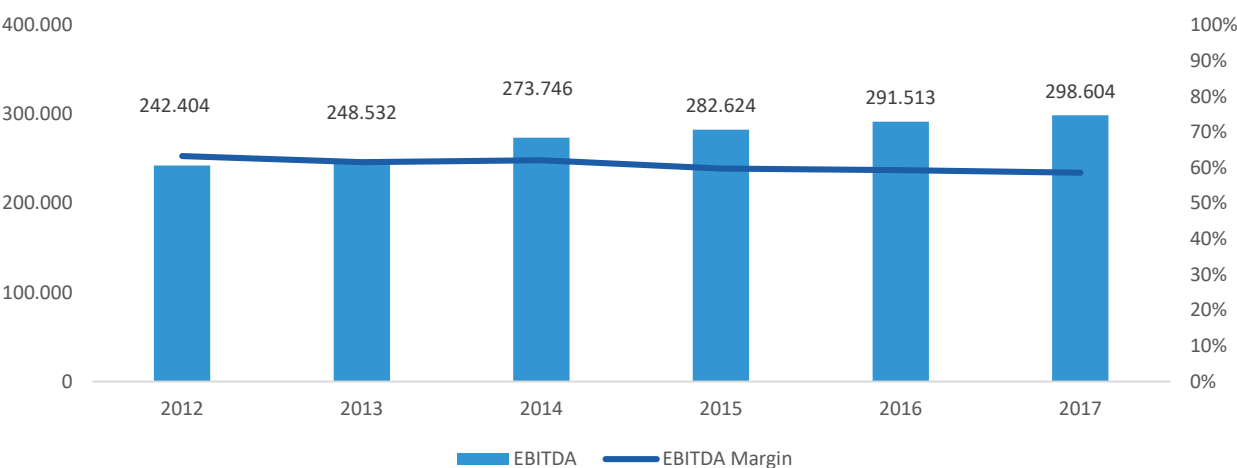


2016 – 2017 Growth: +3.5% revenues and +2.4% EBITDA

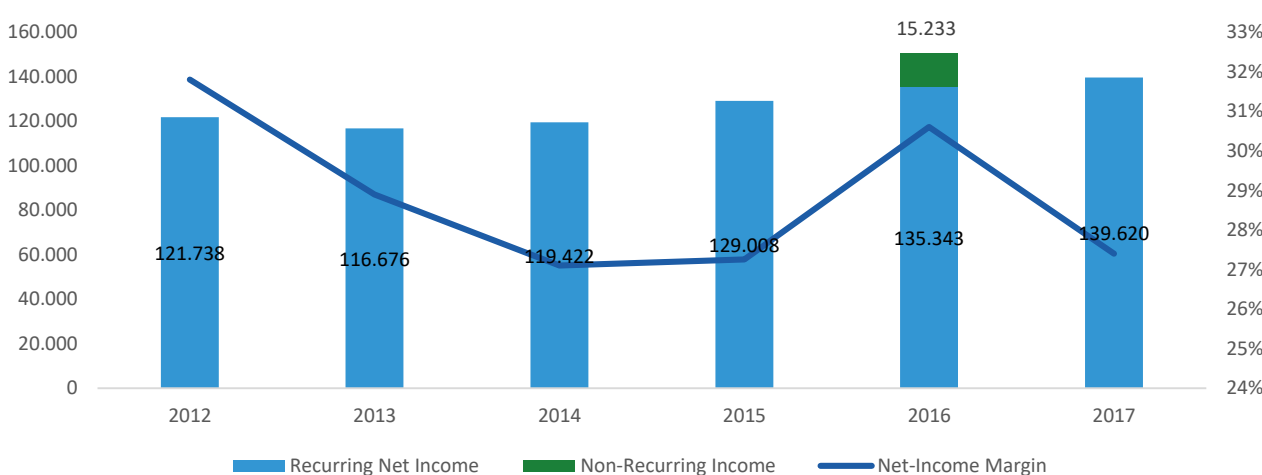
Revenues



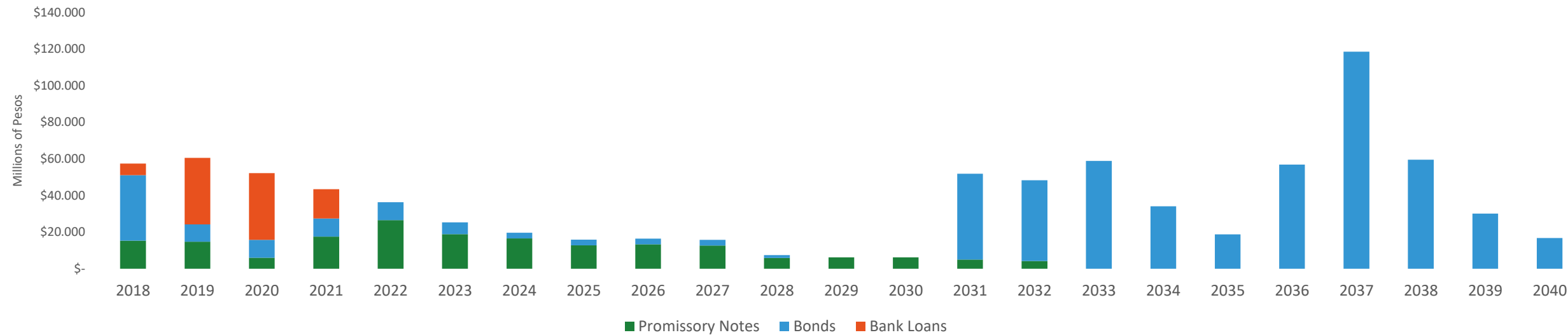
EBITDA & EBITDA Margin



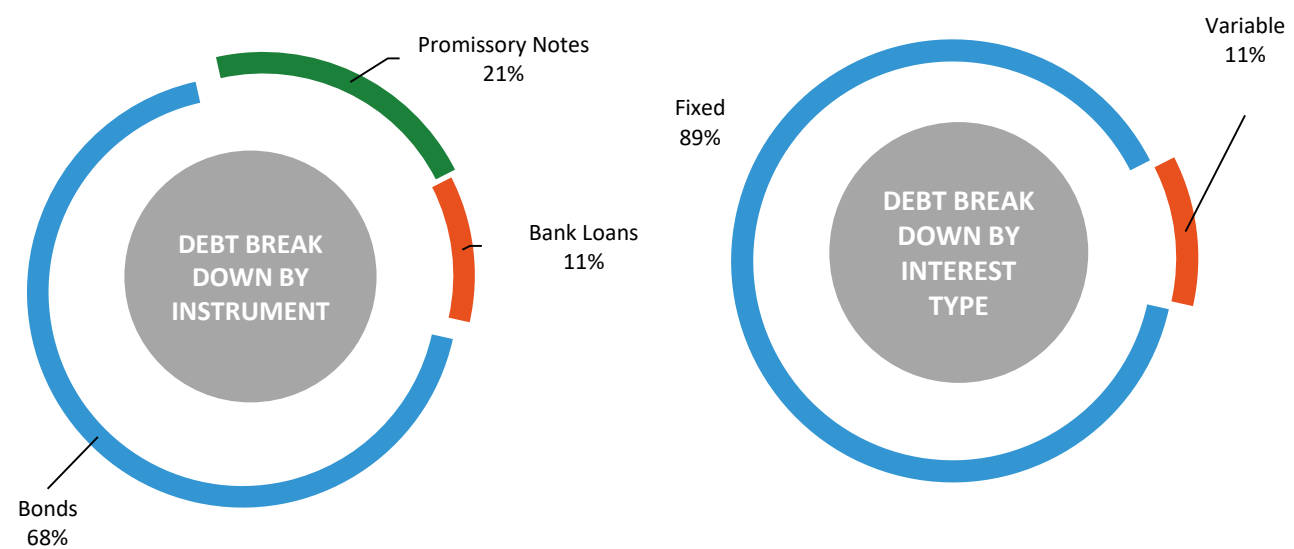
Net Income & Net Income Margin



DEBT STRUCTURE AS OF DECEMBER 31 2017



- Leverage: **1.59x** Limite: **1.93**
- Coverage of Financial Expenses : **7.10x**
- Local Credit Rating : **AA+**
- Total Net Financial Debt : **\$MM 847,215**
- Net Debt / EBITDA* Ratio : **2.84x**



AGUAS ANDINAS INVESTOR RELATIONS CONTACT DETAILS

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**The future is
built, starting
today.**