



AGUAS ANDINAS

Results Meeting

September 14 2018

AGENDA

- 💧 Financial Performance
- 💧 Investments
- 💧 Tariffs
- 💧 Contingencies
- 💧 Q&A

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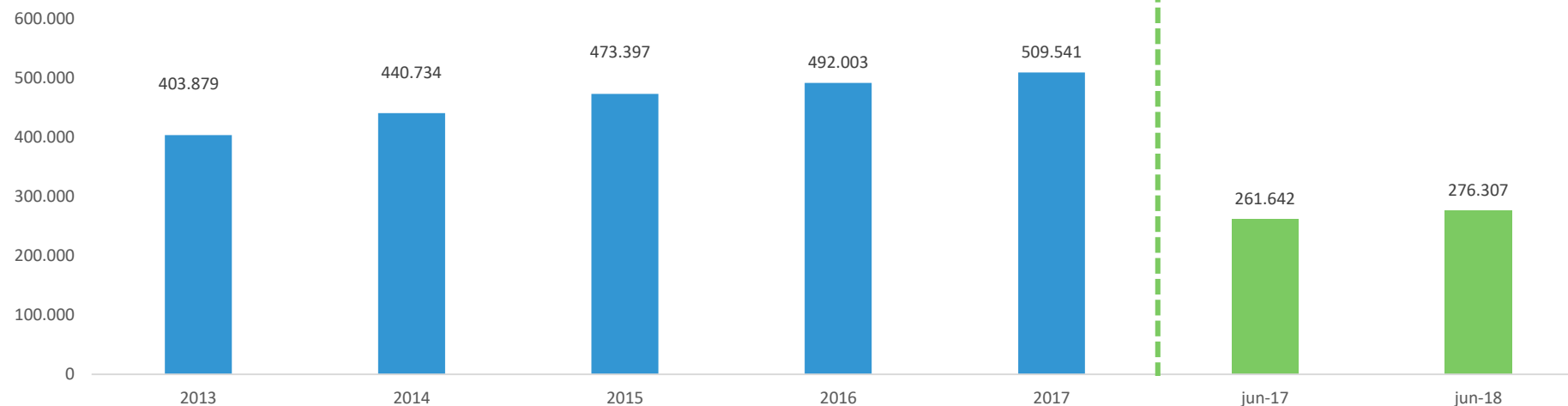
FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE AS OF JUNE 30 2018

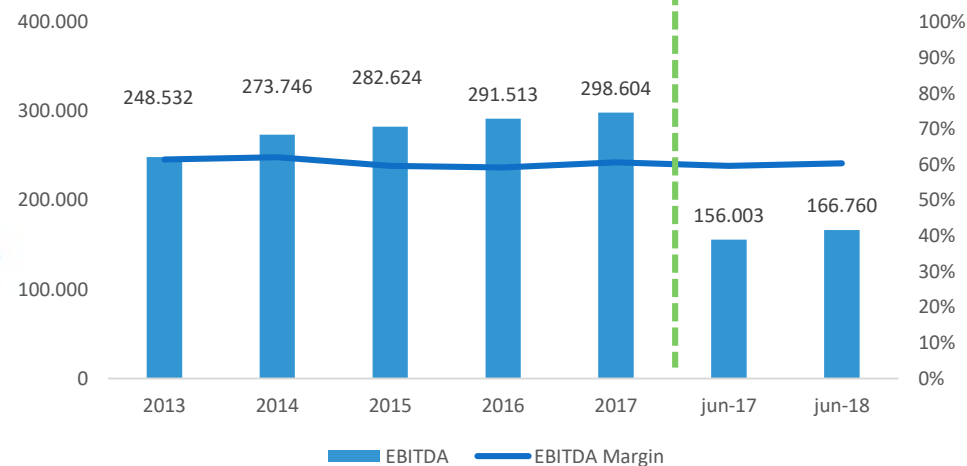
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Numbers in Millions of Pesos

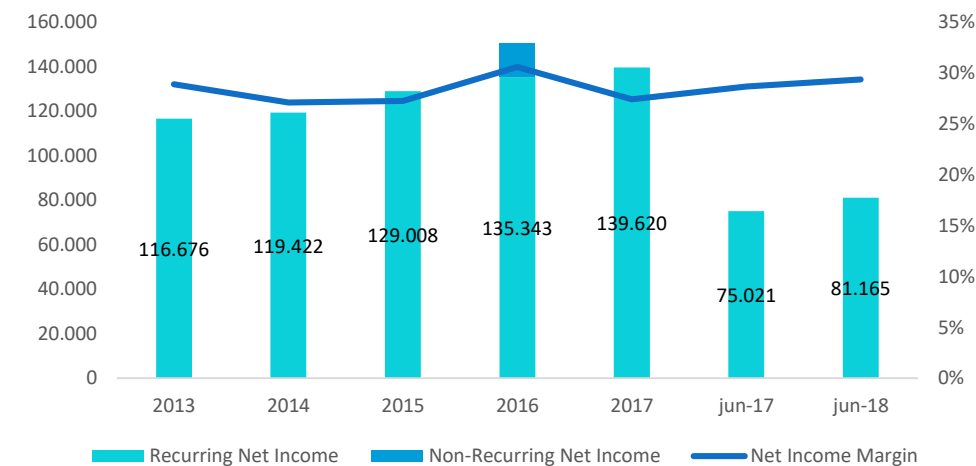
Revenues



EBITDA & EBITDA Margin



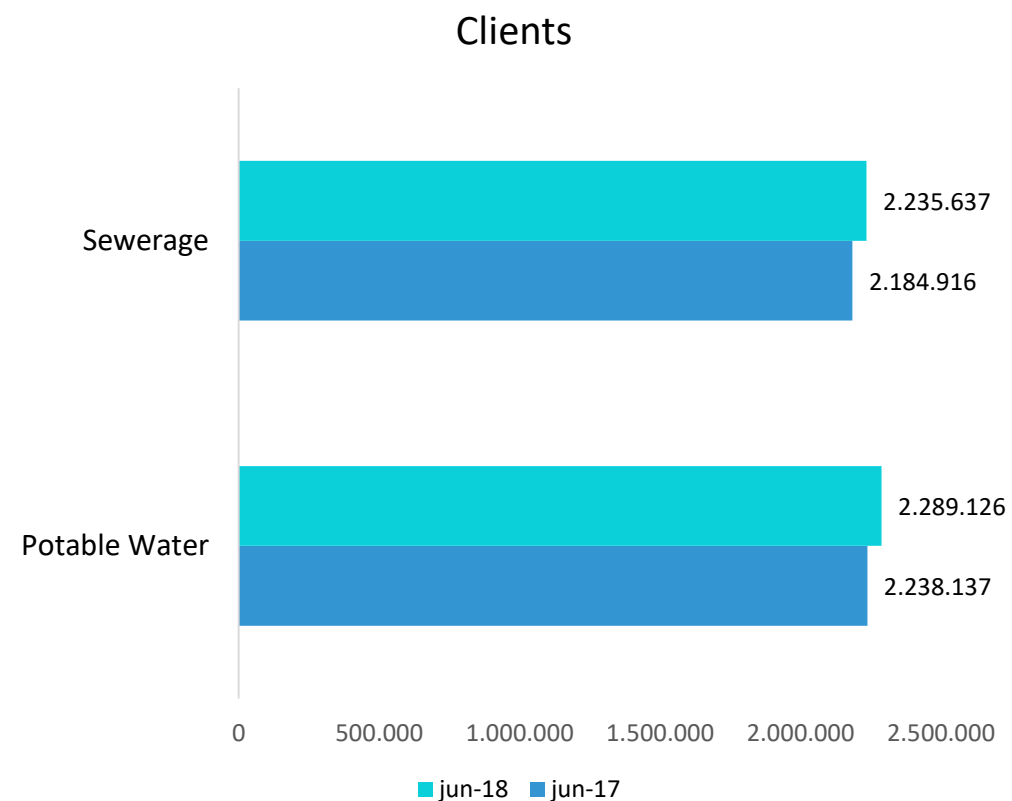
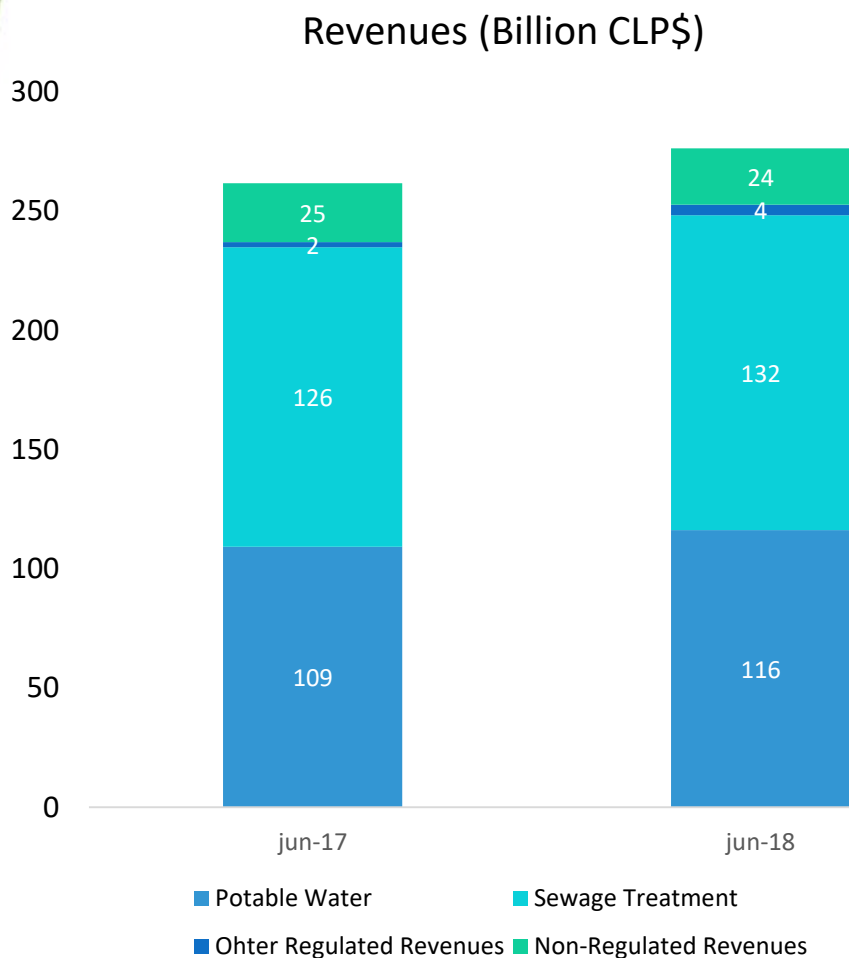
Net Income and Net Income Margin



REVENUES INCREASED BY 5.6%

💧 The Company's revenues increased to CLP\$276 billion due to:

- 💧 Increased sales volumes, registering an increase of 3.4% in Potable Water and 2.9% in Sewage Treatment.
- 💧 Tariff indexations registered during 2017 and 2018.



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COSTS INCREASED BY 3.7%

Raw Materials and Consumables Used increased due to:

- An increase in electricity costs for CLP \$1.7 billion, due to more consumption associated with sales volume and increased tariffs.
- Higher costs of CLP \$744 million for the purchasing of raw water in order to supply the potable water plants.

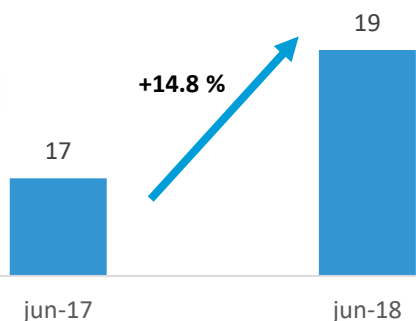
Personnel Expenses increased due to:

- Increased remunerations and bonuses associated to increases in CPI, in addition to an increased workforce and extraordinary benefits for personnel due to the collective negotiation process for CLP \$1.6 billion.

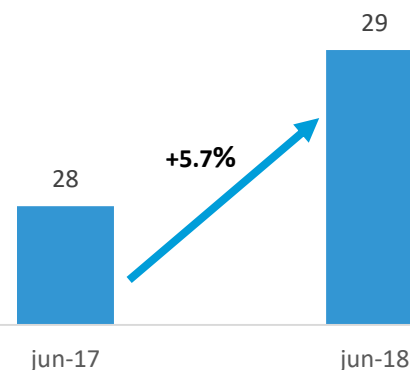
Other Expenses, By Nature decreased due to:

- Lower sludge management costs in the Biofactories for CLP \$289 million.
- Lower allocation for doubtful accounts for CLP\$2.5 billion due to greater efforts in collection management.

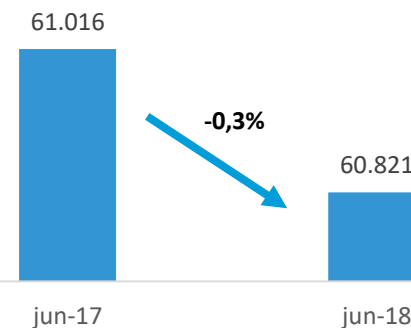
Raw Materials and Consumables Used
(BN CLP\$)



Personnel Expenses (BN CLP\$)



Other Expenses, By Nature (BN CLP\$)





OTHER HIGHLIGHTED RESULTS

- Other revenues were obtained for CLP \$2.6 billion, CLP \$914 million higher than obtained for the same half of 2017, due to higher sales of expendable lands located in different municipalities of the Metropolitan Region for CLP \$3.5 billion, partially offset by organizational restructuring costs for 2018 for CLP \$2.3 billion.
- Financial income displayed a loss of CLP \$22.1 billion, higher by CLP \$1.4 billion than that of the previous year, mainly as a result of a higher revaluation of the debt in Unidades de Fomento (Indexation Units).
- In order to finance the Company's investment plan and the refinance its liabilities, two bonds were issued in April of this year with the following characteristics:
 - "Green and Social Bond" AC series of UF 1.5 million, structured to a 7-year term at a 1.8% rate.
 - Series AD Bond of UF 2.0 million, structured to a 25-year term at a 2.83% rate.
- Income tax expense at the end of the first half of 2018 was CLP \$27.3 billion, CLP \$3.1 billion higher than obtained for the same half of the previous year. This variation was mainly explained by the change in the tax rate from 25.5% to 27.0% due to the Tax Reform, added to a higher before taxes result of CLP \$8.7 billion.
- Net income as of June 30, 2018 amounted to CLP \$81.2 billion, CLP \$6.1 billion (8.2%) higher than obtained in the first half of the previous year.



GREEN AND SOCIAL BOND

ISSUANCE CHARACTERISTICS

Risk Classification	AA+ / (Fitch / ICR
Modality	Best Efforts
Currency / Reajustability	Inflation-linked
Term	7 years
Grace Period	3 years
Coupon Rate	1.80%
Start Date	15-03-2018
Maturity Date	15-03-2025

Results

Placement Time: 8 seconds

Total Demand: 3.6 times

Placement Rate: Inflation + 1.8%.

Spread: 53 bps

Purchasers: mainly mutual funds, Chilean pension funds, and insurance companies.

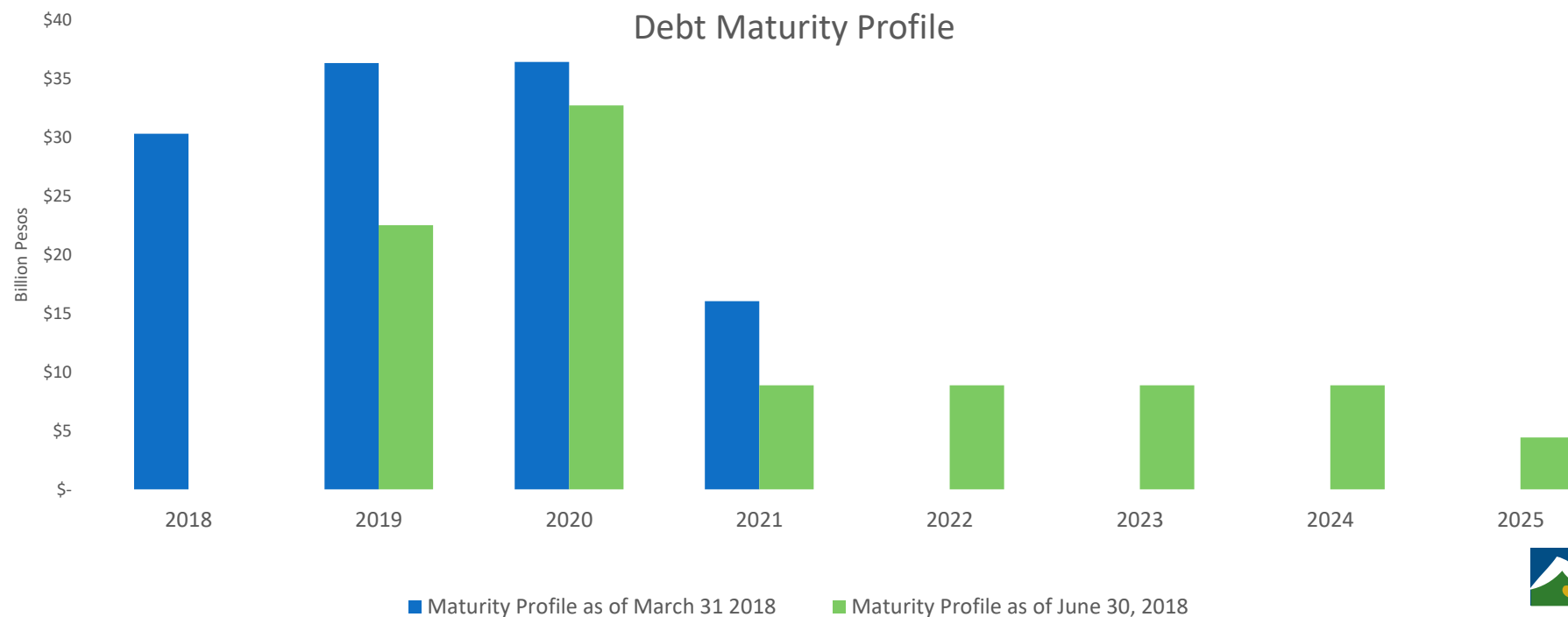
Lowest spread of any corporate bond issued in Chile in the past 4 years.

Second lowest all-in rate for a 7 year bond in the past 4 years.



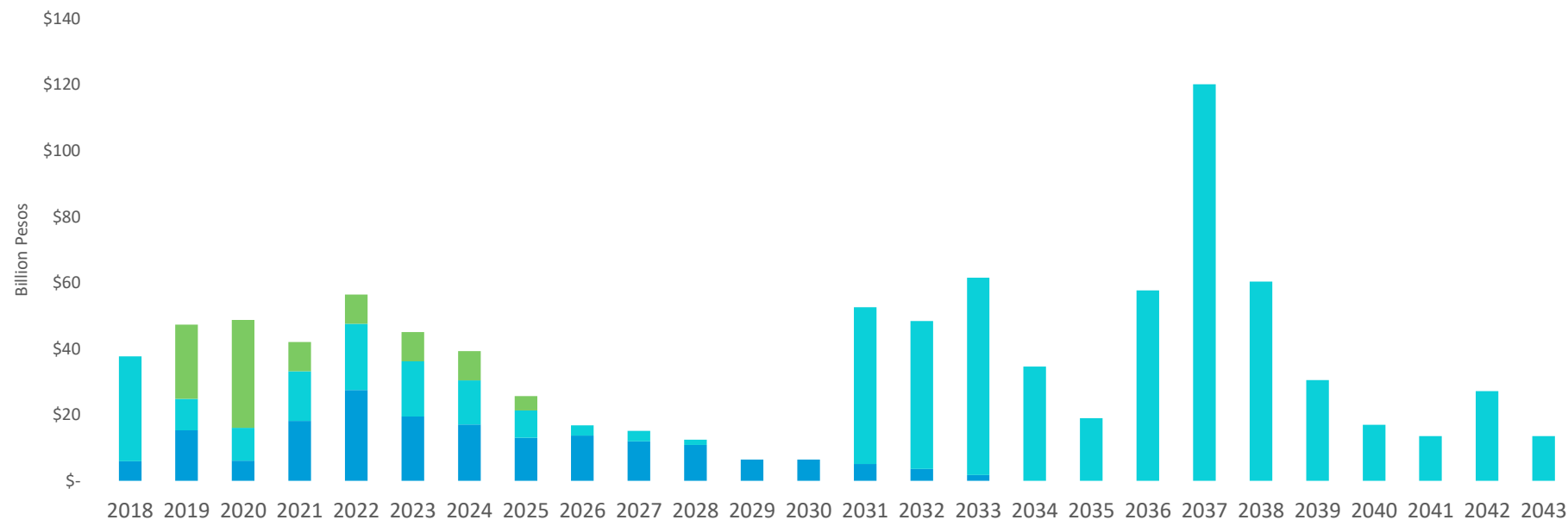
BANK DEBT RENEGOTIATION

- During the second quarter, some of the existing loans were repaid and others were refinanced to give the company's debt maturity profile greater leeway.
- Part of the funds raised through the Green and Social Bond were used to pay bank loans for CLP \$24 billion. This loan was used to finance projects related to the access to potable water, resilient investments and sewage treatment.
- Additionally, loans were refinanced for CLP \$ 44.25 billion, delaying the postponing the maturity of some loans that matured in the short and medium term.



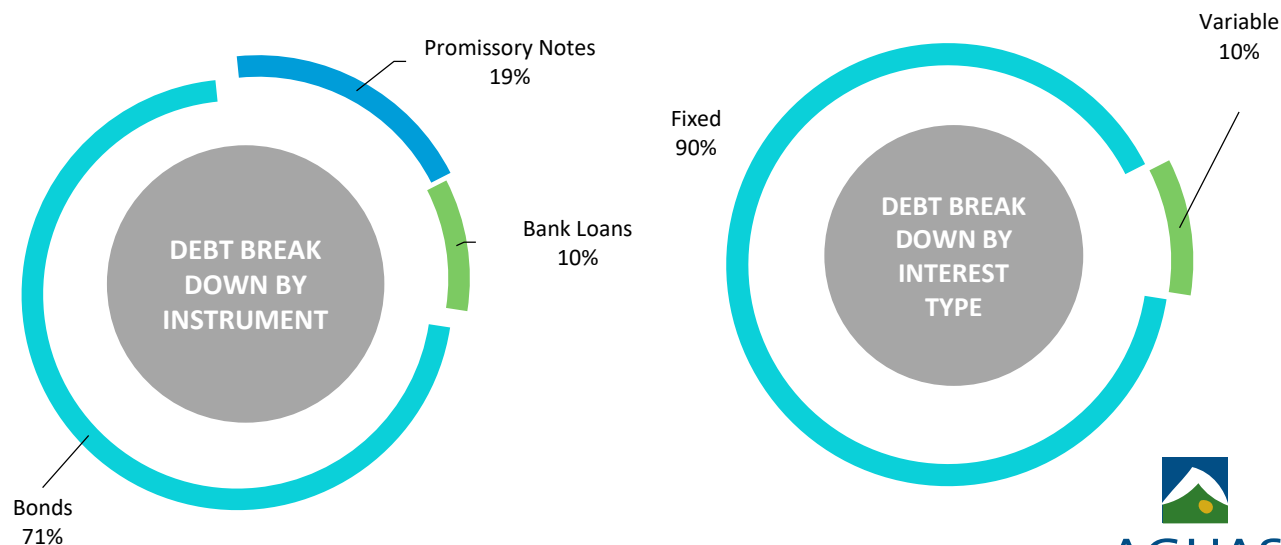
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DEBT STRUCTURE AS OF JUNE 30, 2018



- Leverage: **1.70x** Limit: **1.96**
- Financial Expense Coverage: **7.49x**
- Local Credit Rating: **AA+**
- Total Net Financial Debt: **CLP\$ 925 billion**
- Net Debt/EBITDA Ratio*: **2,99x**

■ Promissory Notes ■ Bonds ■ Bank Loans



Source: Aguas Andinas, (*) EBITDA last 12 months

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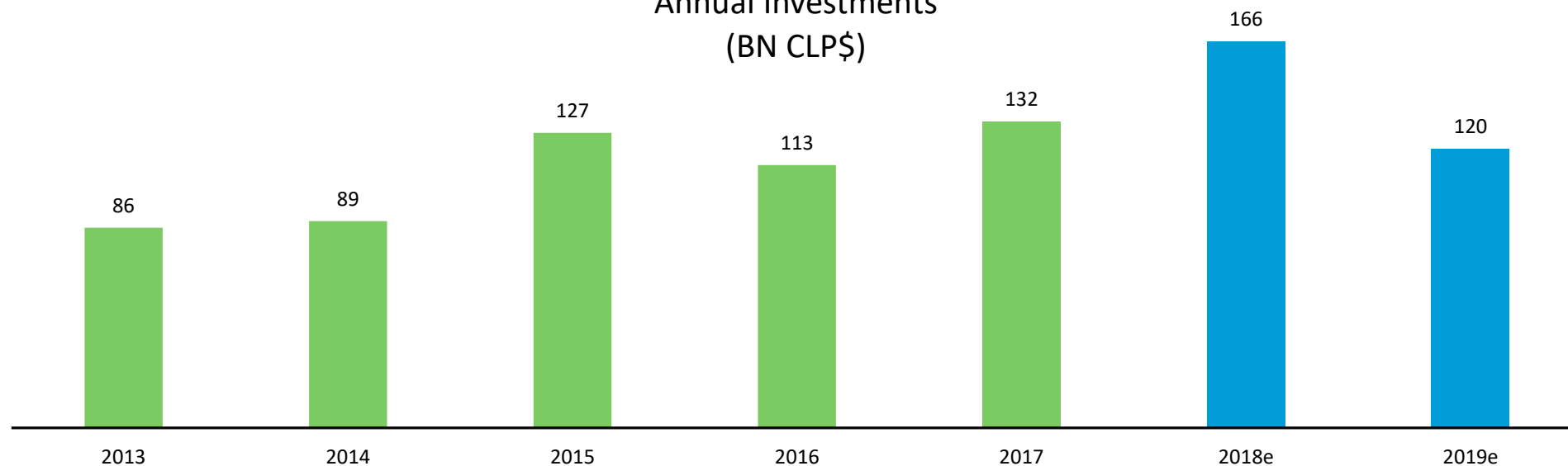
INVESTMENTS

INVESTMENTS

Investments (CLP BN\$) as of June 2018

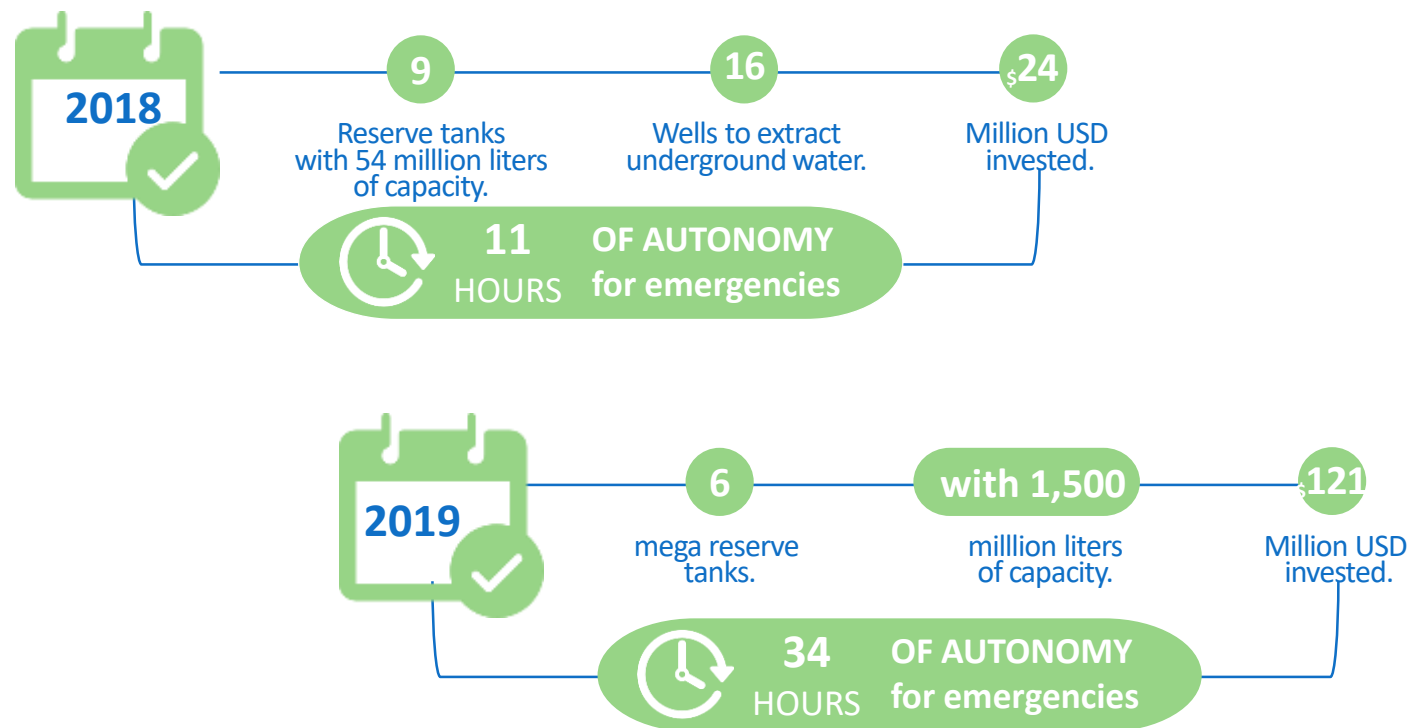
Pirque Tank Construction	9.4
Asset Replacement in the La Farfana-Trebal Wastewater Treatment Plants	4.1
Sewerage Networks Renovation	3.6
Construction of Emergency Works for Turbidity Events	2.5
Replacement of Starters and Meters	2.4
Talagante Wastewater Treatment Plant Expansion	2.3
Potable Water Network Preventive Renovation	2.3
Construction of a Potable Water Treatment Plant for Chamisero	2.1

Annual Investments (BN CLP\$)



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PROGRESS IN INCREASED AUTONOMY WORKS



💧 Stage 1 Progress: 37.6%

- 💧 Construction Civil Works, Supply of Equipment, Assembly and Commissioning, Elevation and Emptying Works— Reserve Tanks



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PROGRESS IN NITROGEN TREATMENT WORKS

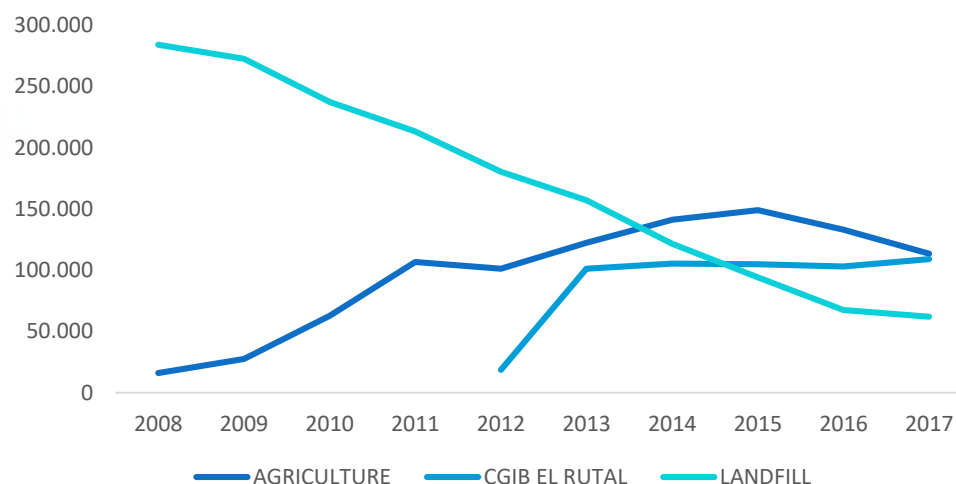
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- 💧 **ANAMMOX Process (anaerobic ammonium oxidation):**
 - 💧 Conversion of 50% of ammonium to nitrite in a first stage
 - 💧 In the second stage, autotrophic denitrification takes place, in which the bacteria convert 50% of the remaining ammonium and the nitrite produced directly into nitrogen gas, under anaerobic conditions and without consuming organic matter.
- 💧 **Beneficios of the ANAMMOX Process:**
 - 💧 Reduction of energy consumption
 - 💧 Reduction of the amount of biomass generated from the process.
- 💧 **Characteristics of the being conducted in the La Farfana Biofactory:**
 - 💧 Treatment flow: 320 m³/h
 - 💧 Ammonia removal percentage: over 90%.
- 💧 **Works progres:**
 - 💧 Physical Progress of Civil Works: 35%
 - 💧 General Progress of the Project: 30%
- 💧 **Execution time:**
 - 💧 27 months. Includes Detail Engineering, Construction of Civil Works, Assembly of Equipment, Testing and Commissioning.
- 💧 **Estimated Completion Date:**
 - 💧 October 2019.

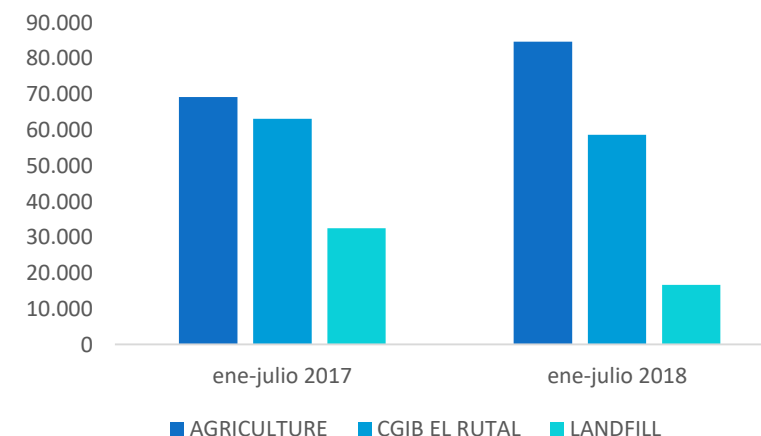
PROGRESS IN CIRCULAR ECONOMY

- 💧 **2022 Goal:** 0% of biosolids produced in the Metropolitan Region to be sent to landfills
- 💧 From January to July 2018, 10% of biosolids went to landfills in comparison to 20% the previous year.
- 💧 During this period, the use of sludge as fertilizer increased to 53% in comparison to 42% the previous year.
 - 💧 This is mainly due to:
 - 💧 Improvements in transport management, allowing for more trips to agricultural fields
 - 💧 Improvements in the application of biosolids in fields
 - 💧 Improvements in the management of available fields

Biofactory Biosolids Disposal
(Ton, Year)



Biofactory Biosolids Disposal
(Ton, Jan-Jul)



PROGRESS IN DIGITALIZATION

- On August 2nd, Aguas Andinas' network started to become digitalized.
- The first stage consists on the instalation of pressure and flow sensors which allow for the measurement and control of 268 kilometers of network in a sector of Santiago Centro.
- This has been done in order to improve the quality of service and avoid water losses in the distribution network. This digitalization will allow us to monitor and anticipate emergency situations that can generate an impact on the customer and the normal functioning of the city.
- This will allow permanent monitoring in real time from the company's Operational Control Center.



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TARIFFS

TIMELINE

List of 'middle candidate' for Expert Committee is determined

Publication of parameters and methodology

Observations on preliminary parameters made

SISS rules on observations on preliminary parameters

Administrative appeal over the SISS decision on the parameters

Final Parameters

Final parameters and methodology published

2013-18 info provided for tariff study

Tariff studies exchanged between company and SISS

Company presents discrepancies / observations

Expert committee called by SISS

SISS requests minutes from expert committee to make final ruling

SISS establishes new tariffs

New Tariff Settlement

01 OCT 2018

30 NOV 2018

14 DEC 2018

26 DEC 2018

14 JAN 2019

16 FEB 2019

01 OCT 2019

01 NOV 2019

17 NOV 2019

02 JAN 2020

30 JAN 2020

01 MAR 2020

30 days

16 days

46 days

30 days

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

June 13th 2018
MOP proposes Technical Committee to discuss the Project of Law

March 1st 2017
Commission of Public Works requests formal report from the Ministry of Public Works (MOP) stating its opinion on the Project of Law

May 2018
The Commission of Public Works requests a formal report from the new Minister of Public Works

August 2018
Discussion in Progress

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An aerial photograph of a city at sunset. The sun is low on the horizon, casting a warm orange glow over the scene. A river flows through the center of the city, flanked by dense urban development. In the background, a large hill with several communication towers is visible against the sky. The word "CONTINGENCIES" is overlaid in the center in a bold, white, sans-serif font. Three stylized leaf-like shapes in blue, green, and yellow are positioned around the text.

CONTINGENCIES

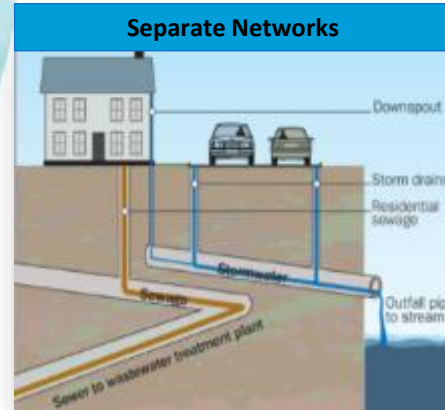
APPEAL SUBMITTED TO THE CONSTITUTIONAL COURT

- On May 28, 2018, Aguas Andinas filed an application for unconstitutionality with the Constitutional Court, requesting that certain provisions of Law No. 19,496 be declared inapplicable in a judicial proceeding initiated by SERNAC against Aguas Andinas, through a class-action lawsuit.
- This collective action is related to the potable water cuts that occurred in the city of Santiago during the months of February and April 2017, as a result of events of force majeure associated with the extreme turbidity observed in the waters of the Maipo river, which supply the potable water plants of the company.
- In the above-mentioned civil process -currently in progress-, Sernac requests that hefty fines be imposed on Aguas Andinas for each one of the affected consumers, a possibility that upon understanding this company is unconstitutional, since the eventual sanction would be totally disproportionate.
- In addition, the sectoral authority (the SISS) has already become aware of this situation, which could cause the company to be sanctioned twice for the same facts, a matter that does not comply with the constitution. This violates the principle "non bis in idem" which means that no one can be tried or double convicted for the same act.
- This appeal was accepted by the Constitutional Court on August 3rd.

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RAIN WATER SITUATION

- Rain water is a challenge for ESSAL, our water utility in the south of Chile.

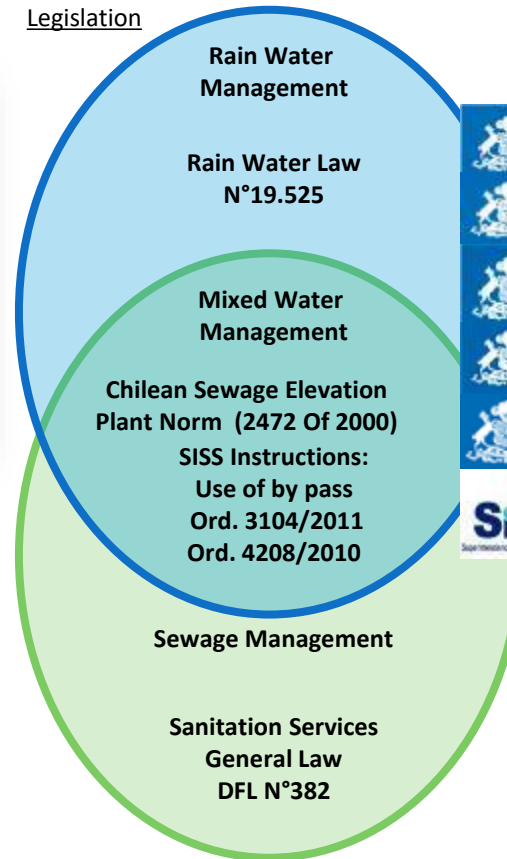


Sewerage and Sewage Water

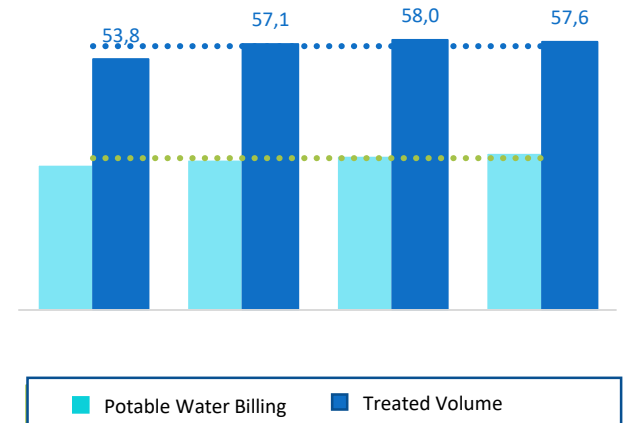
Sewage Water

80% to 95% of potable water consumption

Legislation



Reality



Sewage treatment plants receive more than 1.7 times the volumen consumed by clients.



Q&A Session

CONTACT DETAILS

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