
# AGUAS ANDINAS RESULTS BREAKFAST

August 2017

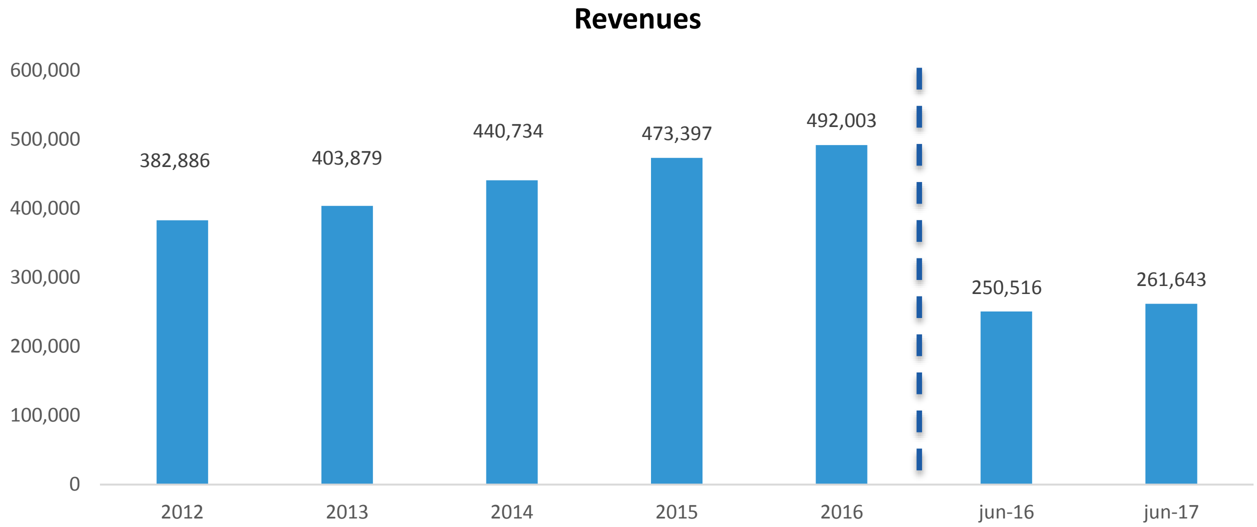
# FINANCIAL PERFORMANCE JUNE 2017

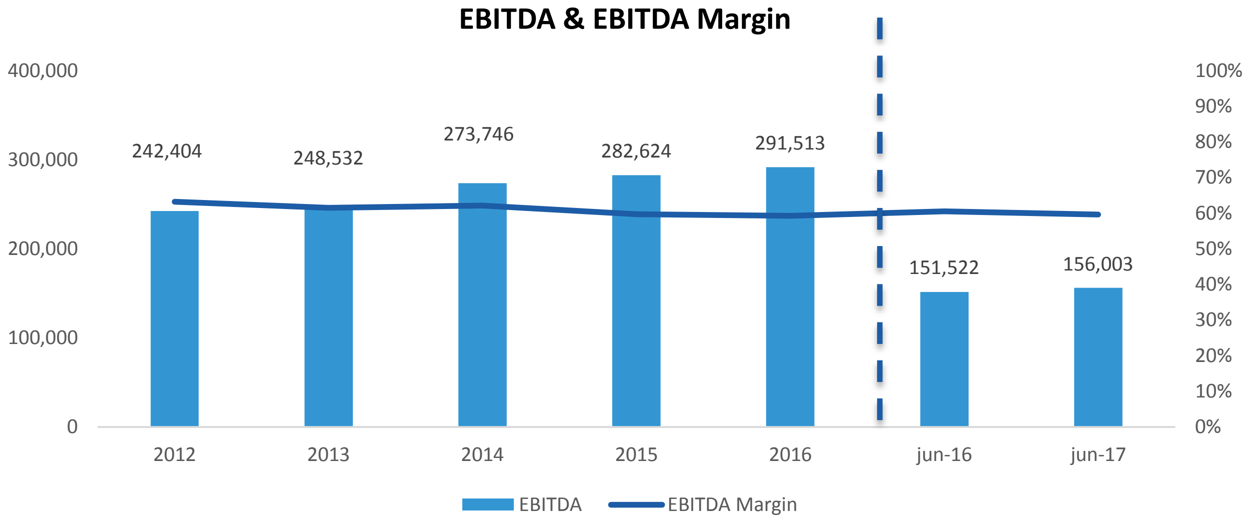
# FINANCIAL PERFORMANCE AS OF JUNE 30 2017

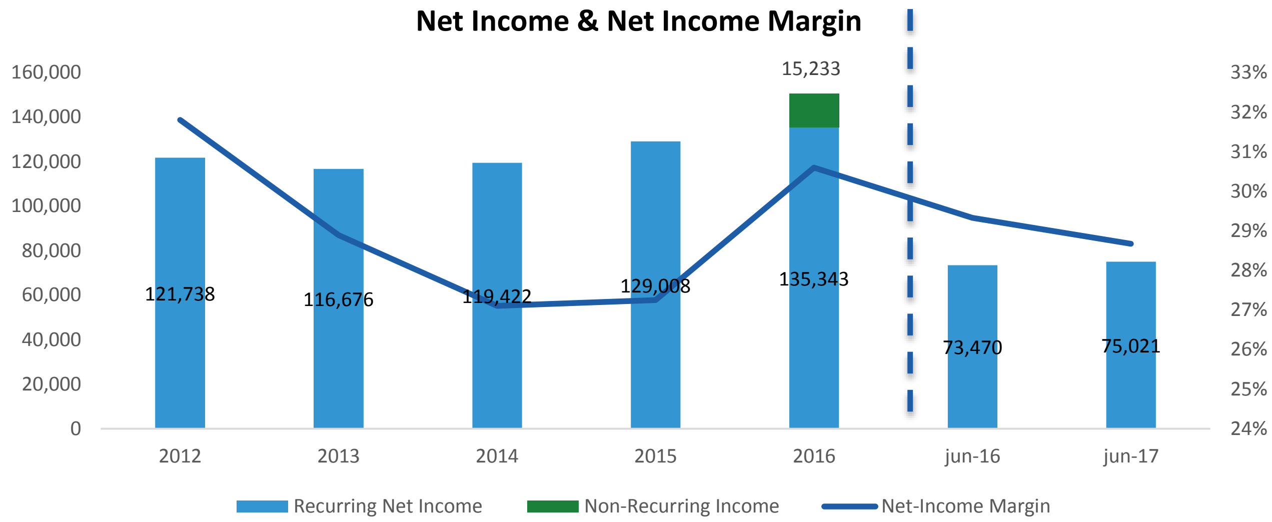
*Numbers in millions of Pesos*

Revenue CAGR of 6.5% and EBITDA CAGR of 4.7% over the 2012-2016 period

2015-2016 Growth: +3.9% revenues, +3.1% EBITDA y +16.7% Net Income

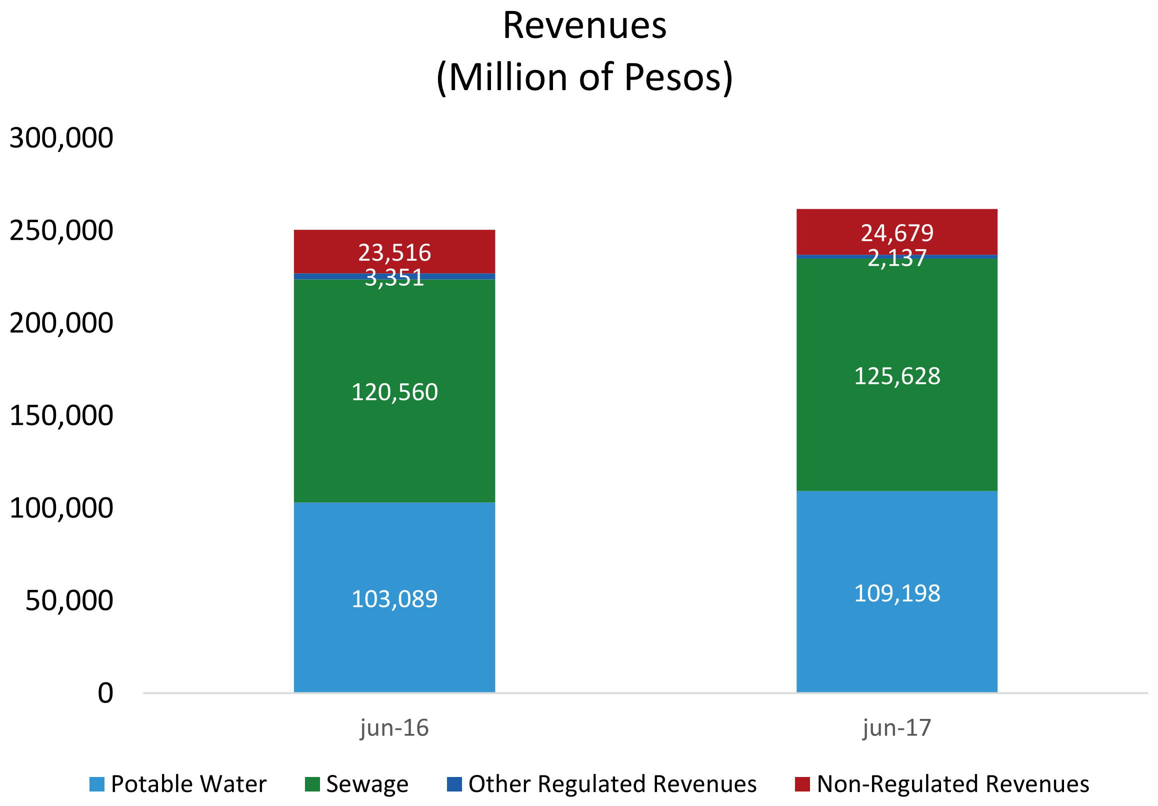


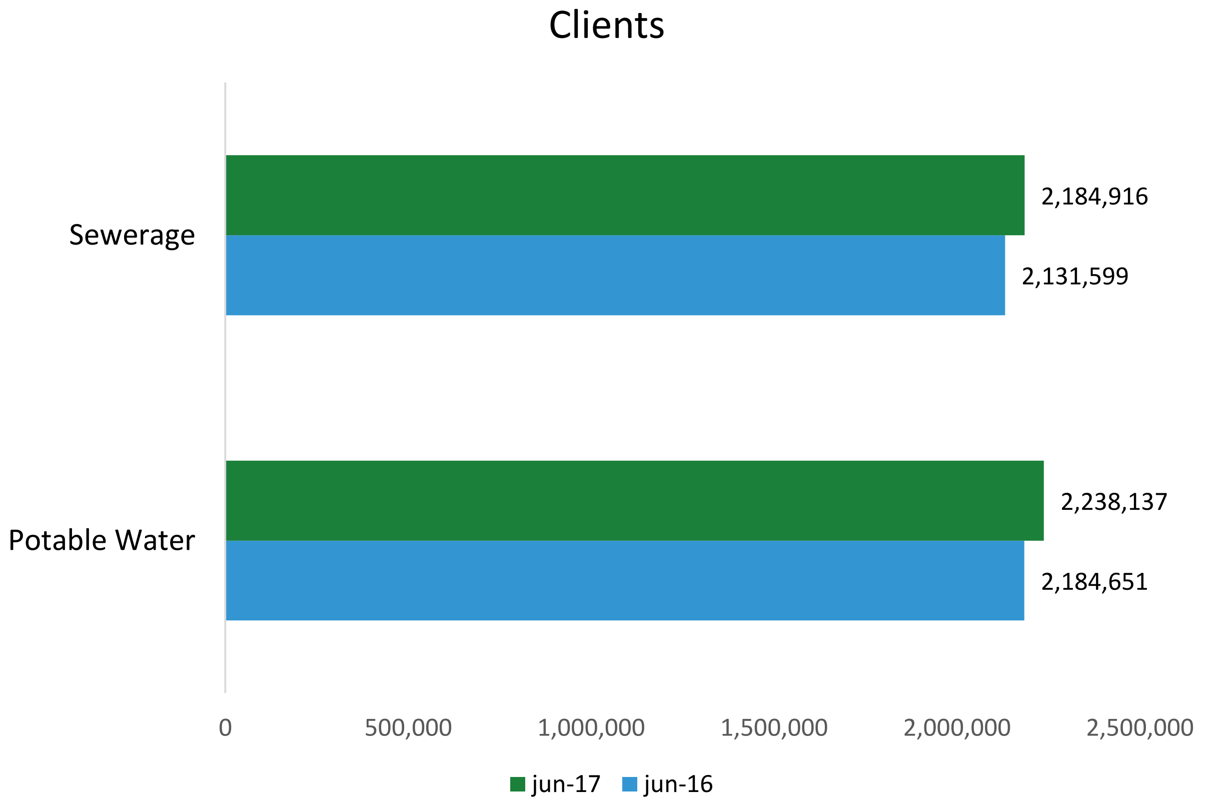



# REVENUES INCREASED BY 4.4%

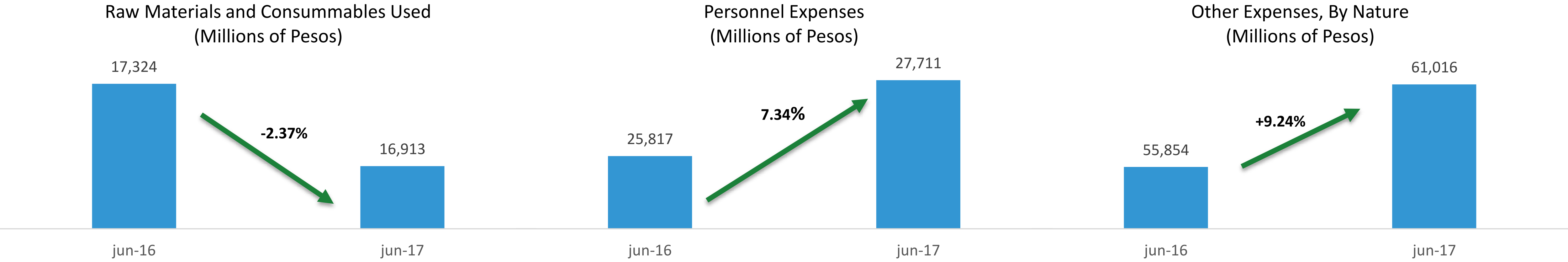
- Revenues increased to $261,643 million due to:
  - Increase in volumes: +4.8% in potable water & +4.1% in sewage treatment



# COSTS INCREASED BY 6.7%

- <u>Raw materials and consumables decreased due to :</u>
  - Lower costs of CLP $498 million in chemical inputs, compensated by higher electricity consumption for CLP$116 million due to higher groundwater abstraction.
- <u>Personnel Expenses increased due to:</u>
  - Higher compensation and gratuities associated to CPI adjustments, together with a larger work force
- <u>Other expenses, by nature:</u>
  - Higher provision of CLP$2,587 million for uncollectible bills,
  - Higher costs of CLP $1,021 million for network maintenances,
  - Higher costs of CLP $972 million for sanitation infrastructure transfers
  - Higher costs of CLP $430 million for transportation service leasing, mainly in order to lease water tank trucks.



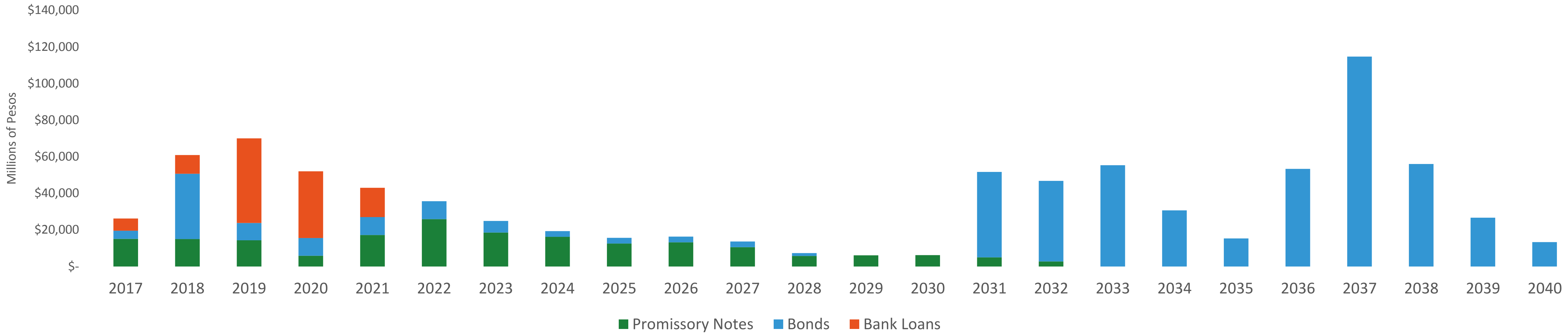
# OTHER RESULTS TO NOTE

- Financial earnings showed a loss of CLP Th$20,685,689, which was CLP Th$1,361,106 less than the same semester last year. This was mainly the result of a lower revaluation of the debt that can be adjusted in Unidades de Fomento (UFs).

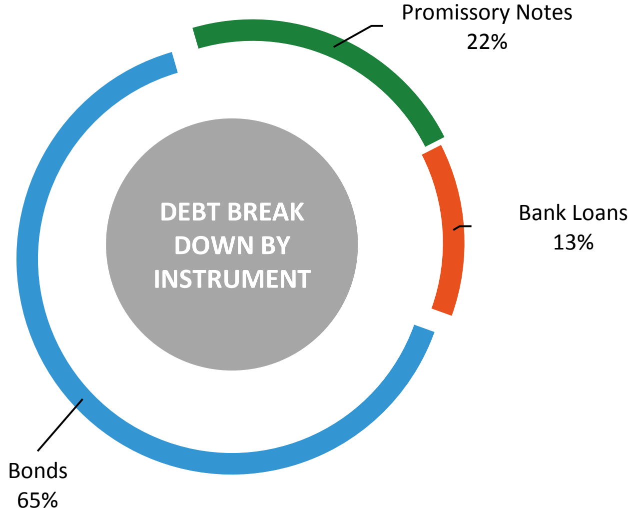
- Income tax expense at the end of the first semester of 2017 was CLP Th$24,184,481, which was CLP Th$3,368,053 higher than the same semester of the prior year. This change is mainly explained by a higher pre-tax gain of CLP Th$4,572,904 together with the change in tax rate from 24% to 25.5% due to the Tax Reform in force since September 2014.

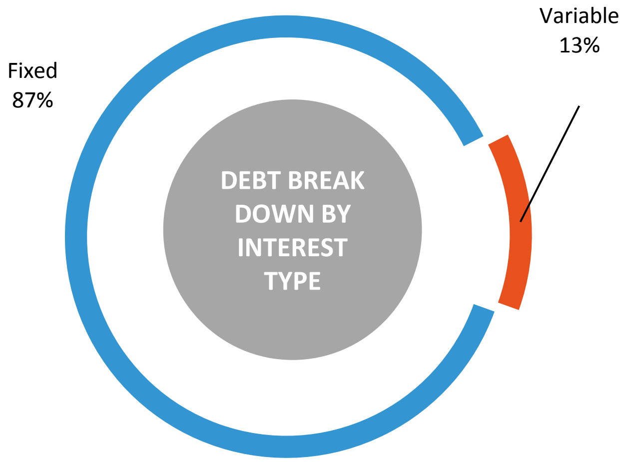
- Net income as of June 30, 2017 amounted to CLP Th$75,020,822, which was CLP Th$1,551,126 higher (2.1%) than that obtained in the previous year.

# DEBT STRUCTURE AS OF JUNE 30 2017




- Leverage: **1.56x** Limit: **1.91**
- Coverage of Financial Expenses: **8.09x**
- Local Credit Rating: **AA+**
- Total Net Financial Debt: **CLP 866 billion**
- Net Debt / EBITDA* Ratio: **2,93x**




(*) EBITDA last 12 months

# INVESTMENTS

# INVESTMENTS TO MANAGE TURBIDITY EVENTS PHASE I

**WHAT HAVE WE DONE?**

- 25% more potable water reserves (225,000 $m^3$ ).
- Habilitation of the Cerro Negro wells with a flow of 300 l/s.
- Conduction from the El Yeso Reservoir to Laguna Negra
- Double the number of hours of autonomy from 4 to 9 hours.
- 30 turbidity events without impact.
- Investments: CLP 39 billion.

**Estanque Las Vizcachas of 161,000 $m^3$**

# COMPLIMENTARY WORKS TO AVOID WATER CUTS DUE TO TURBIDITY EVENTS

**New works for 2018**

**Associated investment: CLP$15 billion**

**CONSTRUCTION OF 8 POTABLE WATER TANKS** with reserves of 54,000 cubic meters, in the pre-mountain area.

Investment: CLP$11 billion

**CONSTRUCTION OF NEW WELLS** with a capacity of 400 liters per second in the communes of Pedro Aguirre Cerda and Lo Espejo.

Investment: CLP$2 billion

**HABILITATION OF 13 EMERGENCY WELLS** with a production capacity of 500 liters per second in the communes of Conchali, Independencia, and Recoleta.

Investment: CLP$2 billion

**SUPPLY AUTONOMY**
From 9 hours to 11 hours.

# INVESTMENTS TO MANAGE TURBIDITY EVENTS PHASE II


## WHAT ARE WE DOING?

- Tripling the autonomy from 9 to 32 hours with an investment of CLP$64.22 billion
- Working with municipalities and authorities in emergency situations.
- Increasing the capacity of the Padre Hurtado Plant and four new filters in the Vizcachas Complex.
- New Chamisero potable water plant in construction.
- New interconnection works (lifting and impulsion plants)

**1,500,000 cubic meters of water**

# TURBIDITY WORKS: PHASE III

**4 possible alternatives to have over 48 hours of autonomy**

## SAFETY WORKS

**A1. INCREASE CAPACITY** of raw water reserves with a second tank next to the one in progress (Pirque Tank, Phase II).

**Estimated investment: USD $115 million**

**A2. COYANCO RESERVOIR** and the conduction to the Pirque Tank.

**Estimated investment: USD $238 million**

**A3. WATER RECYCLING,** through the regeneration of water treated in Aguas Andinas' WWTP and transporting them to supply points.

**Estimated investment: Over USD $500 million**

**A4. CONDUCTION** from the El Yeso Reservoir to the Pirque Tank.

**Estimated Investment: USD $410 million**

Exchange rate used: 650 CLP/USD

# HYDRAULIC EFFICIENCY PLAN

**EXPECTED RELEVANT ACHIEVEMENTS:**

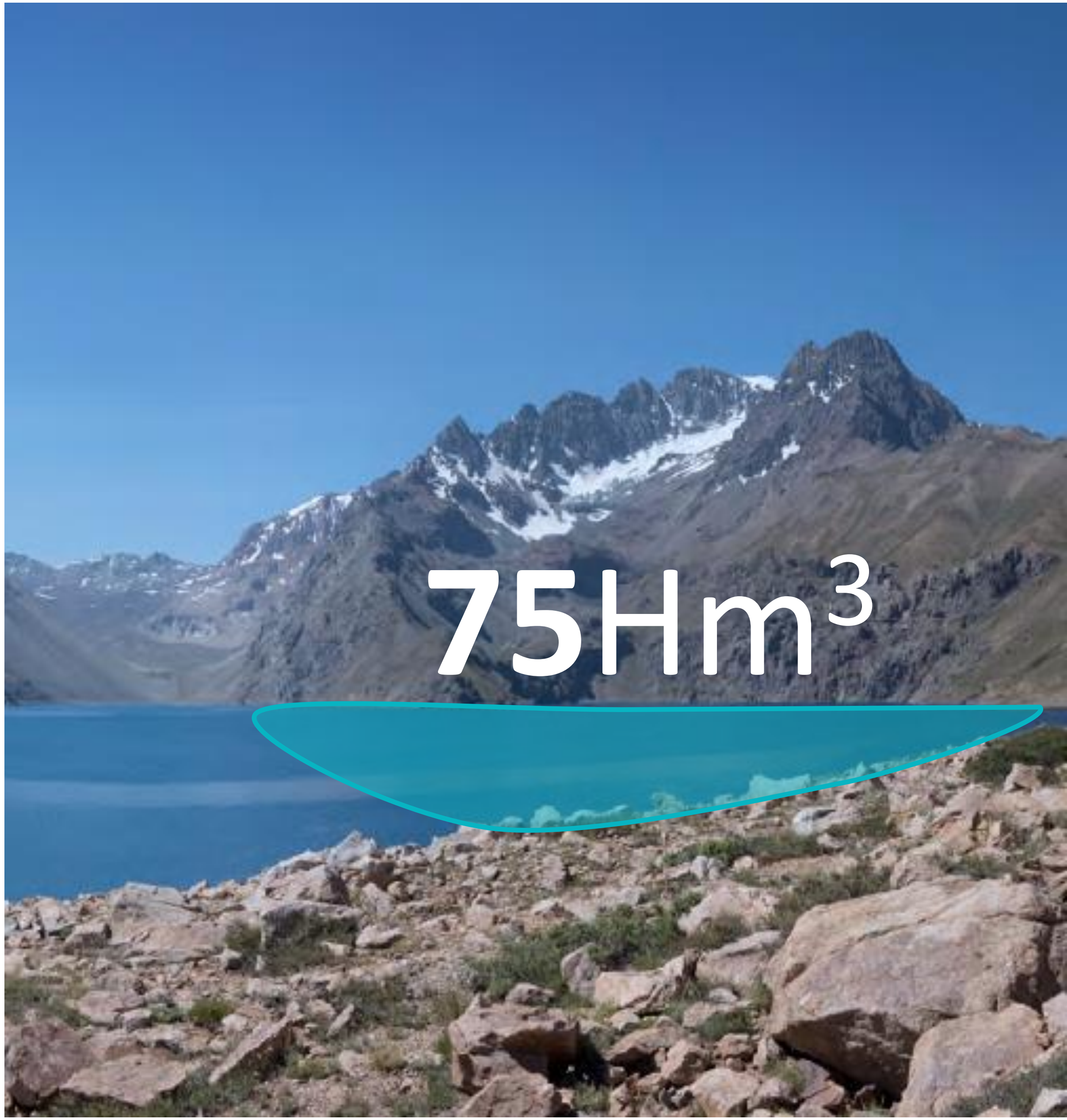
- Decrease water production by 75 $Hm^3$/year (equivalent to 1/3 of the El Yeso Reservoir)

- Decrease the average daily production in 200,000 $m^3$/day equivalent to:

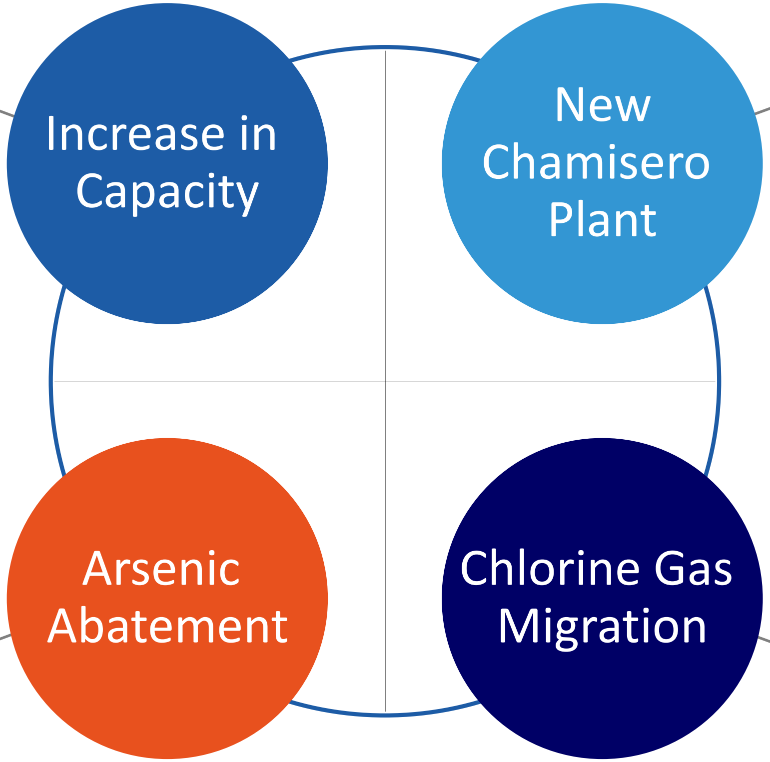
    - More than 1 Vizcachas safety tank.

    - More than 2 Padre Hurtado treatment plants.

    - 6 additional hours of reserves in addition to the Pirque Tank.



# INVESTMENTS IN POTABLE WATER



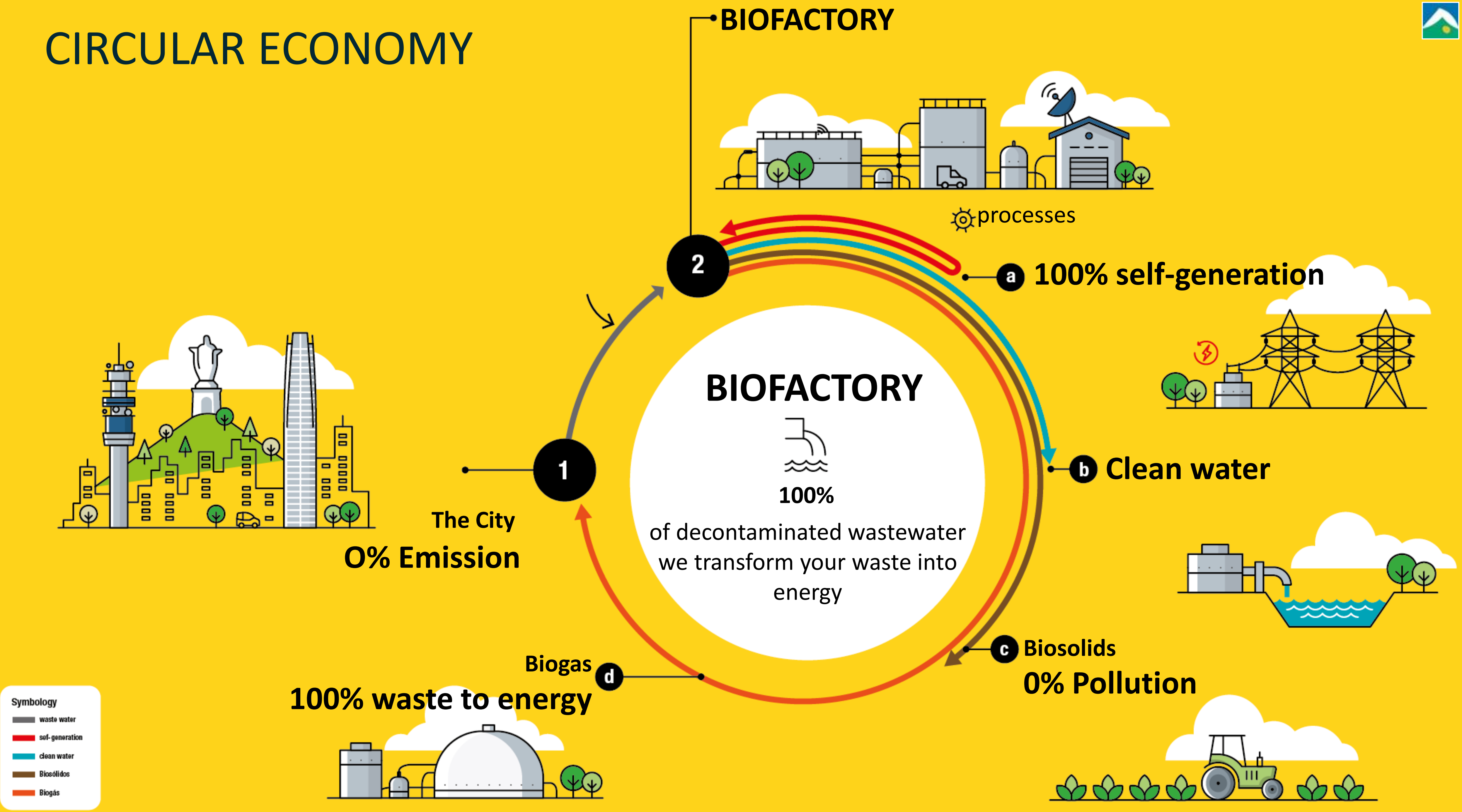

- Increase in capacity from 0.8 $m^3/s$ to 1.25 $m^3/s$ in the Padre Hurtado Plant.
  - A regulation tank is being built with a capacity of 2,000 $m^3$.
- Associated investment of USD$2 million.

- This plant is being built in order to satisfy the demands of the Chamisero and Chicureo zones.
- It will be operational in May 2018.
- Associated investment: USD$22 million.

- An arsenic abatement plant is being built in the San Antonio complex which will be operational during 2017
- Additionally, the Quilicura plant is being expanded to treat an a flow of 250 l/s and which will be ready at the end of 2017
- Associated investment: USD$11 million.

- Migration from the use of chlorine gas to sodium hypochlorite in order to reduce the operative risks implied in the management of chlorine gas.
- Three out of the four phases of this project had been executed and the last will be executed in 2017.
- Associated investment: USD$10 million.

# CIRCULAR ECONOMY



# PARADIGM SHIFT: FROM SEWAGE TREATMENT TO RESOURCE MANAGEMENT

## TREATED WATER

**580.7 MILLION**

Cubic meters was the volume of clean water which was put back into the rivers during 2016.

## BIOGAS

**45,990,665 kWh**

Of electricity was produced by Aguas Andinas’ cogeneration motors in 2016.

**78.44%**

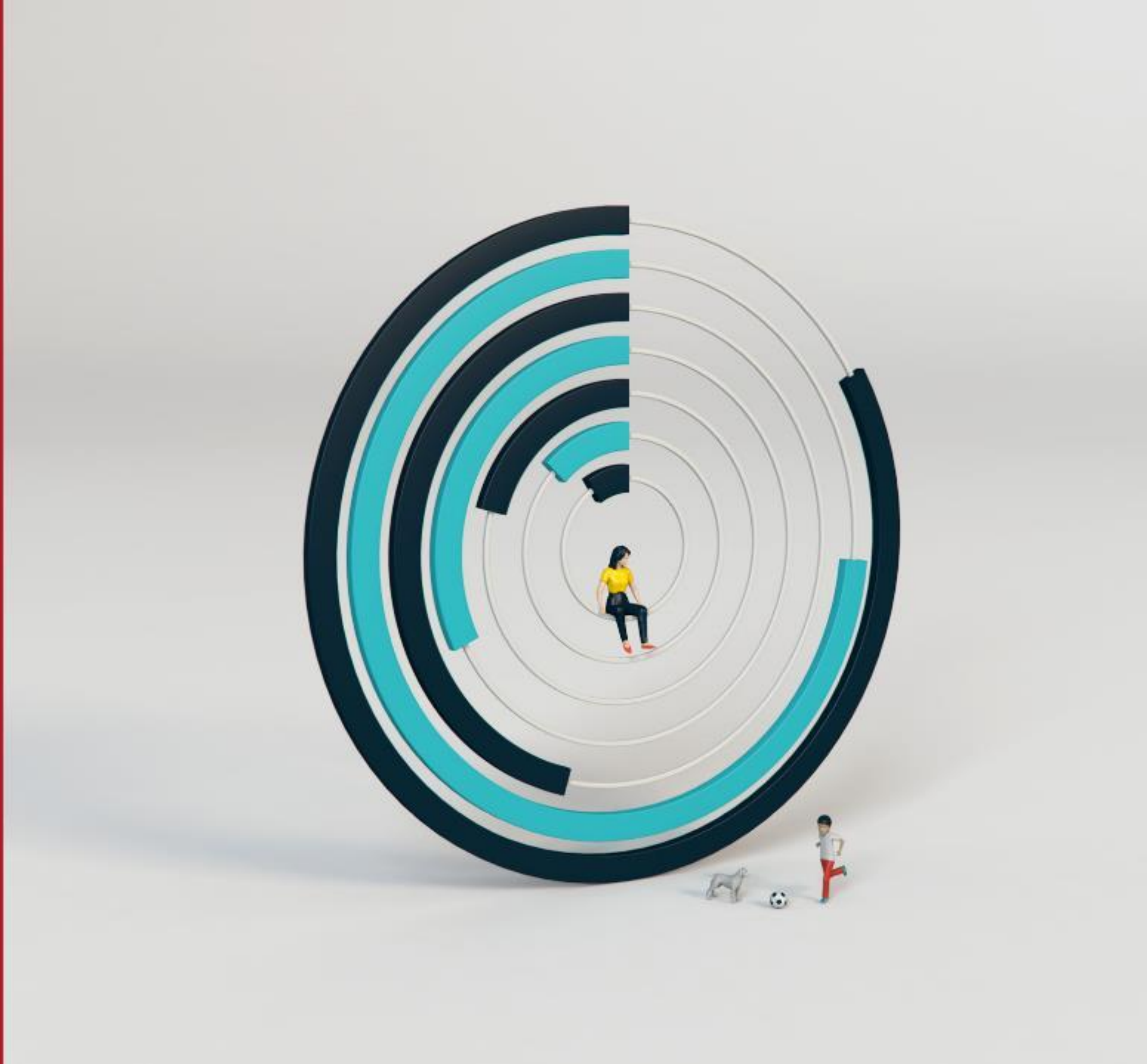
Of the electricity demand of the Trebal-Mapocho Plant is supplied by biogas.

## BIOSOLIDS

**+ 43.8%**

Of bio solids have been destined to the recovery of farmlands during 2016.

# RISKS



# REGULATORY RISK: PROJECT OF LAW 10.705-33

Jueves, 05 de enero de 2017

## Valdés tampoco apoya cambios a regulación sanitaria

El ministro de Hacienda explicó que alterar el piso de la rentabilidad y el premio por riesgo de las empresas sanitarias, "sería cambiar las reglas del juego".

Compartir   Imprimir   Enviar

Equipo El Mercurio Inversiones

El ministro de Hacienda, Rodrigo Valdés, aseguró que el Gobierno hará todo lo que está en sus manos para que el proyecto de Ley **que busca modificar al sector sanitario** no altere el piso de la rentabilidad, ni el premio por riesgo que rige a las empresas.

"Hubo una moción parlamentaria aprobada en la Cámara (de Diputados, por 108 votos a favor y ninguno en contra) que cambia algunas reglas del juego para las sanitarias", dijo Rodrigo Valdés a periodistas, según información que da a conocer Valor Futuro.

- In December 2016, the Chamber of Deputies approved the Project of Law Bulletin Nº 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.

- The project of law includes six articles through which it seeks to modify the norms which are stipulated in the following legislations:
  - Decree with Force of Law N° 382, from 1989, of the Ministry of Public Works, General Law on Sanitation Services.
  - Decree with Force of Law N° 70, from 1988, of the Ministry of Public Works, about Sanitation Service Tariffs.
  - Law N° 18.902, which created the Superintendence of Sanitation Services.

# CLIMATE CHANGE RISK: TURBIDITY

- Due to climate change, there has been an increase in convective rains with isotherm zero (> 3,600 meters) in the pre-mountain area.
- This produces an increase in turbidity in the Maipo river caused by floods and landslides.
- Due to these events of force majeure, there have been water cuts as when turbidity levels surpass the design conditions of the potable water plants, the only measure that can be taken is to stop the plants to prevent embankments.
- Since 2008 and to date, there have been 6 events of high turbidity that have paralyzed the plants.
- However, 30 events have been mitigated in which the plants have not had to stop production.
- Aguas Andinas is doing all of the necessary investments in order to mitigate this risk.

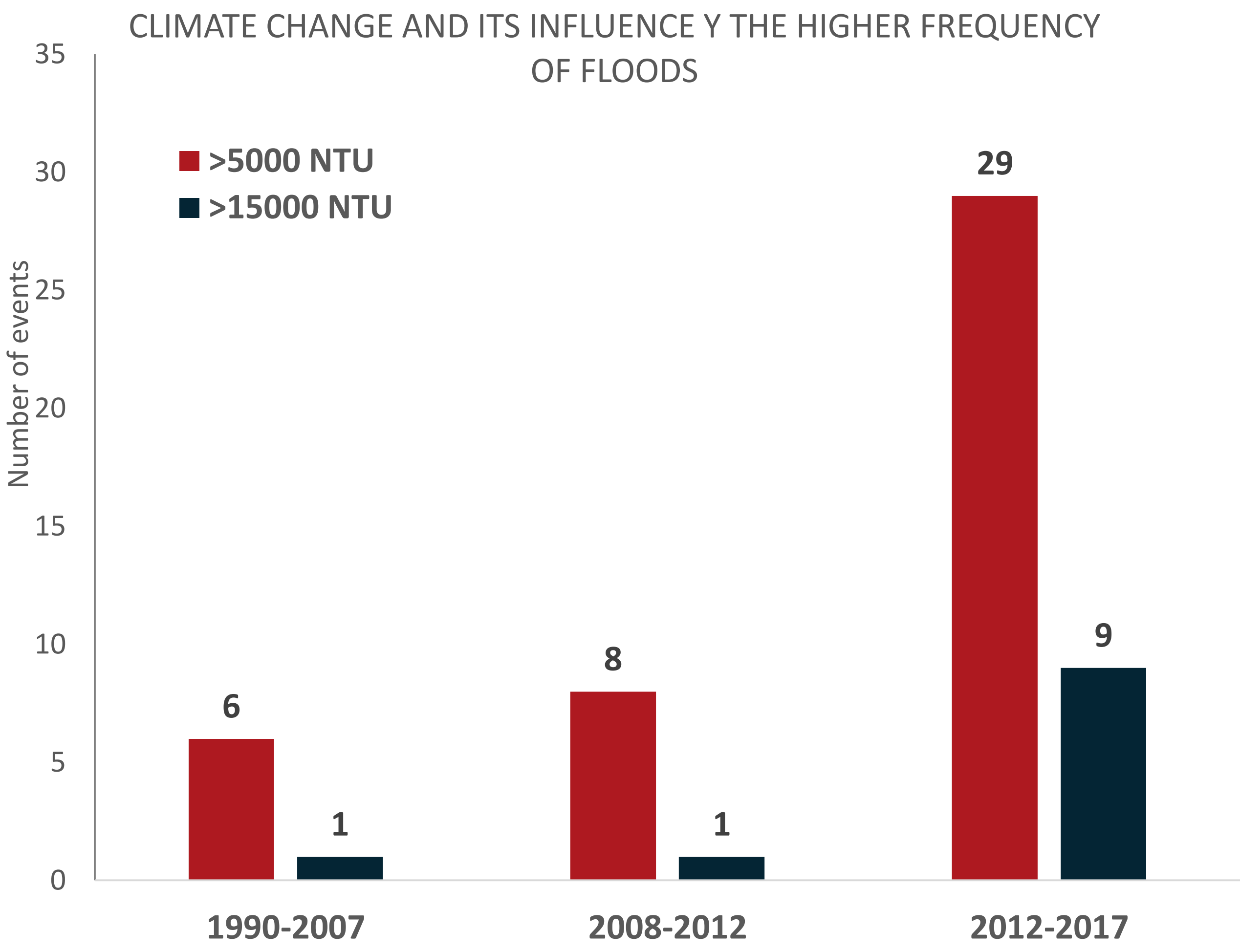



**Table: Number of turbidity events whose duration has been over 12 hours over 5,000 and 15,000 NTU, during the 1990-2017 period.**
**Source: Water Footprint published by the Water Rights and Management Center of the UC (CDGA)**

# CLIMATE CHANGE RISK: DROUGHT

**Short-Term Plan: Drought Mitigation Plan**

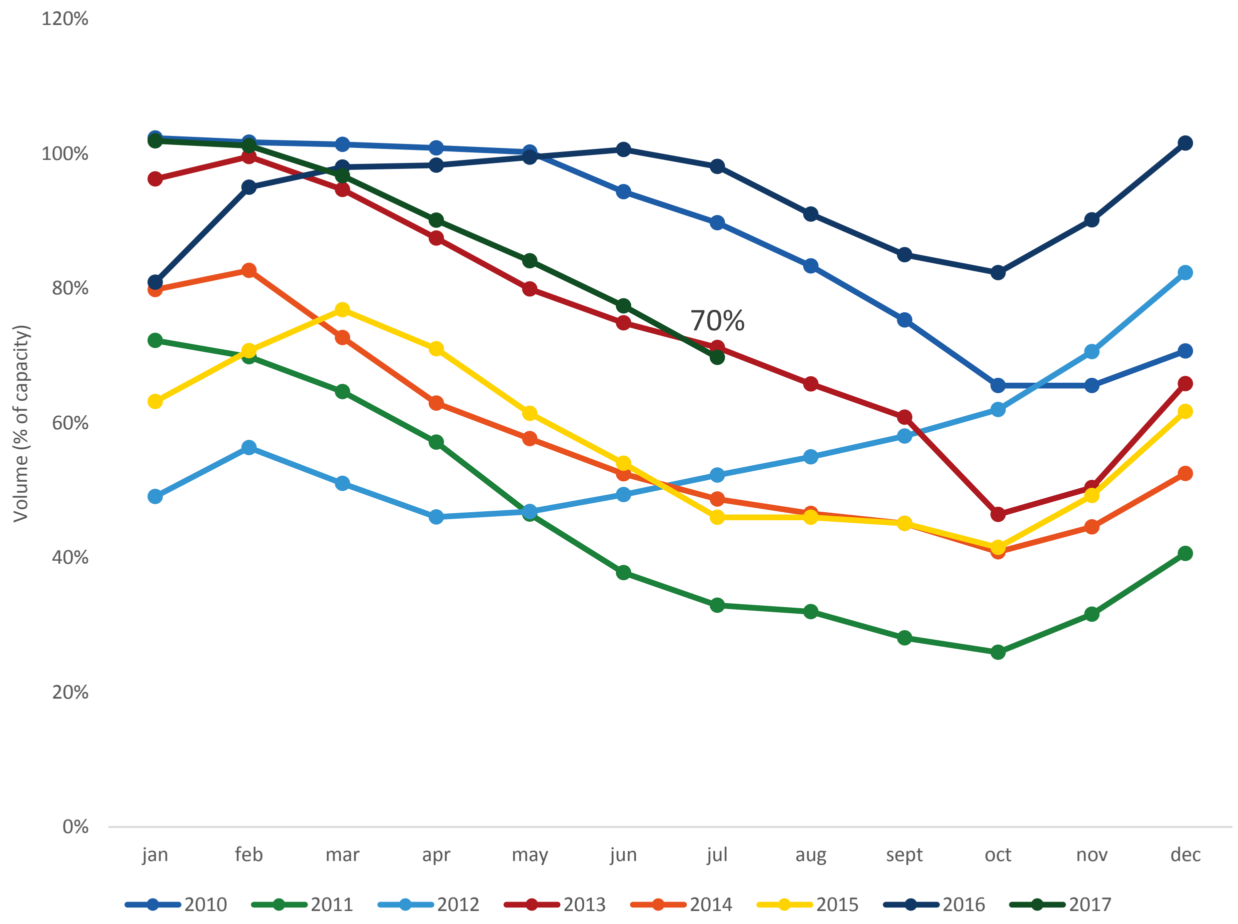
- New capacity in wells
- Purchase of raw water
- Renting of water rights
- Agreements with other users of the river
- Monitoring and control of illegal water usage/extraction

**Long-Term Plan: Drought and Climate Change Plan 2016-2030**

- **Preliminary studies in development:**
    - Demand projection
    - Demand management
    - International experiences in drought

- **Other actions:**
    - Actions to increase supply
    - Water supply projection
    - Synergies at a user level

EL YESO RESERVOIR LEVELS



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The future is built, starting today.