

# BTG Pactual IV Andean CEO Conference Aguas Andinas Corporate Presentation



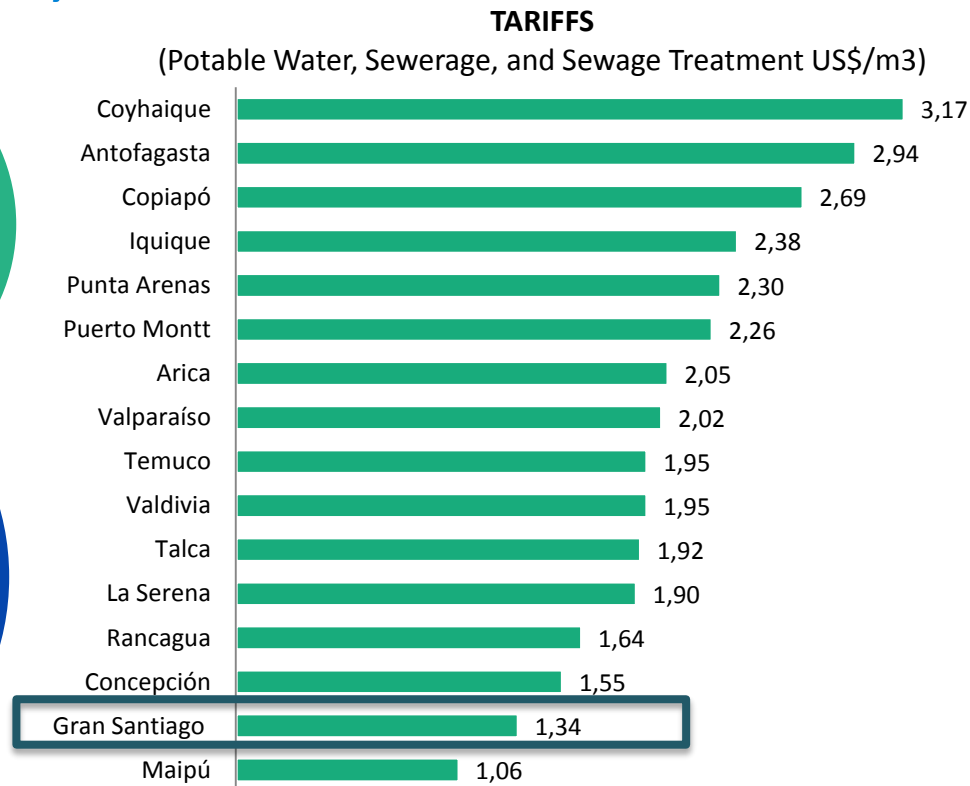
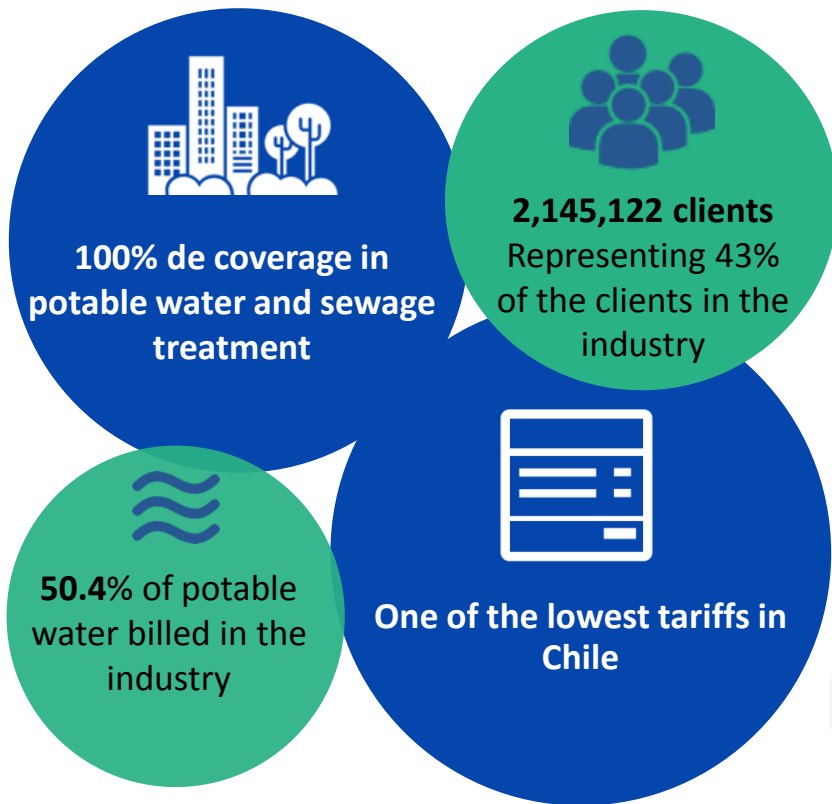
November 12 & 13 2015



# 01 OUR COMPANY

# AGUAS ANDINAS

## Chile's Largest Sanitation Company



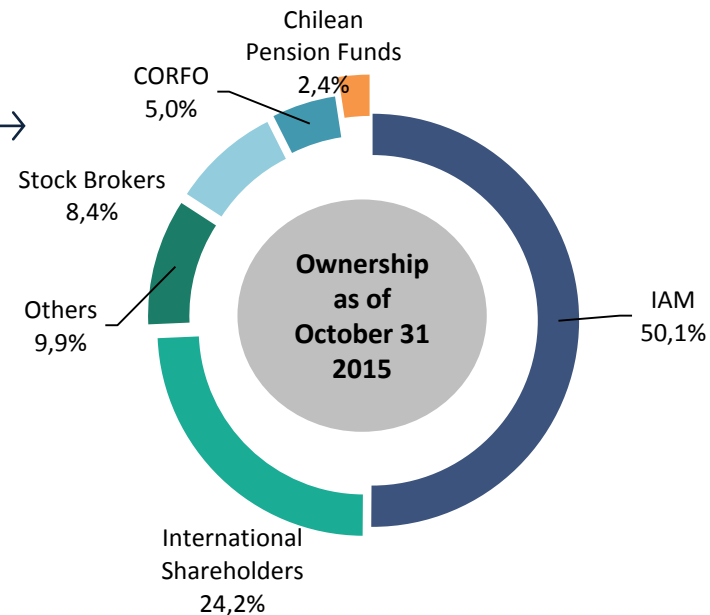
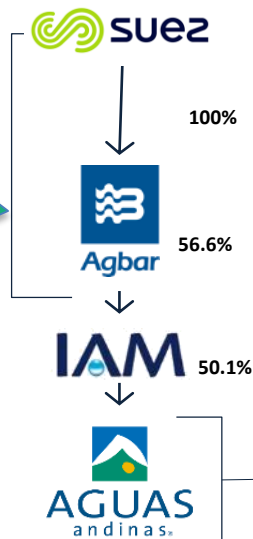
Source: SISS' 2014 Management Report. Tariffs to December 2014 considering US \$1= \$607.38

# CORPORATE STRUCTURE

## World Class Controlling Shareholders



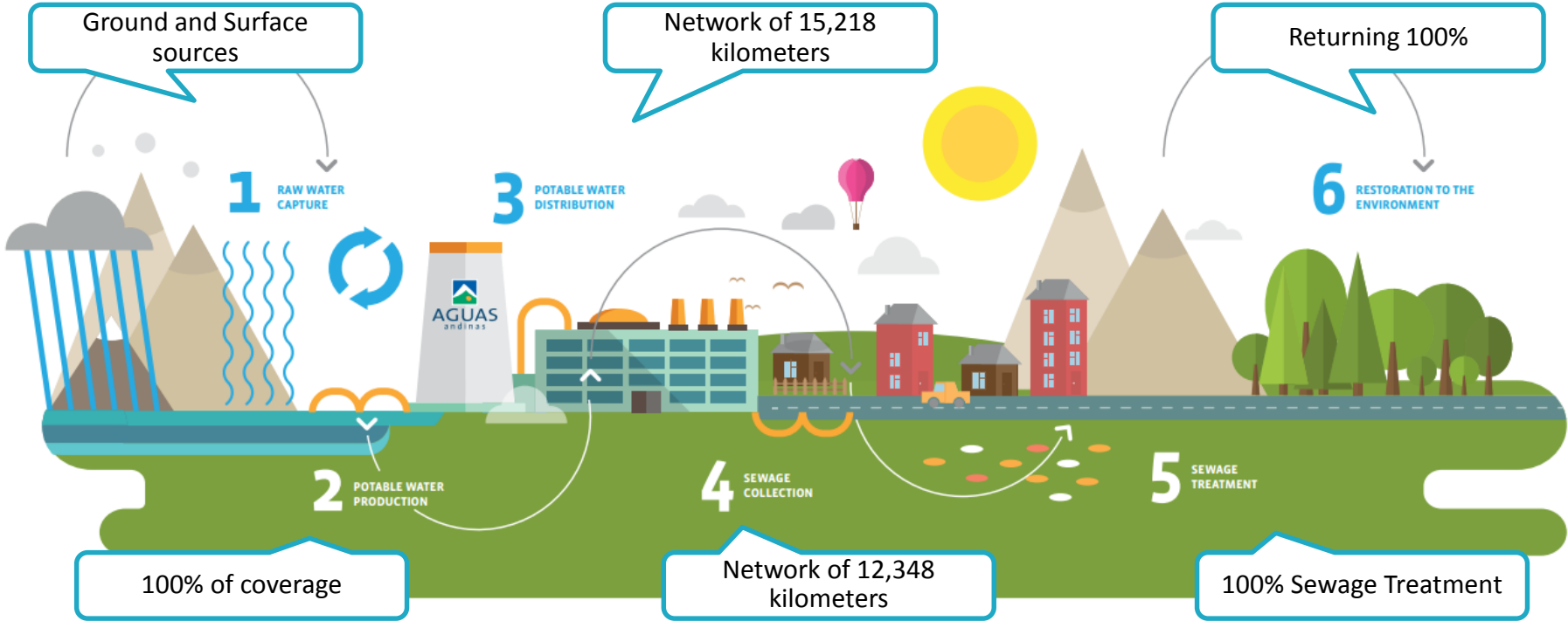
- **SUEZ** is one of the leading water and sewage treatment players worldwide.
- **AGBAR** is an international benchmark in the sanitation business with more than 150 years of experience in the sanitation industry, with a presence in 14 countries.



# INTEGRAL WATER CYCLE MANAGEMENT



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

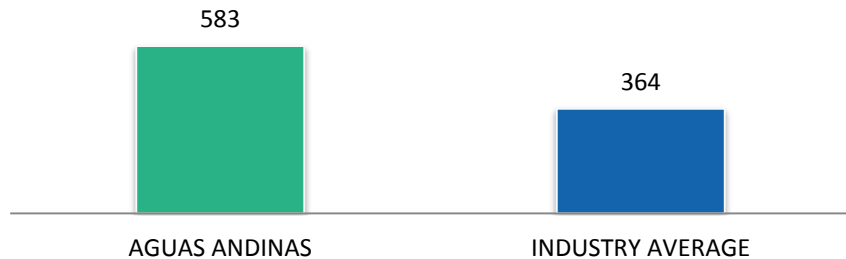


# OPERATIONAL RATIOS

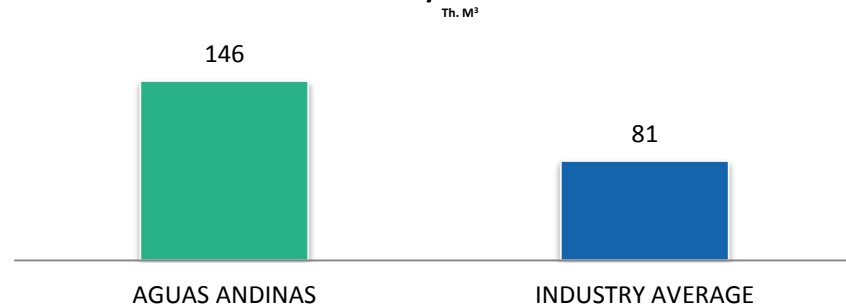
*High Standards of Productivity and Quality of Service*



**CLIENTS/EMPLOYEES**



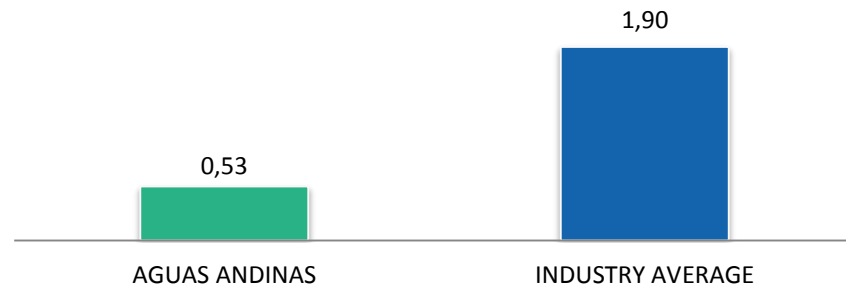
**BILLING/EMPLOYEES**



**RUPTURES X 100 KMS.**



**RUPTURES X 1,000 CLIENTS**

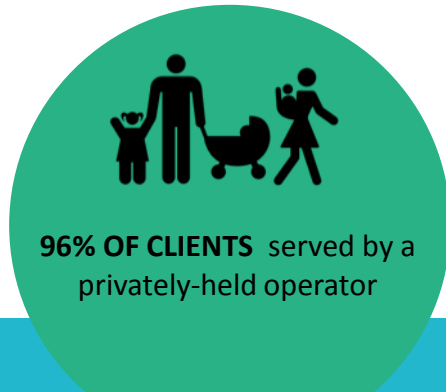
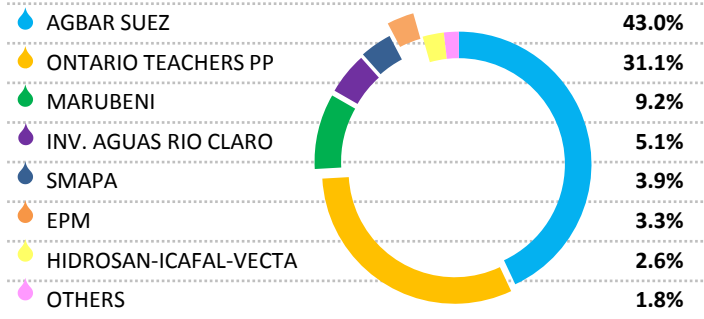
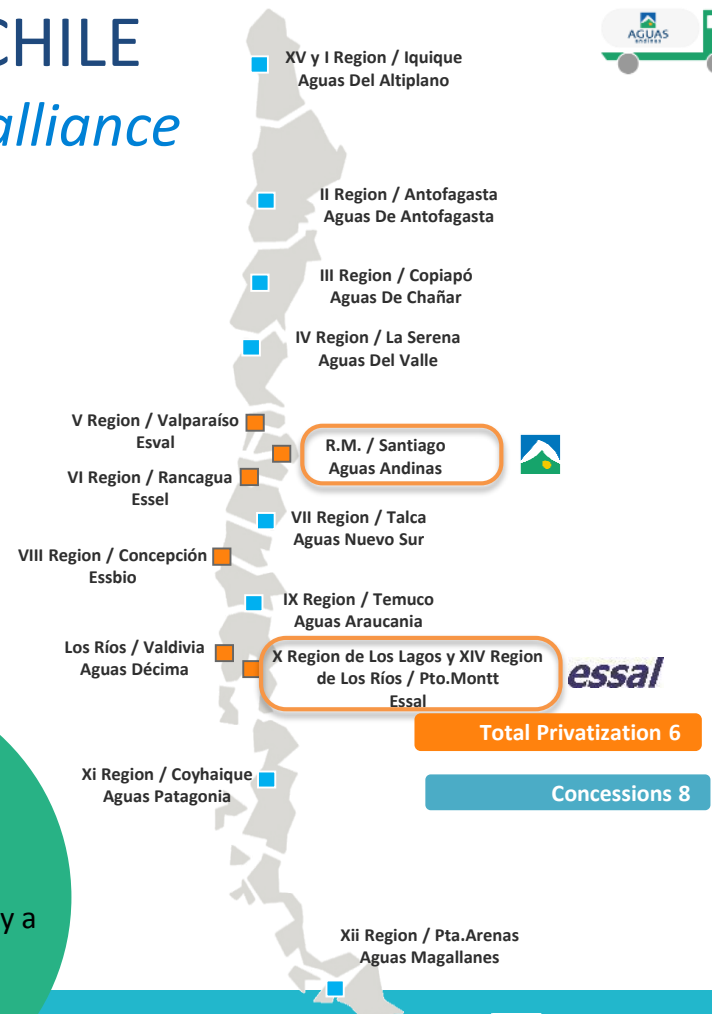
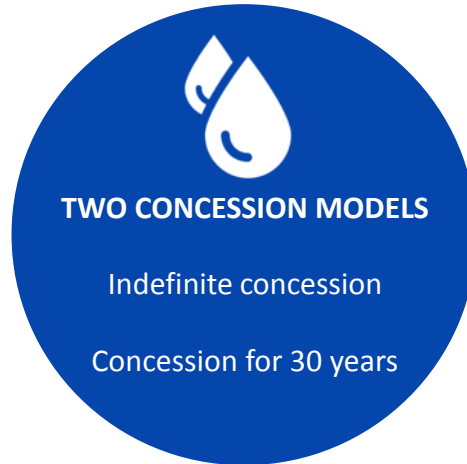




## 02 OUR INDUSTRY AND REGULATORY FRAMEWORK

# WATER & SEWERAGE INDUSTRY IN CHILE

*An example of a successful public-private alliance*





# HIGHLY REGULATED SANITATION INDUSTRY

## *Proven, Stable, and Transparent Framework*



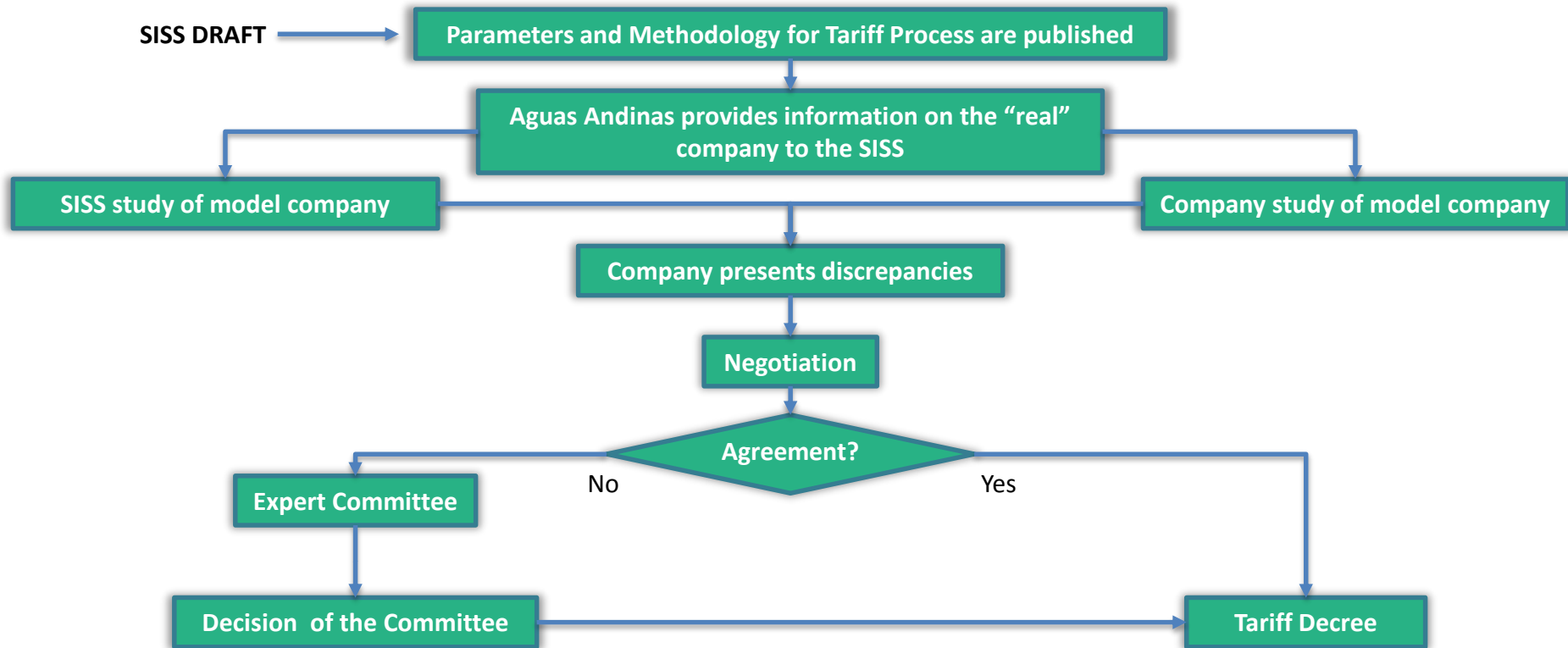
- Regulatory framework in place more than 25 years
- Superintendence of Sanitation Services (SISS) acts as the regulator counterpart in tariff setting process, which lasts 1 year
- Tariffs are reset every five years, based on an objective and technical model:
  - Tariffs are calculated based on long term total costs of a model company
  - Company and regulator have equal roles in the tariff calculation process
  - 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 legacy technology
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 capital	Ability to use debt to finance Capex and enhance return on equity

# STAGES OF THE TARIFF NEGOTIATION PROCESS

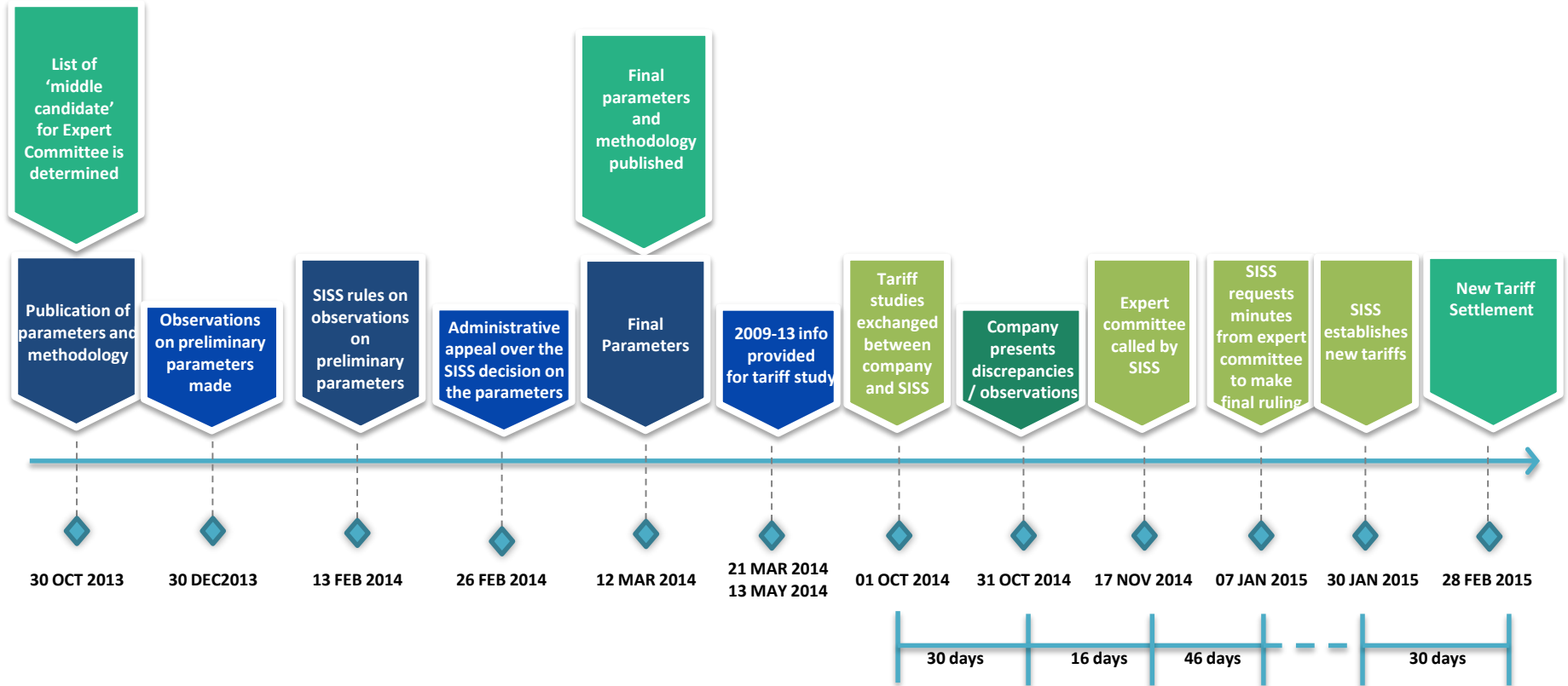
## *From General Parameters To The Size Of The Model Company*



# AGUAS ANDINAS TARIFF PROCESS



## Technical Process Lasting One Year



# RESOLUTION OF SIXTH TARIFF NEGOTIATION PROCESS

## *An Agreement Was Reached with the SISS*

**On November 14<sup>th</sup> 2014, Aguas Andinas and its subsidiaries Aguas Cordillera and Aguas Manquehue, came to an agreement with the Superintendence of Sanitary Services (the "SISS") within the framework of the sixth tariff-setting process for the period 2015-2020 on the following terms:**



- Maintain Aguas Andinas' and Aguas Cordilleras' tariffs as of December 31 2013.
  - The new tariff decrees will apply from March and July 2015 respectively..
- Reduce Aguas Manquehue's tariffs by 5% in comparison to those applicable on December 31 2013..
  - The new tariff decree applies from May 2015..
- The indexation polynomials will remain the same.

# RESOLUTION OF SIXTH TARIFF NEGOTIATION PROCESS

## *Changes In Tariffs When New Services Go Into Operation*

*In addition to the indexation polynomial, during the next five years, tariffs will change when new services that have previously been negotiated with the SISS enter into operation..*

### **Additional tariffs** when new works come into operation:

- Turbidity safety works: +1.1% in 2018
- Quality improvement works WWTP Farfana + Trebal: +1.4% in 2018

### **Tariff discounts** for Non-Regulated Businesses

- Alto Maipo Project: -1.2% in 2018 (estimated)





## 03 INVESTMENTS

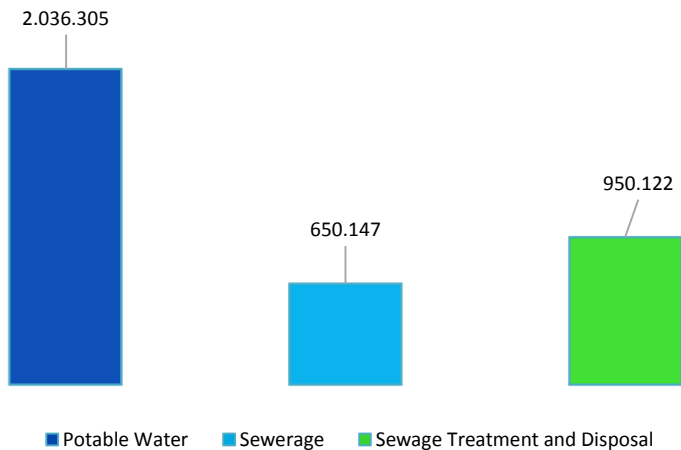
# INVESTMENT PLAN FOR THE NEXT FIVE YEARS



## Ensuring The Continuity Of Service

**OBJECTIVE:** Guarantee the continuity of our service even in adverse situations and the our clients are confident of this.

**DEVELOPMENT PLAN AGREED UPON WITH THE SIIS FOR THE 2014-2024 PERIOD (UF)**



INVESTMENTS 2015- 2020	USD
Infrastructure replacement and operational improvement plans	900 MILLION
Works associated with growth, security, and quality of service	
<b>INVESTMENTS 2015</b>	<b>200 MILLION</b>

MAIN PROJECTS FOR 2015-2020	USD MM
Extension of the Mapocho Treatment Plant	120
Potable Water Safety Infrastructure Works	100
Potable Water and Sewage Network Preventive Renovation	80
Strengthening of the Chicureo – Chamisero Potable Water Supply System	30
Vizcachas Plant UPGRADE	50
Hydraulic Efficiency Director Plan	30

# SAFETY INFRASTRUCTURE WORKS

## *Increasing Potable Water Reserves*

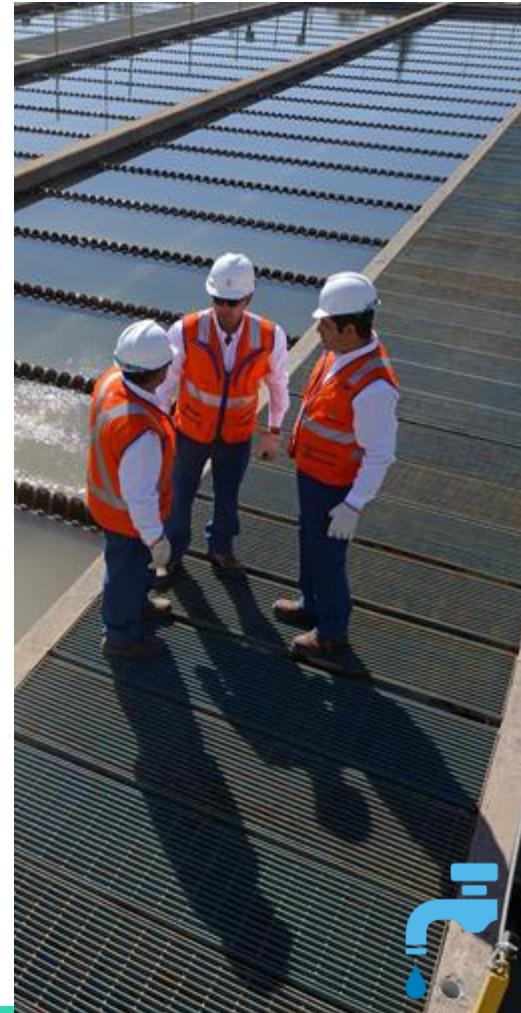
A two-phase plan that will strengthen our network has been developed.

### Safety Infrastructure Projects – Phase I (completed):

- 7 new wells (500 liters per second)
- 6 storage tanks for drinking water with a capacity of 225,000 m<sup>3</sup>
- Duct (4 m<sup>3</sup>/s) connecting the El Yeso Reservoir with the Las Vizcachas water production plant
- Tariff increase of 1.2% applied beginning 1 March 2014

### Safety Infrastructure Projects - Phase II:

- Construction of a raw water storage tank with a capacity of 1,500,000 m<sup>3</sup>
- Network autonomy will be raised to 32 hours
- Anticipated tariff increase of 1.1% to be applied when the project is completed (2018)





# DROUGHT MITIGATION PLAN

## Guaranteeing Water Supply For the Fifth Consecutive Year



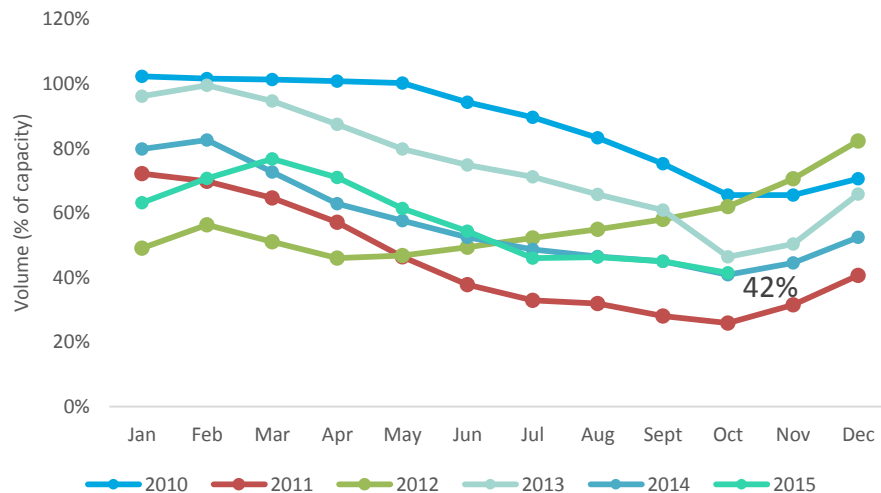
**New investments to increase capacity and agreements with primary users for the joint management of the Maipo river**

Measures taken by the company to mitigate the impacts of the drought during the last five years and its mission is to guarantee the quality and quantity of the supply of potable water

### MAIN INITIATIVES:

- 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

EMBALSE EL YESO VOLUME



*In order to guarantee the supply for the 2015-2016 summer, Embalse El Yeso must have a minimum volume of 90hm<sup>3</sup> (41% of capacity) as of the 31st of October 2015.*

# HYDRAULIC EFFICIENCY PLAN

## *Decrease Losses From 30% to 20% In Five Years*

*The Aguas Group currently has 30% of water losses, which is below the national average (34% according to the SISS' 2013 Management Report).*

**For the Company, the efficient use and distribution of water is a superior value that involves key aspects in the management of the water cycle in its different stages:**

- Medium and long-term promotion of quality and sustainable management of water resources.
- Improvement of the measurement accuracy of our clients by making our meters more efficient.
- Optimization of operative, maintenance and investment management resources



# 2017 EXPANSION OF MAPOCHO TREATMENT PLANT



## *Ensuring The Response To The Growth in Demand*

### Fourth Stage of the Mapocho-Trebal Plant

- Project to be completed in 2017
- Will increase the treatment capacity of the Trebal-Mapocho complex from 6.6 m<sup>3</sup> to 8.8 m<sup>3</sup>

### Main benefits:

- Respond to increasing demand
- Strengthens the security of operations in the basins of Gran Santiago
- Prevents the need to send untreated water back to the river





## 04 FINANCIAL INFORMATION

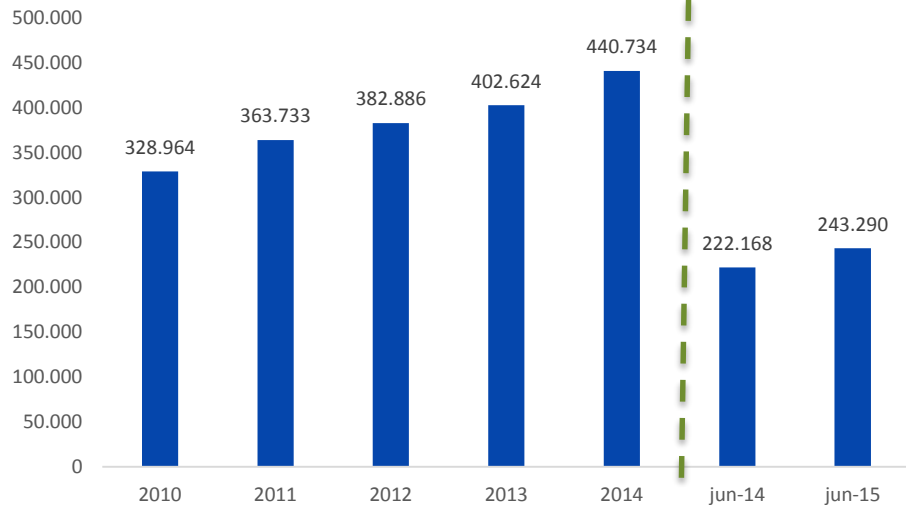
# FINANCIAL PERFORMANCE AS OF JUNE 30 2015



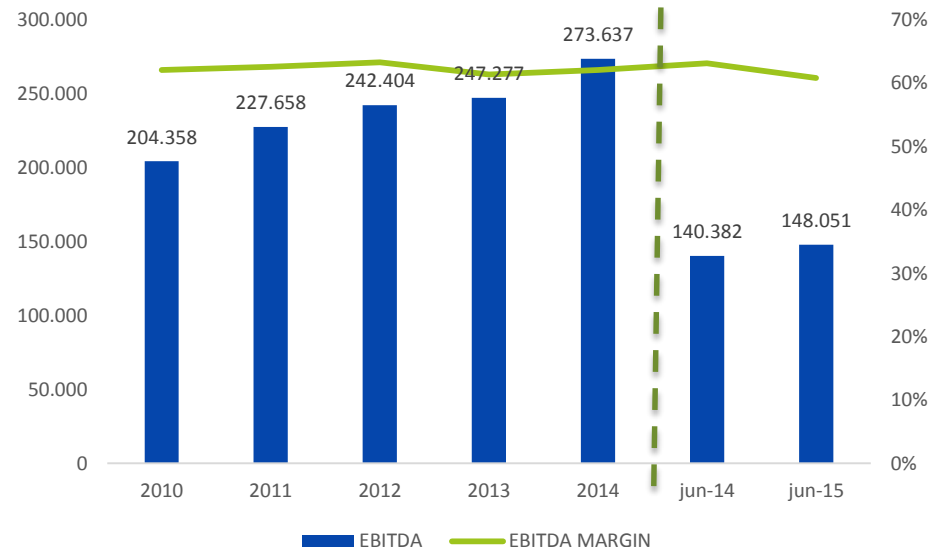
*Revenue and EBITDA CAGR Of 7.6%\**

Millions of CLP

### REVENUE



### EBITDA & EBITDA Margin

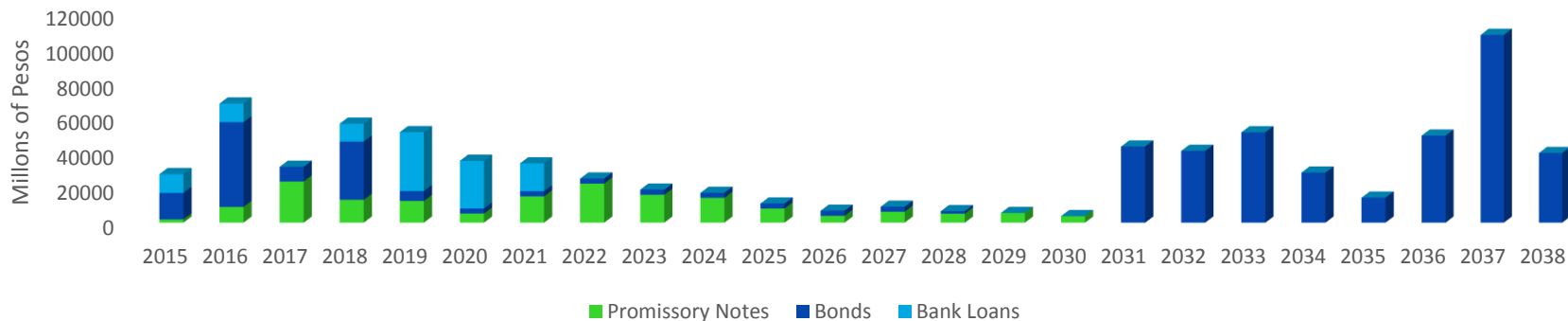


**Dividend Policy: 100%**

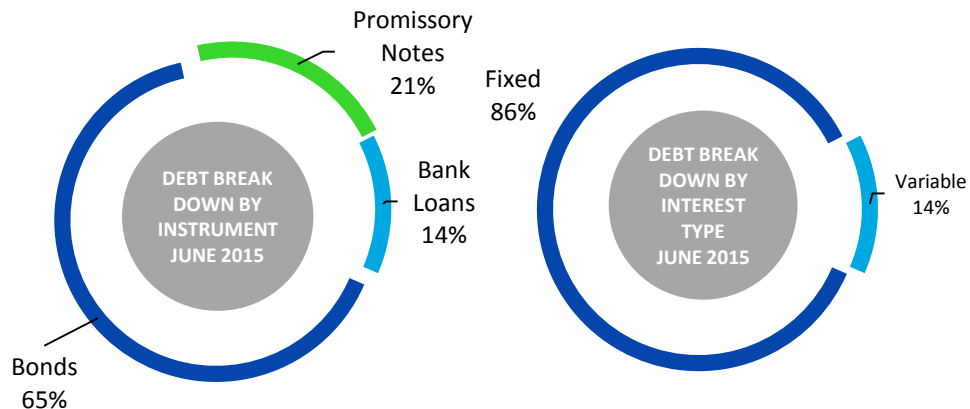
\*Contemplates the 2010-2014 period

# DEBT STRUCTURE AS OF JUNE 30 2015

*Keeping a Net Debt / EBITDA Ratio Under 3*



- Leverage: **1.43x**
- Coverage of Financial Expenses: **6.32x**
- Local Credit Rating: **AA+**
- Total Net Financial Debt: **CLP 788,019 million**
- Net Debt / EBITDA Ratio: **2.8**





PORQUE ENTREGAMOS

agua,   
vida   
entregamos



AGUAS  
andinas®