



LARRAIN VIAL

NINTH ANNUAL ANDEAN CONFERENCE

March 2015



01 OVERVIEW





AGUAS ANDINAS

Largest Water Utility



Largest water utility in Chile and **one of the largest in Latin America**



More than **2 million** clients



Natural monopoly (regulated)



Proven, stable regulatory framework



Minimum, guaranteed return of **7%**



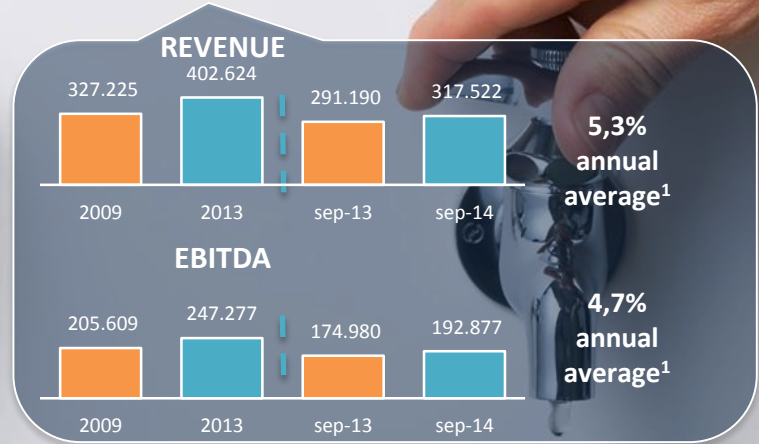
Stable demand



Exclusive, high-quality water resources that do not expire



FINANCIAL HIGHLIGHTS (millions of pesos)



MARKET SHARE ⁽¹⁾



43% of industry revenue



51% of billed water in the industry



43% of clients in the industry



(1) Annual average 2009-2013

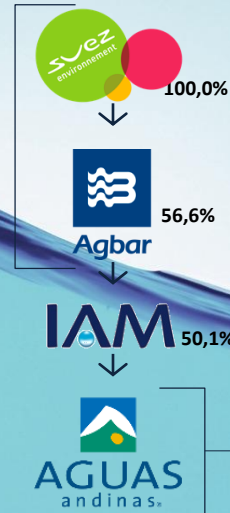
(2) Marketshare estimated according to SIIS' Informe de Gestión 2013



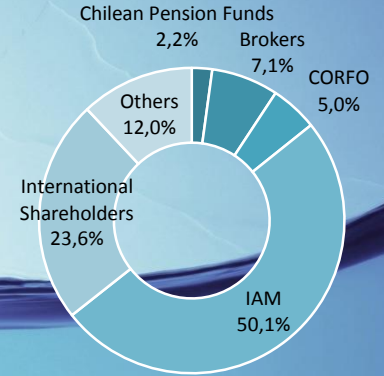
CORPORATE STRUCTURE

World Class Controlling Shareholders

- **SUEZ ENVIRONNEMENT** 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.



OWNERSHIP AS OF FEBRUARY 28TH 2015

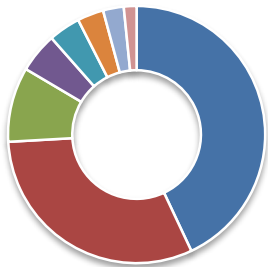




CONSOLIDATED INDUSTRY

Operated by private players

MARKET SHARE*



■ AGBAR SUEZ	43%
■ ONTARIO TEACHERS PP	31%
■ MARUBENI	9%
■ INV. AGUAS RIO CLARO	5%
■ SMAPA	4%
■ GRUPO LUKSIC	3%
■ HIDROSAN-ICAFAL-VECTA	3%
■ OTHERS	2%

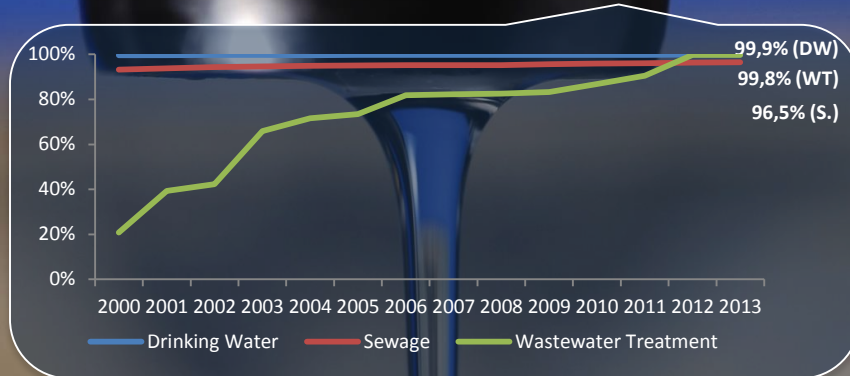


Currently, **95.7%** of the population is served by a privately-held operator.

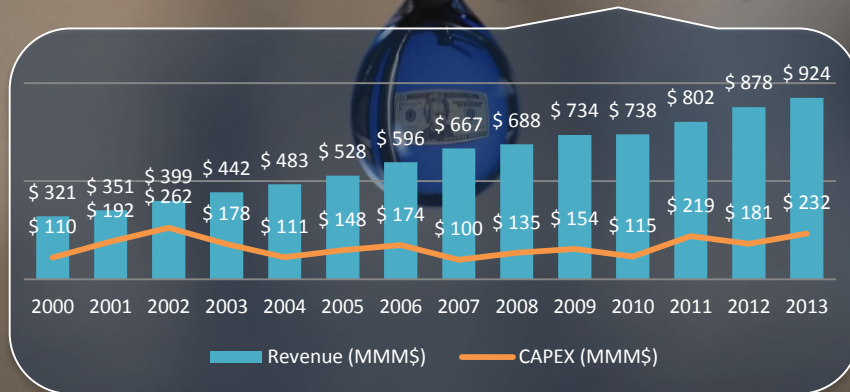


*Market share based on number of clients. Source: Informe de Gestión 2013 de SISS.

INDUSTRY COVERAGE RATIOS**



INDUSTRY REVENUES & CAPEX (USD TH. MILLIONS)**



**Source: SISS. Exchange rate: 523.76 CLP/USD as of 31 December 2013.



02 CHALLENGES FOR AGUAS ANDINAS





CHALLENGES

Aguas Andinas

- Service continuity
- Service reliability
- Automation and technology
- Security



- Increased service standards
- New channels to provide customer service
- Customer service, infrastructure and better processes

- Open dialogue with the community
- Education/community outreach
- Corporate Responsibility

- Intelligent organization
- Efficiency and changes in corporate culture
- Human Resources





SERVICE CONTINUITY

Increase Reserves of Drinking Water

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



Safety Infrastructure Projects – Phase I (completed):

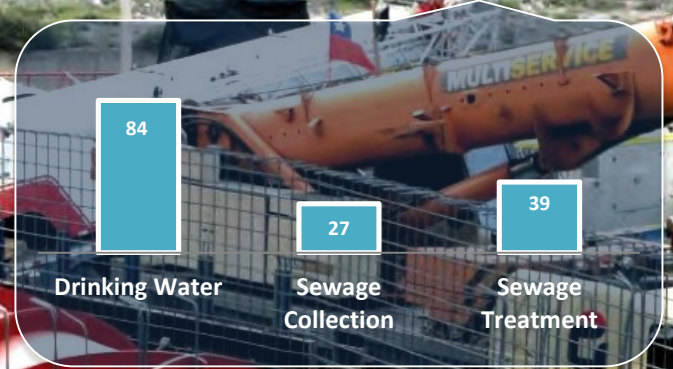
- 7 new wells (500 liters per second)
- 6 storage tanks for drinking water with a capacity of 225,000 m³
- Duct (4 m³/s) connecting the El Yeso Reservoir with the Las Vizcachas water production plant
- Tariff increase of 1.2% applied beginning 1 March 2014



Safety Infrastructure Projects - Phase II:

- Construction of a raw water storage tank with a capacity of 1,500,000 m³
- Network autonomy will be raised to 32 hours
- Investment of approximately US\$100 million
- Anticipated tariff increase of 1.1% to be applied when the project is completed (2018)

COMMITTED INVESTMENT PLAN WITH THE SISS FOR 2013-2023(USD MILLIONS)





SERVICE CONTINUITY

Drought Mitigation Plan



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 four years have ensured water supply for 2014-2015, even in the event that 2014 is a dry year.

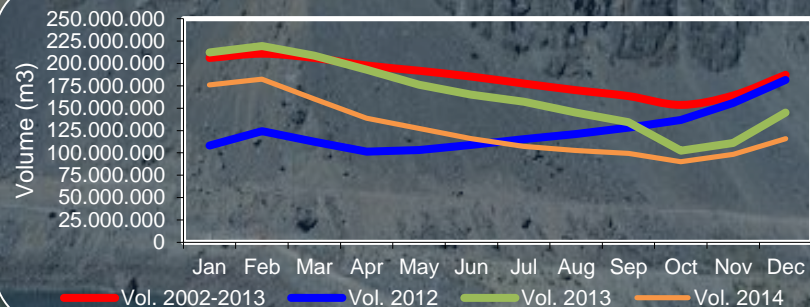


MAIN INITIATIVES:

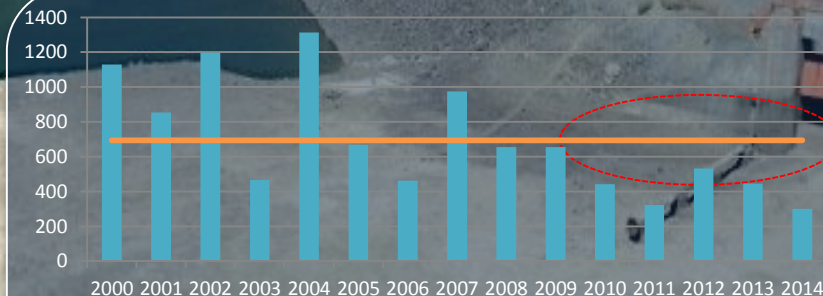
- New capacity in wells
- Purchase of raw water
- Renting of water rights
- Agreements with other users of the river
- Monitoring and control of illegal water usage/extraction



EMBALSE EL YESO WATER VOLUME



WATERFALL AT EMBALSE EL YESO (mm)⁽¹⁾



* Average calculated from 1983 to date.

(1) Source: Dirección General de Aguas (DGA)

El Yeso Reservoir December 2014- Approximately 66% of Capacity



SERVICE CONTINUITY

4th Stage of Mapocho Treatment Plant



Project to be completed in 2017



Will increase the treatment capacity of the Trebal-Mapocho complex from 6.6 m³ to 8.8 m³



Main benefits:

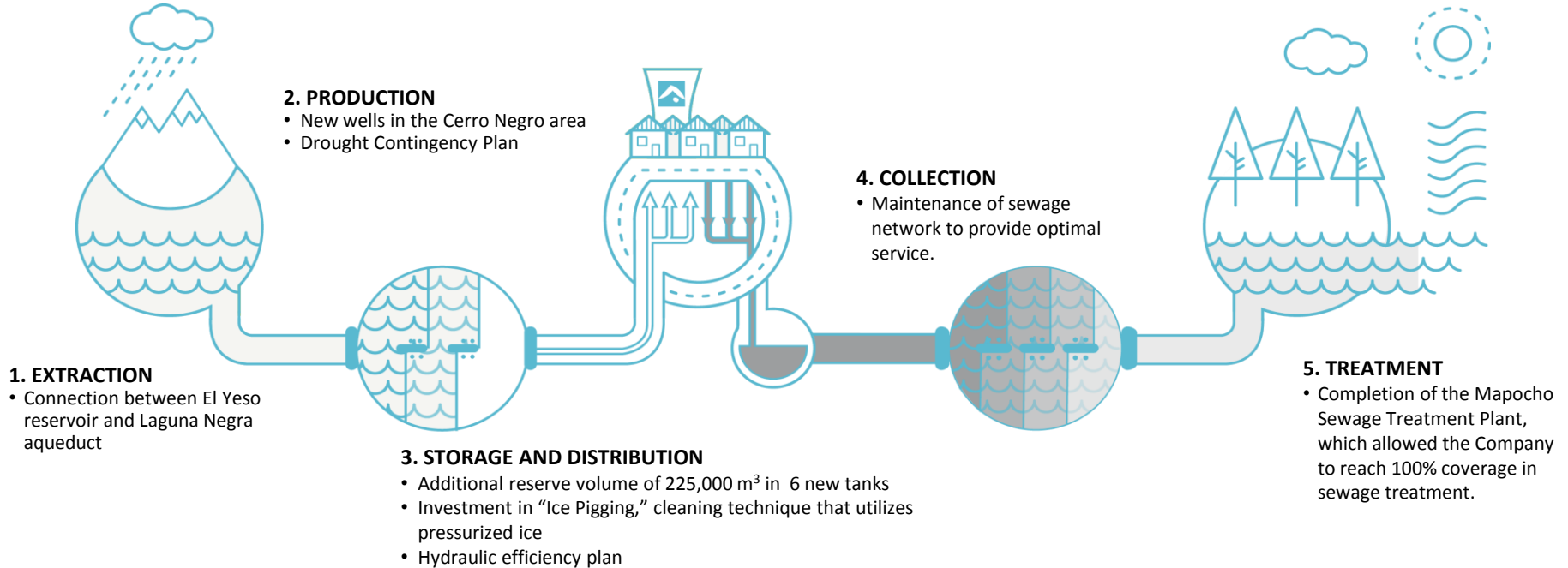
- Respond to increasing demand
- Strengthens the security of operations in the basins of Gran Santiago
- Prevents the need to send untreated water back to the river





SERVICE CONTINUITY

Operating Highlights 2012-2014



Aguas Andinas' high coverage levels for all water and sewage services ranks the Company as a world-class operator.





STRATEGIC CUSTOMER SERVICE PLAN

New World Class System

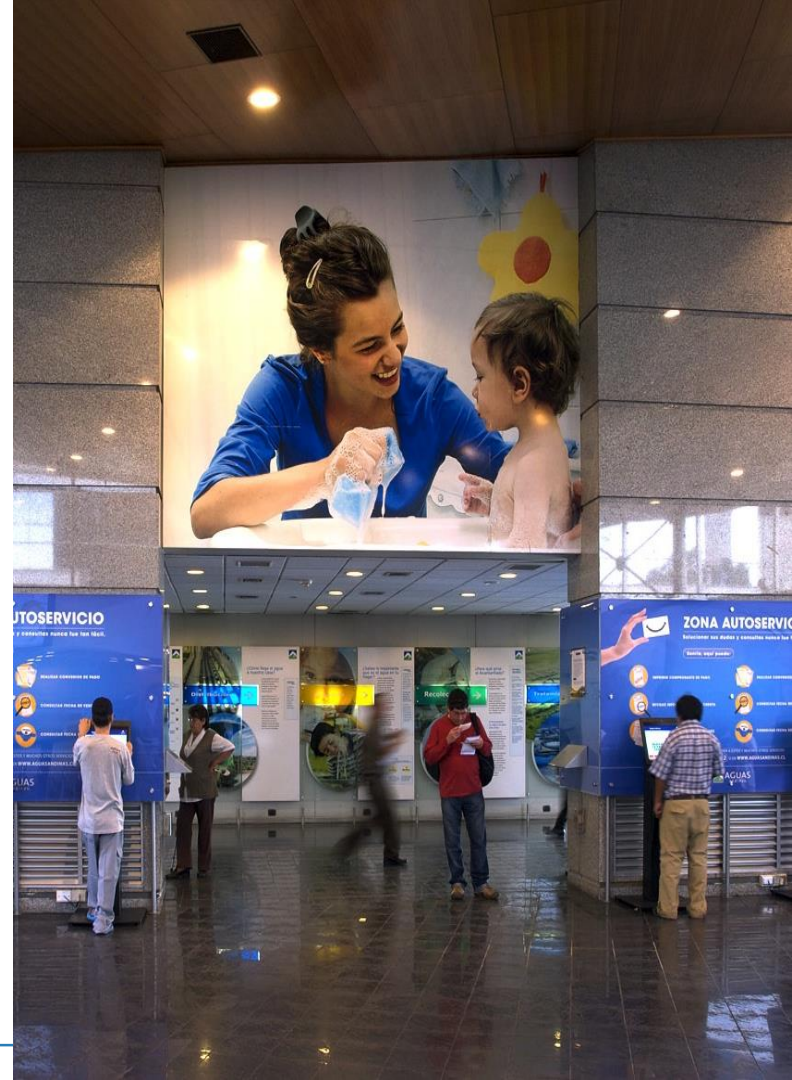
AquaCIS Implementation of AquaCIS, new billing tool that will allow us to further strengthen our commitment to serving clients



Integrates commercial operations processes, such as customer service, contracting services, readings, billing and collection, etc.



Work-flow management and business processes are integrated into a single technology platform





REGULATORY FRAMEWORK

Proven, Stable and Transparent



Regulatory framework in place more than 20 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



Very low delinquency levels due to the legal empowerment to disconnect clients



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

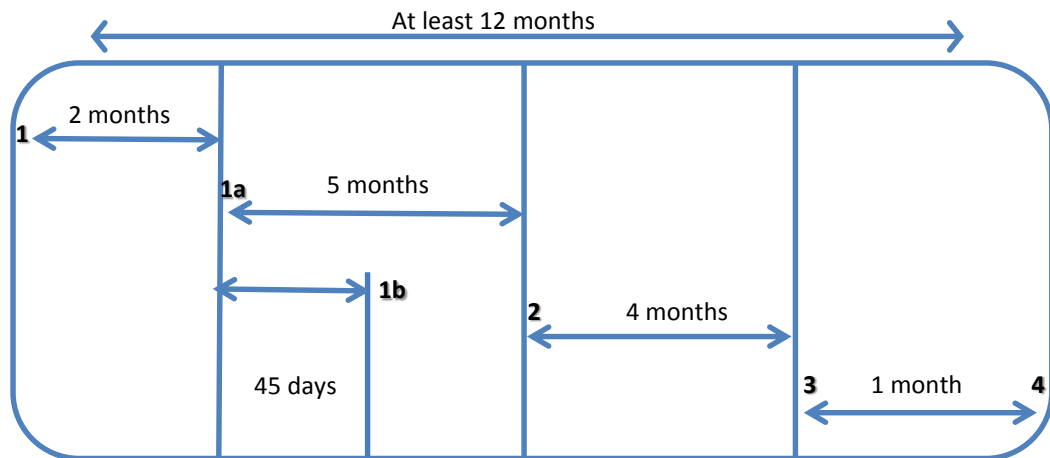
MODEL COMPANY	AGUAS ANDINAS
Greenfield operation	Existing infrastructure
Latest technology	Combination of new and legacy technology
Cost efficiency	Real costs
100% coverage in all services	Real coverage
Self-financing of investments through tariffs	Self-financing of investments through tariffs
Minimum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





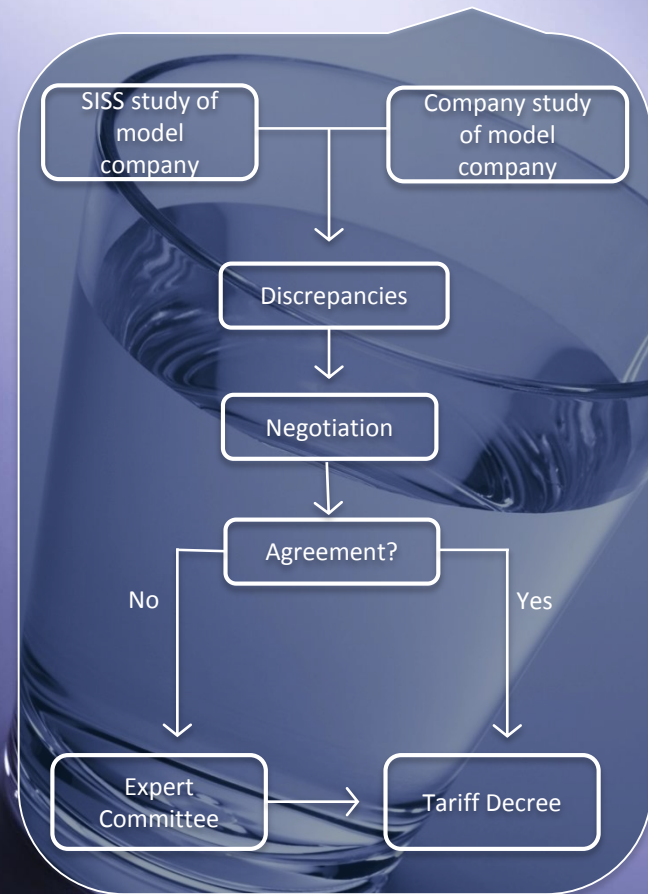
SIXTH TARIFF NEGOTIATION PROCESS

CALENDAR



1. Publication of preliminary bases (October 2013)
 - 1 a. Observations/comments of preliminary bases (December 2013)
 - 1 b. Publication of definitive bases (March 2014)
2. Exchange of model company studies (October 2014)
- 2-3. Negotiation
3. Tariff decree
4. New tariffs applied

Mechanism for Tariff Negotiation Process





RESOLUTION OF SIXTH TARIFF NEGOTIATION PROCESS

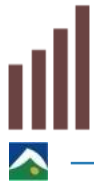
On November 14th, Aguas Andinas and its subsidiaries Aguas Cordillera and Aguas Manquehue, came to an agreement with the Superintendence of Sanitary Services (the "SISS") within the framework of the sixth tariff-setting process for the period 2015-2020.



Aguas Andinas and Aguas Cordillera's tariffs, which compose **97%** of the income being negotiated during the process (344 billion CLP, ~573 million USD), will be **maintained at current levels** for the new period. These tariffs will apply from March and July 2015 respectively.



Aguas Manquehue, which represents **3%** of the income negotiated (9 billion CLP, ~15 million USD), will reduce its tariffs by 5% from May 2015. This reduction was linked to the high volume increases recorded during the previous 5 years (above 30% increase).



The polynomials that have been used for the previous 5 year process will remain the same.





RESOLUTION OF SIXTH TARIFF NEGOTIATION PROCESS

Additional tariff increases when new investments come into operation:



Turbidity safety works: +1.1% in 2018



Quality improvement works WWTP Farfana + Trebal:
+1.4% in 2018

Tariff discount due to Non-Regulated Business:



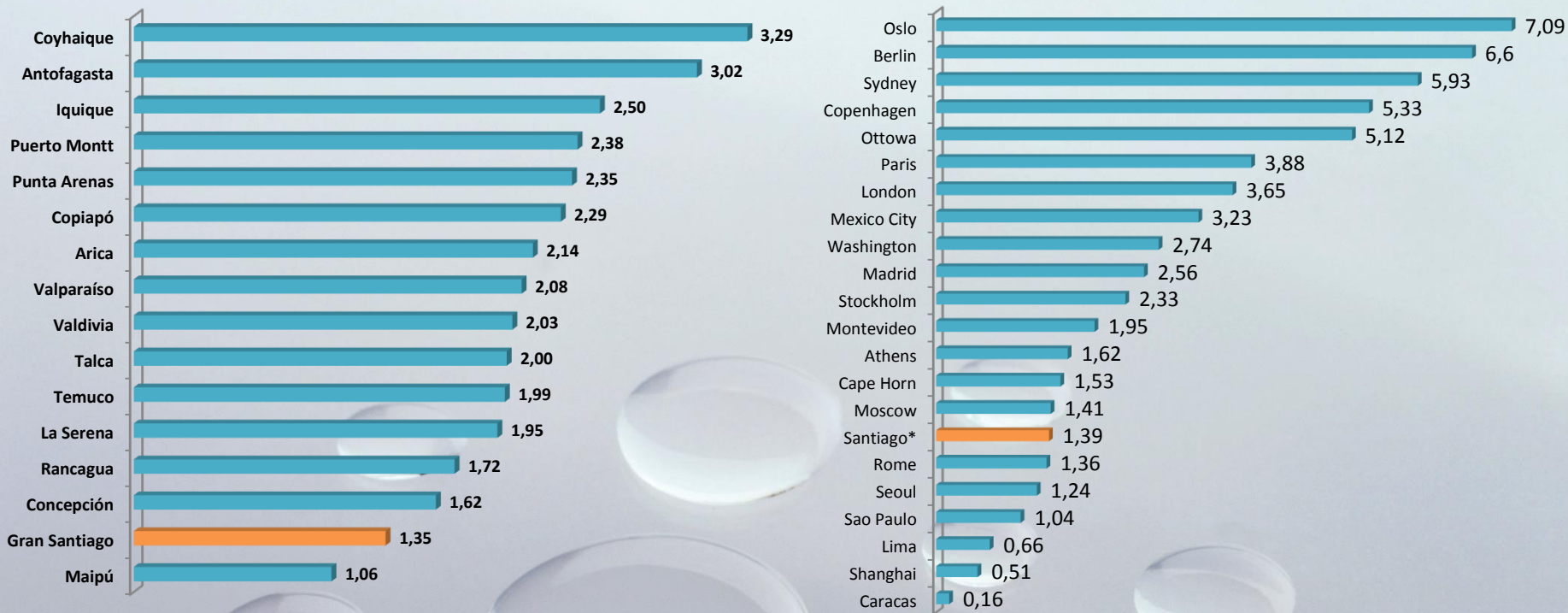
Alto Maipo Project: -1.2% in 2018 (estimated)





TARIFF BENCHMARKS

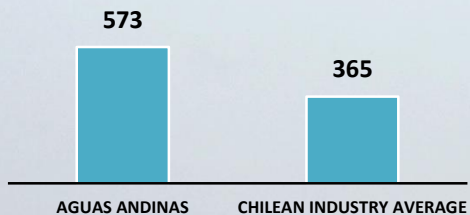
TARIFFS PER CUBIC METER (WATER AND SEWAGE) US\$/M³



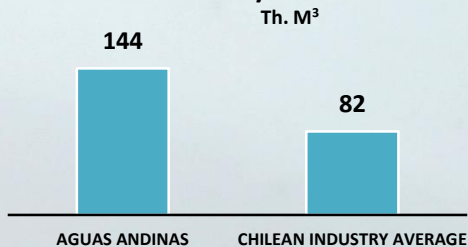


PRODUCTIVITY/QUALITY OF SERVICE

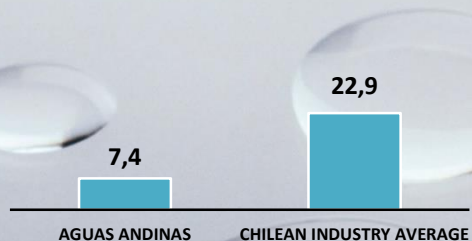
CLIENTS/EMPLOYEES



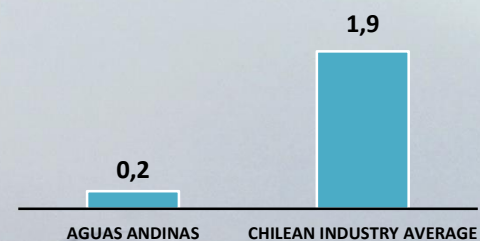
BILLING/EMPLOYEES



RUPTURES X 100 KMS.



RUPTURES X 1.000 CLIENTES





03 FINANCIAL PERFORMANCE





FINANCIAL PERFORMANCE

as of September 2014

Millions of CLP

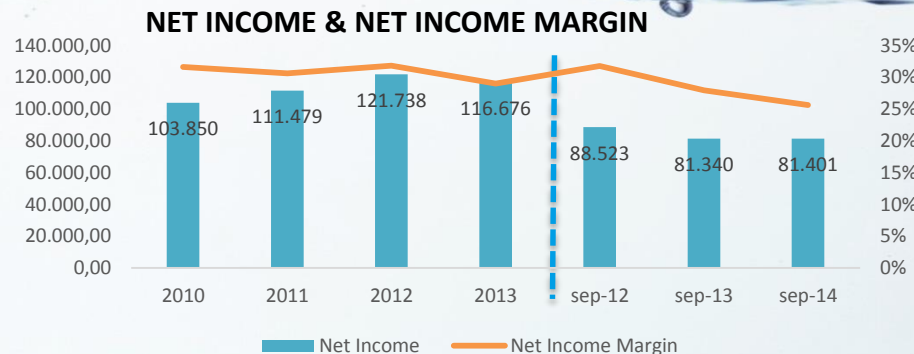
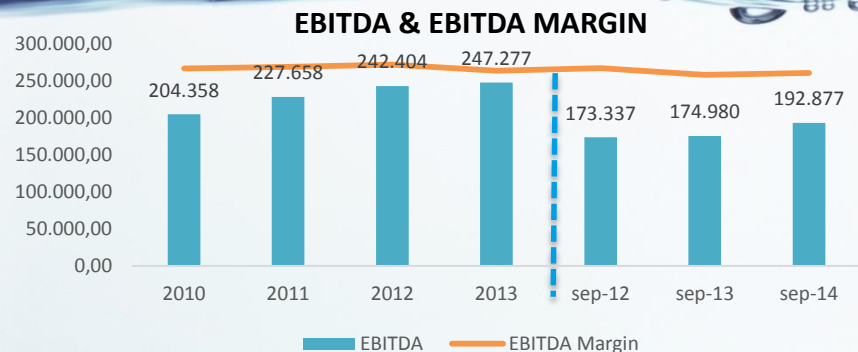
Revenue and EBITDA growth (CAGR) have been 5.3% and 4.7%, respectively, during the last 5 years.



- Coverage of Financial Expenses= 5.82 (Sept 14)
- Leverage = 1.32x (Sept 14)



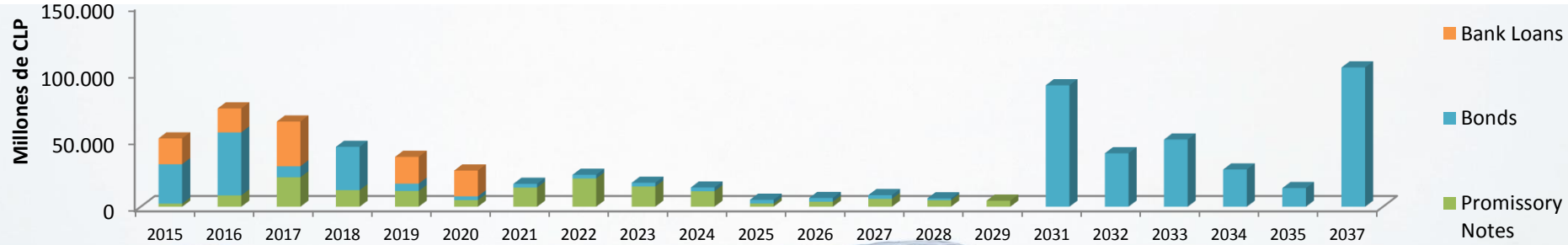
Dividend Policy: 100%



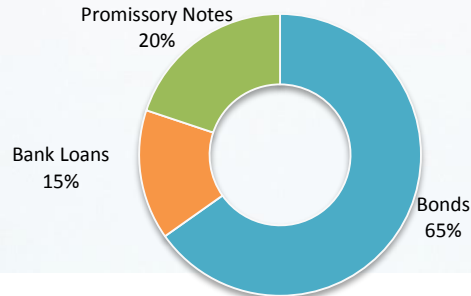


DEBT STRUCTURE

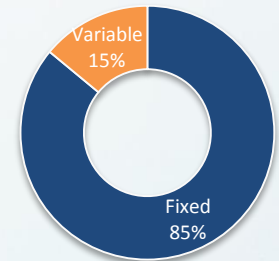
as of September 30 2014




DEBT BREAKDOWN BY INSTRUMENT
(SEPTEMBER 2014)



DEBT BREAKDOWN BY INTEREST TYPE
(SEPTEMBER 2014)



AA+ Local credit rating

 Total Financial Debt: CLP\$ 735,787 million





AGUAS
andinas®

**Pura
VIDA**