

Earnings Release

4Q21 and 2021

Rio Manso Reservoir



COPASA

Belo Horizonte, 29 March, 2022 - COPASA MG - Companhia de Saneamento de Minas Gerais - (B3: CSMG3) hereby announces today its results for the fourth quarter of 2021 (4Q21) and the full year of 2021. The financial information, except where otherwise indicated, is presented in Brazilian Reais thousands (R\$ thousand) and refers to the Parent Company. All tables in this report are available for download on the Company's Investor Relations website: (ir.copasa.com.br).

OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Net revenues from water and sewage totaled **R\$1.29 billion** in 4Q21, from **R\$1.34 billion** in 4Q20. In 2021, net revenues from water and sewage was **R\$5.18 billion, 3.3% higher** than the previous year.
- Costs and administrative expenses totaled **R\$677.6 million** in 4Q21, against **R\$646.9 million** in 4Q20. In the year, costs and administrative expenses totaled **R\$2.71 billion, against R\$2.50 billion** in 2020.
- The results in 2021 were affected by extraordinary items referring to the Voluntary Separation Program, refund of fees determined by Arsae-MG and additional provisions for labor lawsuit 102100-74.2008.5.03.0024.
- Adjusted EBITDA totaled **R\$456.1 million** in 4Q21, with a margin of **32.9%**. In this adjustment, we excluded part of the aforementioned additional provision referring to the labor lawsuit, in the amount of **R\$110.3 million**, as it was recorded under other operating expenses.
- Adjusted EBITDA for 2021, excluding extraordinary items (Incentive Voluntary Dismissal Program, refund of fees determined by Arsae-MG and the additional provision for the labor lawsuit) was **R\$1.94 billion**, with a margin of **35.9%**.
- Net income was **R\$64.3 million** in 4Q21 and **R\$537.6 million** in 2021.
- Investments carried out in 4Q21 totaled **R\$328.6 million**, and **R\$943.4 million** in the year, considering COPASA MG and Copanor, jointly.
- Interest on Equity - IoE declared for 2021 totaled **R\$282.7 million**.
- Net debt reached **R\$2.71 billion** in December 2021 and the Net Debt/EBITDA ratio was **1.7x**.
- In December 2021, the number of consumer units for water reached **5.53 million (5.46 million** in December 2020) and consumer units for sewage reached **3.89 million (3.76 million** in December 2020), considering COPASA MG and Copanor, jointly.
- Default rates increased from **4.52%** in December 2020 to **3.50%** in December 2021.

Conference Call and COPASA Day
(Simultaneous Translation):
March 30, 2022 (Wednesday)
10:30 a.m. (Brasilia) 9:30 a.m. (New York) 2:30 p.m. (London)
Webcast: [Click here](#)

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1. Operating Performance

1.1. Service Concessions

In December 2021, the Company had the concession to provide water services in 640 municipalities and sewage services in 310 municipalities, as shows below:

Concessions ²	December 31, 2021			December 31, 2020		
	Total	Parent Company	Coponor	Total	Parent Company	Coponor
Water						
Concession	640	591	49	640	591	49
In Operation	631	583	48	630	582	48
Sewage						
Concessions	310	254	56	310	254	56
In Operation	266	225	41	265	224	41

(1) It Includes expired concessions with 10 municipalities and concessions with 2 municipalities whose contracts were legally declared null.

(2) Only one concession/operation is considered per municipality, regardless of whether there is more than one contract, in cases where COPASA and COPANOR provide services in the same municipality, or if it is a contract that covers only districts and localities.

The chart below shows the Company's ten (10) largest concessions, which together accounted for approximately 50% of the Company's water and sewage net revenues, as well as their respective expiration periods:

Municipality	Expiration
Belo Horizonte	11/2032
Contagem	02/2073
Betim	12/2042
Montes Claros	07/2048
Ribeirão das Neves	05/2034
Divinópolis	06/2041
Ipatinga	02/2022
Santa Luzia	02/2050
Pouso Alegre	08/2046
Varginha	06/2047

In December 2021, approximately 83% of the Company's water and sewage revenues came from concessions expiring after January 2032. On the same date, concessions from 10 municipalities were expired, in addition to contractual nullity for 2 other municipalities, both of which accounted for approximately 1.7% of net revenues from water and sewage.

Under the principle of continuity for the provision of essential public services, these municipalities continue to be served and billed by the Company, both in municipalities with expired concessions and in municipalities where contractual nullity was decreed.

As for the Belo Horizonte concession, the Company clarifies that the Cooperation Agreement, signed on November 13, 2002, established a 30-year term for the service provision, with maturity expected for November 13, 2032. On April 30, 2004, the First Amendment to the Cooperation Agreement was entered into, containing the same term established in the Agreement. Because of this clause in the Amendment, it was believed that the concession would mature in 30 years as of the date of the signature of the First Amendment. After a detailed analysis of COPASA MG's contracts, the Company understood that the concession would mature on November 13, 2032, taking into consideration the reference date for the formalization of the Cooperation Agreement.

The Company also analyzed clauses on automatic renewal of contracts. Based on new understanding, 59 concession agreements – which were considered expired – came into force.

1.2. Operational Data

The main operational data referring to the end of the respective fiscal years, and COPASA MG's (Parent Company) quarterly volume, are shown below:

COPASA data (Parent Company)	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Water					
Connections (1,000 units)	4,482	4,421	1.4%	4,299	2.8%
Units (1,000 units)	5,418	5,347	1.3%	5,205	2.7%
Population Served (1,000 inhabitants)	11,610	11,584	0.2%	11,396	1.7%
Distributed Volume (1,000 m ³)	255,580	259,930	-1.7%	250,865	3.6%
Measured Volume (1,000 m ³)	155,900	156,169	-0.2%	152,838	2.2%
Network Extension (km)	60,615	54,638	10.9%	53,673	1.8%
Water Metering Index (%)	99.9	99.8	+0.1p.	99.8	-
Loss Index ¹ (%)	40.1	40.5	-0.4p.p.	40.1	+0.4p.p.
Sewage					
Connections (1,000 units)	3,012	2,942	2.4%	2,873	2.4%
Units (1,000 units)	3,834	3,711	3.3%	3,627	2.3%
Population Served (1,000 inhabitants)	8,342	8,230	1.4%	8,112	1.4%
Measured Volume (1,000 m ³)	107,764	106,033	1.6%	104,499	1.5%
Treated Volume (1,000 m ³)	86,465	77,214	12.0%	75,327	2.5%
Network Extension (km)	30,804	27,691	11.2%	26,702	3.7%
Water and Sewage					
Consumption Days (quarter)	91.7	89.4	2.5%	91.0	-1.8%
Consumption Days (monthly average)	30.6	29.8	2.5%	30.3	-1.8%

(1) Difference between the distributed volume and the measured volume, divided by the distributed volume in the last twelve months.

The main operational data referring to the end of the respective fiscal years, and COPANOR's quarterly volume, are shown below:

COPANOR Data	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Water					
Connections (1,000 units)	110	108	1.9%	102	5.6%
Units (1,000 units)	113	111	1.8%	106	5.4%
Population Served (1,000 inhabitants)	223	220	1.3%	212	3.7%
Distributed Volume (1,000 m ³)	4,241	3,799	11.6%	4,466	-14.9%
Measured Volume (1,000 m ³)	2,386	2,433	-1.9%	2,428	0.2%
Network Extension (km)	2,701	2,220	21.6%	2,165	2.6%
Sewage					
Connections (1,000 units)	52	50	3.8%	48	5.7%
Units (1,000 units)	54	52	3.6%	50	5.5%
Population Served (1,000 inhabitants)	105	102	2.9%	98	4.3%
Measured Volume (1,000 m ³)	1,122	1,074	4.5%	1,018	5.5%
Network Extension (km)	1,572	1,498	4.9%	1,464	2.3%

The main operational data referring to the end of the respective fiscal years, and the consolidated quarterly volume of COPASA MG and COPANOR, are shown below:

Consolidated Data (COPASA MG +COPANOR)	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Water					
Connections (1,000 units)	4,591	4,529	1.4%	4,401	2.9%
Units (1,000 units)	5,532	5,458	1.3%	5,310	2.8%
Population Served (1,000 inhabitants)	11,833	11,804	0.2%	11,608	1.7%
Distributed Volume (1,000 m ³)	259,821	263,729	-1.5%	255,331	3.3%
Measured Volume (1,000 m ³)	158,286	158,601	-0.2%	155,266	2.1%
Network Extension (km)	63,316	56,859	11.4%	55,837	1.8%
Sewage					
Connections (1,000 units)	3,064	2,992	2.4%	2,921	2.4%
Units (1,000 units)	3,888	3,764	3.3%	3,676	2.4%
Population Served (1,000 inhabitants)	8,447	8,332	1.4%	8,211	1.5%
Measured Volume (1,000 m ³)	108,886	107,107	1.7%	105,518	1.5%
Network Extension (km)	32,376	29,189	10.9%	28,166	3.6%

The volumes for the fiscal years ended 2021, 2020, and 2019 are as follows:

Distributed and Measured Volume	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
COPASA					
Water					
Distributed Volume (1,000 m ³)	1,041,473	1,019,232	2.2%	1,000,790	1.8%
Measured Volume (1,000 m ³)	618,952	601,966	2.8%	594,864	1.2%
Sewage					
Measured Volume (1,000 m ³)	424,307	410,288	3.4%	406,337	1.0%
Treated Volume (1,000 m ³)	339,981	314,169	8.2%	303,350	3.6%
COPANOR					
Water					
Distributed Volume (1,000 m ³)	14,662	15,472	-4.6%	16,127	-4.1%
Measured Volume (1,000 m ³)	9,757	9,151	6.6%	9,377	-2.4%
Sewage					
Measured Volume (1,000 m ³)	4,506	4,038	11.6%	3,885	3.9%
COPASA + COPANOR					
Water					
Distributed Volume (1,000 m ³)	1,056,135	1,034,704	2.1%	1,016,917	1.8%
Measured Volume (1,000 m ³)	628,709	611,118	2.9%	604,241	1.1%
Sewage					
Measured Volume (1,000 m ³)	428,813	414,326	3.5%	410,222	1.0%

1.3. Customer Base

The quarterly information about the customer base, measured volume and billing by consumer category (Residential, Social Residential, Commercial, Industrial and Public) are highlighted in the following table:

Consolidated Data (COPASA MG + COPANOR)	Units per Category (%)			Measured Volume per Category (%)			Billing per Category (%)		
	4Q21	4Q20	4Q19	4Q21	4Q20	4Q19	4Q21	4Q20	4Q19
Water and Sewage (Média)									
Residential	77.3%	78.1%	79.2%	73.4%	75.3%	74.2%	68.5%	71.7%	68.7%
Residential Social	12.2%	11.3%	10.3%	12.5%	11.6%	10.1%	6.2%	5.3%	4.4%
Commercial	8.6%	8.6%	8.6%	8.0%	7.5%	8.6%	13.8%	12.9%	14.4%
Industrial	0.6%	0.7%	0.6%	2.1%	2.0%	2.1%	4.1%	3.8%	3.8%
Public	1.3%	1.3%	1.3%	4.1%	3.6%	5.0%	7.4%	6.3%	8.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1.4. Employees and Employees per Connection

On June 17, 2021, the Board of Directors of COPASA MG approved the Regulation of COPASA MG's Voluntary Separation Program (VSP). Employees retired by the INSS by time of contribution, age, or special retirement, whose retirement has been granted until November 13, 2019, the date before Constitutional Amendment 103/2019 came into force, were able to join the Program in August 2021.

In total, 1,098 Company employees joined the VSP. Dismissals started in October 2021 and scheduled to end in March 2022, with approximately 200 voluntary separations per month.

Severance and incentive payments were estimated at R\$152.2 million, whose provision was fully recorded in the third quarter of 2021. The estimated payback is 11 months, allowing for a monthly saving of about R\$14 million on the Company's personnel expenses, considering all employees who joined the Voluntary Separation Program.

Also, the Company has been dismissing retired employees ever since Constitutional Amendment 103/2019, of November 12, 2019, came into force.

As a result, the number of employees, within the scope of the Parent Company, reduced by 6.2% compared to December 2020, reaching 10,692 employees in December 2021, as shown below:

Employees and Employees per Connection	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
COPASA					
Employees	10,692	11,393	-6.2%	11,525	-1.1%
Employees/Connection ¹	1.42	1.55	-8.4%	1.61	-3.7%
COPANOR					
Employees	471	466	1.1%	468	-0.4%
Employees/Connection ¹	2.87	2.95	-2.7%	3.12	-5.7%
COPASA + COPANOR					
Employees	11,163	11,859	-5.9%	11,993	-1.1%
Employees/Connection ¹	1.45	1.58	-8.1%	1.64	-3.7%

(1) Number of employees / 1,000 connections of water and sewage.

2. Quarterly Financial Performance

2.1. Revenues

The table below shows gross revenue, deductions (PIS/COFINS), and net revenue from water, sewage, and solid waste in the comparative periods:

Gross Revenue, Deductions and Net Revenue	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Gross Revenue – Water	940,589	943,161	-0.3%	907,069	4.0%
Gross Revenue – Sewage	479,289	538,032	-10.9%	516,202	4.2%
Gross Revenue – Solid Waste	633	618	2.4%	532	16.2%
Gross Revenue - Water, Sewage and Solid Waste	1,420,511	1,481,811	-4.1%	1,423,803	4.1%
PIS/COFINS	(131,474)	(137,126)	-4.1%	(131,778)	4.1%
Net Revenue - Water, Sewage and Solid Waste	1,289,037	1,344,685	-4.1%	1,292,025	4.1%

Net revenue from water, sewage and solid waste totaled R\$1.29 billion in 4Q21, as shown below:

Net Revenue	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Net Direct Revenue - Water	833,365	836,875	-0.4%	800,630	4.5%
Net Direct Revenue - Sewage	433,378	482,717	-10.2%	464,839	3.8%
Net Direct Revenue - Water and Sewage	1,266,743	1,319,592	-4.0%	1,265,469	4.3%
Net Indirect Revenue - Water	20,170	19,008	6.1%	22,482	-15.5%
Net Indirect Revenue - Sewage	1,569	5,543	-71.7%	3,608	53.6%
Net Indirect Revenue - Water and Sewage	21,739	24,551	-11.5%	26,090	-5.9%
Net Revenue - Solid Waste	555	542	2.4%	466	16.3%
Net Revenue - Water, Sewage and Solid Waste	1,289,037	1,344,685	-4.1%	1,292,025	4.1%

The Company's comments on the main factors that influenced net revenue from water supply and sewage services in the comparative periods are as follows:

- application of new tariffs by the Company, as authorized by Arsae-MG, of which 3.04% as from November 2020, due to that year's tariff adjustment; and -1.52% as from August 2021, due to the result of COPASA MG's Second Tariff Revision;
- A growth of 1.3% in the number of consumer units for water and 3.3% in consumer units for sewage, both at the Parent Company level;
- An decrease of 1.6% in water volumes per unit and 1,4% in sewage volume per unit; and
- As disclosed in the 3Q21 Earnings Release, the Company accrued, in that quarter, the full amount of the tariff refunds determined by Arsae. The amount of R\$31.2 million returned to customers in 4Q21, an integral part of the amount provisioned in 3Q21 (R\$126.8 million), was billed by reducing revenues, being adjusted by reversing the same amount to Other Operating Expenses, which had no effect on the final result.

The table below shows direct water and sewage billing in the comparative periods. See the breakdown of billing per consumer category in item 1.3 of this Release:

Billing	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Billing - Water	947,006	904,427	4.7%	890,313	1.6%
Billing - Sewage	502,047	530,344	-5.3%	522,659	1.5%
Billing - Total	1,449,053	1,434,771	1.0%	1,412,972	1.5%

2.2. Costs and Expenses

Quarterly costs and expenses are as follows:

Costs and Expenses	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Manageable Costs	677,561	646,908	4.7%	601,722	7.5%
Personnel	375,417	363,830	3.2%	361,371	0.7%
Outsourced Services	133,312	108,466	22.9%	115,603	-6.2%
Rio Manso PPP	23,066	18,070	27.6%	17,753	1.8%
Material	20,573	18,019	14.2%	16,301	10.5%
Provision for Doubtful Accounts (PDA)	59,866	88,781	-32.6%	44,852	97.9%
Tariff Transfers to Municipalities	47,970	34,522	39.0%	32,161	7.3%
Sundry Operational Costs	17,357	15,220	14.0%	13,681	11.2%
Non-Manageable Costs	183,578	141,980	29.3%	142,151	-0.1%
Electricity	159,157	123,315	29.1%	123,943	-0.5%
Telecommunication	3,917	2,981	31.4%	3,659	-18.5%
Treatment Chemicals	25,333	22,807	11.1%	19,838	15.0%
Fuels and Lubricants	10,400	6,892	50.9%	7,219	-4.5%
Tax Credits	(15,229)	(14,015)	8.7%	(12,508)	12.0%
Capital Costs	234,300	164,342	42.6%	153,929	6.8%
Depreciation and Amortization	234,300	164,342	42.6%	153,929	6.8%
Charge for Usage of Water Resources	6,976	5,634	23.8%	658	n.m.
Total Costs and Expenses	1,102,415	958,864	15.0%	898,460	6.7%
Total Costs and Expenses (without Depreciation and Amortization)	868,115	794,522	9.3%	744,531	6.7%

The following section presents the Company's comments on the items that make up selling and service costs, and selling and administrative expenses (excluding construction costs) with the most significant changes:

2.2.1. Manageable Costs

2.2.1.1. Personnel

Personnel expenses increased by 3.2% in relation to the same period in 2020. The most significant changes were:

- provisions for the Collective Bargaining Agreement, as detailed in item 3.2.1.1 of this Earnings Release;
- increase of R\$5.8 million in expenses with the health program, given that the use of medical services was lower in 2020; and
- reduced provisions for profit sharing (said provisions totaled R\$3.4 million in 4Q21 and R\$17.4 million in 4Q20).

2.2.1.2. Outsourced Services

This item saw an increase of R\$24.8 million. The most significant changes were:

- expenses of R\$6.1 million referring to the contracting of tax consultancy (based on performance contract);
- R\$3.7 million increase with computing expenses, due to the contracting of new services, and application of contractual adjustments;
- R\$8.6 million increase in technical professional services, chiefly due to expenses with the bank coordinating the debentures (16th Issue); and
- higher expenses with sundry services, due to contractual adjustments and formalization of new contracts.

2.2.1.3. Materials

This item increased 14.2%, mainly due to higher expenses with materials for the conservation and maintenance of assets and systems, as well as vehicle parts, accessories and components.

2.2.1.4. Impairment of Receivables

The drop seen was due to lower delinquency year on year in 4Q21. We underscore that the impaired amounts in 4Q20 were impacted by the improvement of the methodology used to recognize this provision.

The table below shows the net Impairment of Receivables, obtained from the difference between the loss and the recovery of written-off accounts (recorded under Other Operating Revenues):

Net PDA	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Provision for Doubtful Accounts (PDA)	59,866	88,781	-32.6%	44,852	97.9%
Recovery of written-off accounts	15,847	18,518	-14.4%	9,138	102.6%
Net PDA	44,019	70,263	-37.4%	35,714	96.7%

2.2.1.5. Tariff Transfers to Municipalities

The 39% YoY increase in this item in 4Q21 was due to transfers to new municipal sanitation funds, as detailed in item 3.2.1.6 of this Earnings Release.

2.2.1.6. Sundry Operational Costs

Sundry costs rose by 14.0% due to higher expenses with showcases, congresses, campaigns and related events, as well as transportation, travel and lodging.

2.2.2. Non-Manageable Costs

2.2.2.1. Electricity

The 29.1% YoY increase in 4Q21 was mainly due to higher tariff flag expenses, and the growth in the average cost of electricity, due to the reduction in the subsidy.

2.2.2.2. Telecommunications

The increase was mainly due to the expansion of the mobile signal coverage in November 2020, aiming to integrate several localities where the Company operates.

2.2.2.3. Fuels and Lubricants

This item increased mainly because of higher fuel prices.

2.2.3. Capital Costs

2.2.3.1. Depreciation and Amortization

The 42.6% increase in Depreciation and Amortization, comparing 4Q20 to 4Q21, occurred mainly due to the higher volume of construction work in Cataguases, Tiradentes, Contagem (sewage), Nova Serrana (water) and Belo Horizonte (construction work related to the agreement with DRENURBES – restoration of the valley fund).

2.3. Other Operating Revenues (Expenses)

Other operating revenues and expenses in the comparative periods are as follows:

Other Operating Revenues (Expenses)	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Other Operating Revenues	87,485	50,989	71.6%	27,383	86.2%
Revenue from Technical Services	72	14	n..,	20	-30.0%
Reversal of Non-Deductible Provision	11,696	29,594	-60.5%	13,860	113.5%
Recovery of Written-off Accounts	15,847	18,518	-14.4%	9,138	102.6%
Other Revenues	59,870	2,863	n.m.	4,365	-34.4%
Other Operating Expenses	(159,439)	(57,276)	178.4%	(60,501)	-5.3%
Payment and Non-Deductible Provision	(152,377)	(27,330)	n.m.	(34,409)	-20.6%
Non-Recurring Losses	23,066	(2,620)	n.m.	(2,788)	-6.0%
Service Inspection Fee	(10,737)	(9,852)	9.0%	(9,387)	5.0%
Other Expenses	(19,392)	(17,474)	11.0%	(13,917)	25.6%
Total	(71,954)	(6,287)	n.m.	(33,118)	n.m.

2.3.1. Other Operating Revenues

Other Operating Revenues increased by 71.6%, mainly due to the inclusion of income from the recovery of PIS/COFINS credits, in the amount of R\$52.6 million in 2021.

2.3.2. Other Operating Expenses

Other Operating Expenses increased by R\$102.2 million in 4Q21 over 4Q20, mainly due to R\$217.4 million in additional provisions for labor lawsuit 102100-74.2008.5.03.0024 (see item 8.1 of this Report), of which R\$110.3 million were recorded as Other Operating Expenses and R\$107.2 million as Financial Expenses.

2.4. Equity Pick-up (Subsidiary COPANOR)

COPANOR's Summarized Income Statement referring to the comparative periods is as follows:

Summarized Statement of COPANOR	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Net Revenue from Sales and/or Services	10,997	10,001	10.0%	9,368	6.8%
Construction Revenue	13,372	5,304	152.1%	6,698	n.m.
Other Operating Revenues	141	5,375	-97.4%	127	n.m.
Operating Costs and Expenses	(14,829)	(13,217)	12.2%	(12,170)	8.6%

Construction Costs	(13,372)	(5,304)	n.m.	(6,698)	n.m.
Other Operating Expenses	(1,481)	(188)	n.m.	(888)	-78.8%
Net Financial Revenues (Expenses)	924	270	n.m.	190	42.1%
Net Income (Loss)	(4,248)	2,241	n.m.	(3,373)	n.m.

2.5. Financial Result

Financial revenues and expenses in the comparative periods are as follows:

Financial Revenues (Expenses)	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Financial Revenues	156,232	17,184	n.m.	35,108	-51.1%
Monetary Variation	6,786	1,829	n.m.	1,310	39.6%
Foreign Exchange Variation	8,007	(10,996)	-172.8%	2,578	n.m.
Interest	11,389	11,029	3.3%	10,261	7.5%
Real Gains from Financial Investments	25,905	4,936	n.m.	6,942	-28.9%
Capitalization of Financial Assets/Other	104,145	10,386	n.m.	14,017	-25.9%
Financial Expenses	(215,949)	(42,580)	n.m.	(57,525)	-26.0%
Monetary Variation	(46,256)	(23,957)	93.1%	(10,306)	132.5%
Foreign Exchange Variation	(8,727)	21,522	n.m.	(1,549)	n.m.
Interest on Loans	(160,931)	(39,990)	n.m.	(45,645)	-12.4%
Sundry	(35)	(155)	-77.4%	(25)	n.m.
Financial Result	(59,717)	(25,396)	135.1%	(22,417)	13.3%

2.5.1. Financial Revenues

The increase of R\$139.0 million was mainly due to:

- Dividends and IoE received from GS Inima Industrial Jeceaba S/A, in the amount of R\$42.3 million in 4Q21 (R\$1.6 million in 4Q20); and
- Increase in financial assets related to the concession in Belo Horizonte, including the recalculation arising from the change in the expiration date of said concession.

2.5.2. Financial Expenses

Financial Expenses increased by R\$173.4 million, mainly due to R\$217.4 million in additional provision for labor lawsuit 102100-74.2008.5.03.0024 (see item 8.1 of this Report), of which R\$107.2 million was accounted as Financial Expenses and R\$110.3 million as Other Operating Expenses.

2.6. Taxes on Income

Taxes on Income	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Income and Social Contribution Taxes	(13,599)	87,625	-115.5%	79,370	10.4%

The reduction in taxes on income was mainly due to the 85.8% drop in earnings before taxes on income, comparing 4Q20 and 4Q21 (see item 2.7 of the table).

The Company also had a tax benefit of R\$11.7 million, which was accounted for in 4Q21, referring to the tax incentive of SUDENE (Superintendence for Development of the Brazilian Northeast). Considering that the Company is present in 118 municipalities covered by Sudene, and that it is supported by a law that provides for

an incentive, i.e. a 75% reduction in income tax and non-refundable amounts for legal entities that have projects in priority economic sectors to develop determined regions, COPASA MG sought and obtained Sudene's approval to recognize said incentive.

This incentive was granted for 10 years, effective from January 2021 to December 2030, and is under analysis by the Federal Revenue Service.

2.7. Net Income

Below is a table with the Net Income of the comparative periods:

Net Income and Earnings per Share	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Result before Financial Result and Taxes	110,420	381,775	-71.1%	357,074	6.9%
Net financial result	(59,717)	(25,396)	135.1%	(22,417)	13.3%
Earnings before Taxes on Income	50,703	356,379	-85.8%	334,657	6.5%
Taxes on Income	13,599	(87,625)	-115.5%	(79,370)	10.4%
Net Income	64,302	268,754	-76.1%	255,287	5.3%
Net Earnings per Share (R\$)	0.17	0.71	-93.2%	0.67	24.4%

(1) The amounts were adjusted considering the split that occurred on November 25, 2020, in the proportion of 1 (one) to 3 (three) shares. Thus, the amounts of net income per share, prior to the operation date, were divided by three (3).

2.8. EBITDA and EBITDA Margin

EBITDA is a non-accounting measure adopted by COPASA MG, calculated according to CVM Instruction 527/2012, consisting, as shown below, of net income plus taxes on income, financial result, depreciation/amortization, and these same items of the subsidiary COPANOR.

Below is a table with the EBITDA of the comparative periods:

EBITDA	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Net Income for the Period	64,302	268,754	-76.1%	255,287	5.3%
(+) Taxes on Income	(13,599)	87,625	-115.5%	79,370	10.4%
(+) Financial Result	59,717	25,396	135.1%	22,417	13.3%
(+) Depreciation and Amortization	234,300	164,342	42.6%	153,929	6.8%
(+) Non-Operating Result - Subsidiary	1,033	1,273	-18.9%	504	152.6%
(=) EBITDA	345,753	547,390	-36.8%	511,507	7.0%
EBITDA Margin	24.9%	38.8%	-13.9p.p.	38.5%	+0.3p.p.
Non-recurring item adjustments					
(+) Additional provision – Labor Lawsuit 102100-74.2008.5.03.0024	110,324	-	-	-	-
(=) EBITDA Adjusted	456,077	547,390	-16.7%	511,507	7.0%
EBITDA Margin Adjusted	32.9%	38.8%	-5.9p.p.	38.5%	+0.3p.p.

3. Annual Financial Performance

3.1. Revenues

Net revenue from water, sewage and solid waste totaled R\$5.18 billion in 2021, up 3.3% over the previous year, as shown in the table below:

Net Revenue	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Net Direct Revenue - Water	3,276,054	3,119,029	5.0%	2,906,490	7.3%
Net Direct Revenue - Sewage	1,815,534	1,806,362	0.5%	1,674,614	7.9%
Net Direct Revenue - Water and Sewage	5,091,588	4,925,391	3.4%	4,581,104	7.5%
Net Indirect Revenue - Water	79,171	74,715	6.0%	88,546	-15.6%
Net Indirect Revenue - Sewage	8,762	12,881	-32.0%	13,571	-5.1%
Net Indirect Revenue - Water and Sewage	87,933	87,596	0.4%	102,117	-14.2%
Net Revenue - Solid Waste	2,265	2,090	8.4%	2,062	1.4%
Net Revenue - Water, Sewage and Solid Waste	5,181,786	5,015,077	3.3%	4,685,283	7.0%

The Company's comments on the main factors that influenced net revenues from water, sewage and solid waste in the comparative periods are listed below:

- application of new tariffs by the Company, as authorized by Arsae-MG, of which +3.04% as from November 2020, due to that year's tariff adjustment; and -1.52% as from August 2021, due to the result of COPASA MG's Second Tariff Revision;
- 1.3% more water units (consumer units) and 3.3% more sewage units (2.6%) in the Parent Company; and
- An increase of 0.6% in water volumes per unit and 0.3% in sewage volume per unit.

3.2. Costs and Expenses

Costs and expenses totaled R\$4.1 billion, against R\$3.7 billion in 2020, an increase of 11.0%. Excluding expenses with the Voluntary Separation Program (PDVI) and Depreciation and Amortization, the increase was 5.0%. The following table shows the costs and expenses in comparative periods:

Costs and Expenses	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Manageable Costs	2,710,965	2,501,764	8.4%	2,293,452	9.1%
Personnel ¹	1,492,208	1,413,472	5.6%	1,381,495	2.3%
Voluntary Separation Program - PDVI	152,171	-	-	-	-
Outsourced Services	474,963	413,953	14.7%	442,774	-6.5%
Rio Manso PPP	86,058	77,792	10.6%	75,693	2.8%
Material	70,859	58,860	20.4%	56,695	3.8%
Provision for Doubtful Accounts (PDA)	221,416	369,880	-40.1%	189,655	95.0%
Tariff Transfers to Municipalities	171,917	133,432	28.8%	105,803	26.1%
Sundry Operational Costs	41,373	34,375	20.4%	41,337	-16.8%
Non-Manageable Costs	635,846	530,516	19.9%	499,160	6.3%
Electricity	560,364	452,287	23.9%	476,198	-5.0%
Telecommunication	13,308	12,037	10.6%	13,349	-9.8%
Treatment Chemicals	87,716	94,487	-7.2%	77,579	21.8%
Fuels and Lubricants	31,942	25,089	27.3%	26,343	-4.8%
Tax Credits	(57,484)	(53,384)	7.7%	(94,309)	-43.4%
Capital Costs	741,456	641,791	15.5%	600,613	6.9%
Depreciation and Amortization	741,456	641,791	15.5%	600,613	6.9%
Charge for Usage of Water Resources	12,546	21,252	-41.0%	9,853	115.7%
Total Costs and Expenses	4,100,813	3,695,323	11.0%	3,403,078	8.6%
Total Costs and Expenses (Except PDVI)	3,948,642	3,695,323	6.9%	3,403,078	8.6%
Total Costs and Expenses (Except PDVI, Depreciation and Amortization)	3,207,186	3,053,532	5.0%	2,802,465	9.0%

(1) It does not consider PDVI expenses. It includes the Employees' Profit Sharing, being R\$33,295 thousand in 2021, R\$52,025 thousand in 2020 and R\$47,899 thousand in 2019.

The following section presents the Company's comments on the items that make up selling and service costs, and selling and administrative expenses (excluding construction costs) with the most significant changes:

3.2.1. Manageable Costs

3.2.1.1. Personnel (Excluding VSP)

Personnel expenses rose by 5.6% year on year 2021. The most significant changes were:

- provisions created for the 2019-2021 Collective Bargaining Agreement - CBA (reference: May), whose reference index is the National Consumer Price Index (INPC). The calculation was based on proposals under discussion and the Company's expectations. In February 2022, we concluded negotiations with unions regarding the CBA and agreed to change the reference date from May to November, which, in addition to the amount provisioned, led us to increase salaries and food and meal vouchers by 5.00%, beginning on November 01, 2021, which were accounted for in the first quarter of 2022;
- increase of R\$22.2 million in expenses with the health program, given that the use of medical services was higher than in 2020; and

- increase in the provisions for employees' profit sharing, of R\$33.0 million in 2021 (R\$52.0 million in 2020), due to the lower profit recorded in 2021 compared to 2020.

It is worth noting that the Company implemented the VSP in 2021, which is detailed in item 1.4 of this Report.

3.2.1.2. Outsourced Services

This item increased by 14.7%, compared to 2021 and 2020. The most significant changes were:

- R\$16.1 million increase with computing expenses, due to the contracting of new services, and application of contractual adjustments;
- R\$8.6 million increase in technical professional services, chiefly due to expenses with the bank coordinating the debentures, under the 16th Issue, consulting services contracted to support the Second Tariff Revision and accounting and tax matters;
- R\$3.7 million increase with costs related to cuts, suspension, and reconnection of water; and
- higher expenses with sundry services, due to contractual adjustments and formalization of new contracts.

3.2.1.3. Rio Manso PPP

This item increased by 10.6%, chiefly due to higher expenses with electricity, and monetary correction by the IPCA in April 2021.

3.2.1.4. Materials

This item increased by 20.4%, mainly due to higher expenses with conservation and maintenance materials for assets and systems, because of higher consumption; monetary correction of current contracts; and expenses with vehicle parts, accessories components.

3.2.1.5. Impairment of Receivables

This item fell by 40.1% YoY in 2021. It is worth noting that, in 2020, the amounts for these provisions increased, due to the improvement, in July 2020, of the methodology used to calculate expected losses for trade receivables, based on studies conducted by the Company to align its estimates as to expected losses.

Delinquency also contributed (the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total amount billed in the last 12 months), which decreased from 4.52% in December 2020 to 3.50% in December 2021.

The table below shows the net Impairment of Receivables, obtained from the difference between the loss and the recovery of written-off accounts (recorded under Other Operating Revenues):

Net PDA	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Provision for Doubtful Accounts (PDA)	221,416	369,880	-40.1%	189,655	95.0%
Recovery of Written-off Accounts	64,628	53,010	21.9%	56,775	-6.6%
Net PDA	156,788	316,870	-50.5%	132,880	138.5%

3.2.1.6. Tariff Transfers to Municipalities

The 28.8% YoY increase in this item in 2021 was due to transfers to new municipal sanitation funds, whose amounts are recorded in the tariff calculation by the Regulatory Agency, as detailed below:

- **Tariff Adjustment (November 1, 2020):** 74 new municipal sanitation funds entitled to these transfers were included under this adjustment. Therefore, the number of municipalities eligible to receive these transfers rose to 134 at the time.
- **Tariff Adjustment (August 1, 2021):** 85 new municipal sanitation funds entitled to these transfers were included under this adjustment. Therefore, the number of municipalities eligible to receive these transfers rose to 219 from August 2021 to July 2022. It is worth noting that the amount expected for the transfer for the aforementioned period, recorded in the tariff, is R\$147.1 million, according to Arsae-MG [Technical Note CRE 14/2021](#).

3.2.2. Non-Manageable Costs

3.2.2.1. Electricity

The 23.9% YoY increase in 2021 was mainly due to higher tariff flag expenses, and the growth in the average cost of electricity, due to the reduction in the subsidy.

3.2.2.2. Telecommunications

The increase in this item mainly reflects the expansion of the mobile coverage in November 2020, aiming to integrate several localities where the Company operates.

3.2.2.3. Fuels and Lubricants

The increase in this item was mainly a result of the rise in fuel costs in 2021.

3.2.2.4. Tax Credits

The YoY increase in tax credits in 2021 was mainly due to higher depreciation expenses, used as the tax base for such credits.

3.2.3. Capital Costs

3.2.3.1. Depreciation and Amortization

The 15.5% YoY increase in Depreciation and Amortization in 2021 was due to an increase in the volume of works, especially sewage.

3.3. Other Operating Revenues (Expenses)

Other Operating Revenues (Expenses) in the comparative periods are as follows:

Other Operating Revenues (Expenses)	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Other Operating Revenues	177,380	171,341	3.5%	107,937	58.7%
Revenue from Technical Services	145	(63)	n.m.	130	-148.5%
Reversal of Non-Deductible Provision	33,650	103,076	-67.4%	32,659	n.m.
Recovery of Written-off Accounts	64,628	53,010	21.9%	56,775	-6.6%
Other Revenues	78,957	15,318	n.m.	18,373	-16.6%
Other Operating Expenses	(396,631)	(197,260)	101.1%	(221,171)	-10.8%
Payment and Non-Deductible Provision	(225,535)	(92,368)	144.2%	(128,079)	-27.9%
Non-Recurring Losses	(68,333)	(14,352)	n.m.	(12,314)	16.6%

Service Inspection Fee	(42,949)	(39,408)	9.0%	(37,548)	5.0%
Other Expenses	(59,814)	(51,132)	17.0%	(43,230)	18.3%
Total	(219,251)	(25,919)	n.m.	(113,234)	n.m.

Other Operating Revenues are in line with the comparative periods.

The increase in Other Operating Expenses was mainly due to:

- the provisioning of the refunds determined by Arsae-MG, under Administrative Proceedings 05/2019 and 28/2021. The provision referring to these proceedings totaled R\$126.8 million, of which R\$82.6 million were recorded in “Other Operating Expenses” and R\$44.2 million in Financial Expenses (interest and monetary correction), as detailed in item 1.2.2. Tariff Refund - Arsae-MG, of [3Q21 Earnings Release](#); and
- Additional provisions, of R\$217.4 million in December 2021, for labor lawsuit 102100-74.2008.5.03.0024, of which R\$110.3 million were recorded as Other Operating Expenses and R\$107.2 million as Financial Expenses. More details on this provisioning is available in item 8.1 of this Report.

3.4. Equity Pick-up (Subsidiary COPANOR)

COPANOR’s Summarized Income Statements for the past three fiscal years are as follows:

Summarized Statement of COPANOR	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Net Revenue from Sales and/or Services	41,381	35,849	15.4%	32,738	9.5%
Construction Revenue	23,134	18,546	24.7%	31,124	-40.4%
Other Operating Revenues	1,805	6,492	-72.2%	3,165	105.1%
Operating Costs and Expenses	(55,061)	(49,239)	11.8%	(47,406)	3.9%
Construction Costs	(23,134)	(18,546)	24.7%	(31,124)	-40.4%
Other Operating Expenses	(3,091)	(1,387)	122.9%	(2,080)	-33.3%
Net Financial Revenues (Expenses)	2,275	898	153.3%	811	10.7%
Impairment	-	(5,200)	n.m.	-	n.m.
Net Income (Loss)	(12,691)	(12,587)	0.8%	(12,772)	-1.4%

3.5. Financial Result

Below is a table with the Financial Result:

Financial Revenues (Expenses)	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Financial Revenues	285,168	145,962	95.4%	115,547	26.3%
Monetary Variation	9,835	4,298	128.8%	6,991	-38.5%
Foreign Exchange Variation	32,581	26,394	23.4%	9,271	184.7%
Interest	46,507	43,270	7.5%	34,329	26.0%
Real Gains from Financial Investments	47,839	23,212	106.1%	25,485	-8.9%
Capitalization of Financial Assets/Other	148,406	48,788	n.m.	39,471	23.6%
Financial Expenses	(479,749)	(321,935)	49.0%	(249,442)	29.1%
Monetary Variation	(142,137)	(57,151)	148.7%	(48,909)	16.9%
Foreign Exchange Variation	(30,193)	(108,356)	n.m.	(13,527)	n.m.
Interest on Loans	(306,599)	(156,084)	96.4%	(186,547)	-16.3%
Sundry	(820)	(344)	138.4%	(459)	-25.1%
Financial Result	(194,582)	(175,973)	10.6%	(133,895)	31.4%

3.5.1. Financial Revenues

Financial revenues increased by 95.4% YoY in 2021, due to:

- increased gains from financial investments, as a result of higher cash availability for investments combined with the raising of the Brazilian basic interest rate; and
- an increase in Capitalization of Financial Assets.
- Dividends and IoE received from GS Inima Industrial Jeceaba S/A, in the amount of R\$52.6 million in 2021 (R\$14.1 million in 2020); and
- Increase in financial assets related to the concession in Belo Horizonte, including the recalculation arising from the change in the expiration date of said concession.

3.5.2. Financial Expenses

Financial expenses increased by 49.0%, comparing the year 2021 with the previous year. Below are the items that showed the most significant increase:

- Increase in monetary variations and interest on financing as a result of new funding, as well as an increase in the Brazilian basic interest rate
- Additional provisions, of R\$217.4 million in December 2021, for labor lawsuit 102100-74.2008.5.03.0024, of which R\$110.3 million were recorded as Other Operating Expenses and R\$107.2 million as Financial Expenses. More details on this provisioning is available in item 8.1 of this Report.
- reduction in exchange rate variations, and in 2020 there was a significant appreciation of the dollar and euro against the real. Additionally, there was a decrease in the value of debt denominated in foreign currency.

3.6. Taxes on Income

Taxes on income are shown in the table below:

Taxes on Income	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Income and Social Contribution Taxes	116,862	288,798	-59.5%	267,930	7.8%

The reduction in taxes on income was mainly due to the 59.5% drop in earnings before taxes on income, comparing 2020 and 2021 (see item 3.8 of the table), and the obtention of Sudene's tax incentive, as detailed in item 2.6 of this Report.

3.7. Net Income

Below, is a table with the Net Income of the comparative periods.

Net Income and Earnings per Share	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Result before Financial Result and Taxes	849,031	1,281,248	-33.7%	1,156,199	10.8%
Net financial result	(194,582)	(175,973)	10.6%	(133,895)	31.4%
Earnings before Taxes on Income	654,449	1,105,275	-40.8%	1,022,304	8.1%
Taxes on Income	(116,862)	(288,798)	-59.5%	(267,930)	7.8%
Net Income	537,587	816,477	-34.2%	754,374	8.2%
Outstanding Shares at the End of the Period	379,181	379,181	n.m.	379,181	-
Net Earnings per Share (R\$)¹	1.42	2.15	-34.2%	1.99	8.2%

(1) The values of net income per share for 2019 were adjusted considering the split that occurred on 11.25.2020, in the proportion of 1 (one) to 3 (three) shares. Thus, the values prior to the date of the operation were divided by 3 (three).

3.8. EBITDA and Adjusted EBITDA

EBITDA is a non-accounting measure adopted by COPASA MG, calculated in accordance with CVM Instruction 527/2012, consisting, as shown below, of net income plus taxes on income, financial result, depreciation, and amortization.

EBITDA reached R\$1.6 billion in 2021. Excluding non-recurring items – Voluntary Separation Program - PSV (item 1.4 of this Earnings Release), Tariff Refund - Arsae-MG (item 7.1.2) and an increase in Provision - Labor Lawsuit (item 8.1) – EBITDA came to R\$1.94 billion (0.7% higher than in 2020).

The adjusted EBITDA margin reached 35.9% in 2021 (36.8% in 2020).

EBITDA	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Net Income for the Period	537,587	816,477	-34.2%	754,374	8.2%
(+) Taxes on Income	116,862	288,798	-59.5%	267,930	7.8%
(+) Financial Result	194,582	175,973	10.6%	133,895	31.4%
(+) Depreciation and Amortization	741,456	641,791	15.5%	600,613	6.9%
(+) Non-Operating Result - Subsidiary	4,921	3,527	39.5%	1,657	n.m.
(=) EBITDA	1,595,408	1,926,566	-17.2%	1,758,469	9.6%
EBITDA Margin	29.5%	36.8%	-9.2p.p.	36.4%	+0.4p.p.
Non-recurring item adjustments					
(+) Voluntary Separation Program - PDVI	152,171				
(+) Refund - Arsae-MG	82,639				
(+) Provision increase – Labor Lawsuit	110,324				
EBITDA Adjusted	1,940,542	1,926,566	0.7%	1,758,469	9.6%
EBITDA Margin (Adjusted)	35.9%	36.8%	-0.9p.p.	36.4%	+0.4p.p.

4. Shareholder Compensation

4.1. Shareholder Compensation - 2021

Pursuant to the Dividend Policy in force, we declared and paid R\$282.7 million in Regular Dividends in 2021, as shown below:

Reference	Corporate Event	Record Date	Total Value (R\$/million)	Payment Date
IOE 1Q21	BDM 03.19.2021	03.24.2021	64.84	05.18.2021
IOE 2Q21	BDM 06.17.2021	06.22.2021	55.17	08.16.2021
IOE 3Q21	BDM 09.21.2021	09.24.2021	105.28	11.19.2021
Dividends 3Q21	BDM 09.21.2021	09.24.2021	57.38	11.19.2021
Total 2021			282.68	

The Company announces that, due to the extraordinary and non-recurring events referring to the tariff refund determined by the Regulatory Agency and the additional provision for labor lawsuit 102100-74.2008.5.03.0024, which was accounted for in December 2021, the amounts declared until September 2021 reached the limit set for the year. As a result, the payment of Interest on Equity and Dividends for the fourth (4th) quarter of 2021 does not apply.

4.2. Shareholder Compensation - 2022

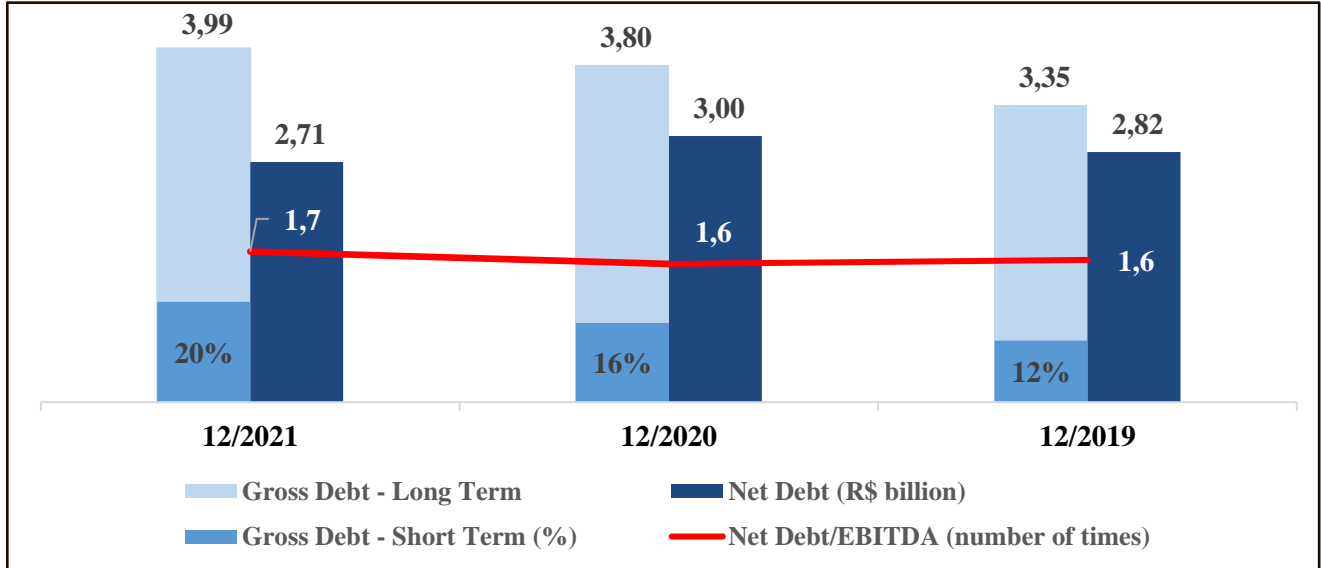
For the 2022 fiscal year, the Board of Directors' Meeting held on February 16, 2022 approved the distribution of Regular Dividends corresponding to twenty-five percent (25%) of Net Income, adjusted according to article 202 of Federal Law 6,404/76, as Interest on Equity (IoE) or Dividends.

The Board of Directors, at a meeting held on March 17, 2022, approved the IoE statement for the 1st Quarter of 2022 (1Q22), in the amount of R\$33.9 million (R\$0.0893279501 per share). The Credit Date (Cutoff Date) was 03.22.2022, and the payment date is up to 60 days after the declaration date.

5. Indebtedness, Waiver and Rating

5.1. Gross Debt and Net Debt

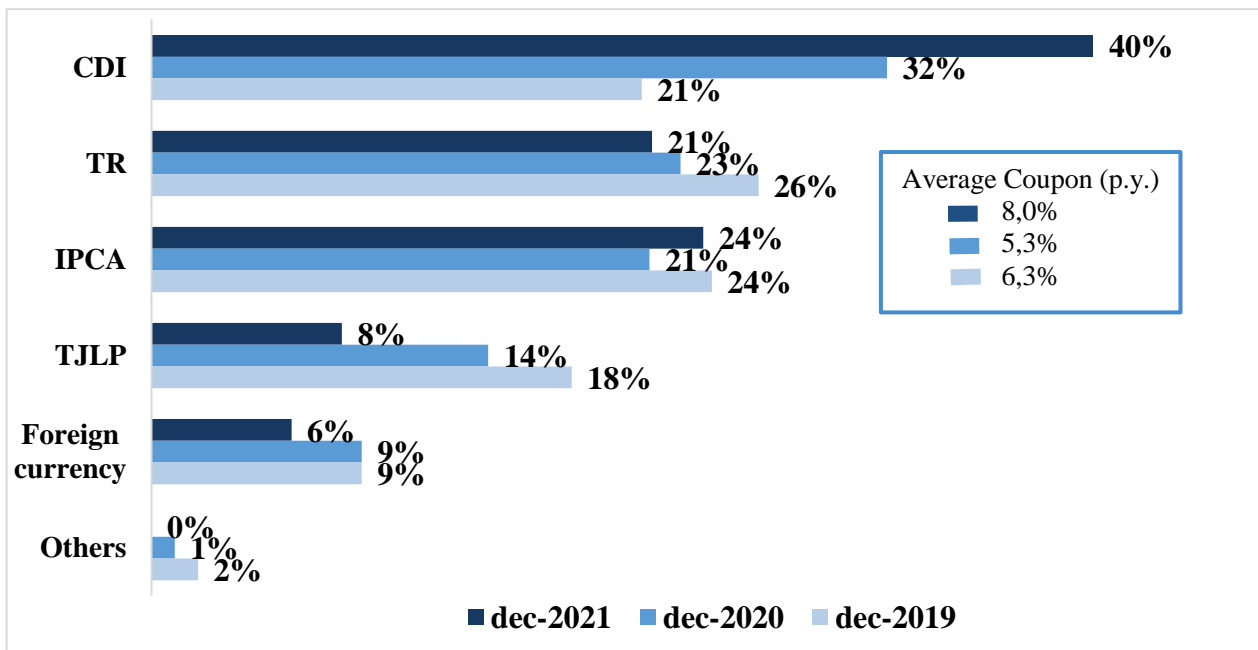
According to the chart below, gross debt reached R\$3.99 billion in December 2021. Net debt dropped from R\$3.0 billion in December 2020 to R\$2.71 billion in December 2021. The leverage ratio, measured by the ratio “Net Debt/LTM EBITDA”, reached 1.7x in December 2021 (1.6x in December 2020).



Indebtedness in foreign currency accounted for 5.9% of gross debt in December 2021 and referred to the debt with the German bank KfW and the European Investment Bank, whose balances plus short-term interest totaled €27.6 million (equivalent to R\$174.2 million in December 2021) and €10.0 million (equivalent to R\$63.0 million in December 2021), respectively. No hedge mechanism was contracted for these transactions.

5.2. Indexes and Average Coupon

The chart below shows the evolution of the average coupon and the relative weight of the debt by contractual index in December 2021, 2020, and 2019:



CDI accounts for 40% of COPASA's debt, and this increase is mainly due to the raising of funds through the Second Series of the Sixteenth Debenture Issue held in September 2021, in the approximate amount of R\$507.0 million. The lower relative weight of the long-term interest rate was mainly because of the debt amortized in 2021. The Average Coupon was 8.0%, due to an increase in the CDI rate.

5.3. Waiver

The Company has loans, financing and debentures under certain contractual conditions, which require compliance with covenants based on certain financial indices and non-financial indicators, as established in the respective contracts. Some contracts establish that, if the Company fails to comply with these indices and indicators, it must present additional collateral to the creditor, or re-establish the financial indices provided for in the contracts within a fixed period of time. Finally, if compliance with these indices is not waived, the creditor may declare the early maturity of the debt.

Non financial covenants were impacted by the recent court decisions made regarding Labor Lawsuit 102100-74.2008.5.03.0024 filed in 2008 by the main union of the Company's employees, referring to the termination of employment contracts due to the implementation of a dismissal policy that is currently canceled. As per Material fact released on December 27, 2021, COPASA MG decided to revise the amount provisioned, even though such lawsuit has not provided the amount of the decision. The Company increased the provision for this lawsuit by approximately R\$217.0 million, which was accounted for in December 2021.

Still in December 2021, we started negotiations with debenture holders from the 12th, 13th, 14th and 15th issues, as their indentures provide that lawsuits whose court decisions are unfavorable, appellate and exceeding the amount of R\$50 million constitute an Event of Default that may result in the early maturity of the obligations thereof. Said provision can be verified, for example, in the excerpt of item IX, clause 7.26.2, of the Indenture of the 12th debenture issue, as follows:

"7.26.2 Any events provided for in the law and/or any of the following events constitute an Event of Default that may cause maturity of the obligations arising from the Debentures, subject to the provisions set out in Clause 7.26.4 below:

(...)

IX. appellate decisions of court, administrative or arbitration proceedings, of any nature, brought against the Company and/or any of its Subsidiaries or Affiliates (a) whose value, individually or in aggregate, exceeds fifty million reais (R\$50,000,000.00) or its equivalent in another currency; (...);"

In December 2021, we also started negotiations with the debenture holders of the 16th Issue, since its indenture provides that lawsuits whose court decisions are unfavorable, appellate and exceeding the amount of R\$75 million constitute an Event of Default that may result in the early maturity of the obligations thereof.

As a result of this provisioning, at the General Meeting of Debenture Holders (GMDH) of the 13th, 14th, 15th and 16th issues, held on March 10, 2022, and of the 12th issue held on March 21, 2022, debenture holders decided to waive the fulfillment of contractual default, receiving, in return, a waiver fee referring to the debt. Considering the actions taken by the Company, which resulted in the effective obtaining of waivers, the debts are not payable or payable in the short term, so that they continue to be classified as non-current liabilities.

Management believes that COPASA MG's Financial Statements adequately present its financial and equity position, performance, and cash flows, having applied all applicable technical pronouncements, interpretations and guidelines of CPC, except for item 74 of Technical Pronouncement CPC 26 - "Presentation of Financial Statements", issued by the Accounting Pronouncements Committee (CPC).

As mentioned in this item, the Company should reclassify its debts from non-current liabilities to current liabilities. However, considering the obtaining of waivers from creditors, the Company's debts do not constitute "overdue liability payable to creditors" in the short term, and thus, compliance with item 74 of CPC 26 would be a serious distortion of the Balance Sheet, as it would cause COPASA MG's financial statements to present short-term debts in the amount of R\$1,93 billion, which, on the date of publication of the financial statements, was not payable in the short term.

Therefore, in accordance with item 19 of aforementioned CPC 26, Management believes that, if the debt were reclassified as current liabilities in the Financial Statements, it would constitute misinformation, violating the purpose of reliable representation of said statements, conflicting with Technical Pronouncement "CPC 00 - Conceptual Framework for Financial Reporting".

5.4. Corporate Ratings

On July 2, 2021, Fitch Ratings published a [report](#) increasing the National Long-Term Rating and the rating for issues of unsecured debentures from AA(bra) to AA+(bra). The corporate rating outlook remained stable.

On September 14, 2021, Moody's published a [report](#), attributing a Corporate Rating of AAA.br for COPASA MG. The outlook is stable.

Below is a table with a summary of the ratings:

Agency	National Scale	Outlook	Date	Report Link
Fitch Ratings	AA+(bra)	Stable	07.02.2021	Report
Moody's América Latina	AAA.br	Stable	09.14.2021	Report

6. Investment Program and Fundraising

6.1.1. 2021 Investment Program

In 2021, together, COPASA MG and COPANOR invested R\$943.4 million, as shown in the table below. The investments made in 2021 were substantially higher than in 2020, being allocated for water supply and sewage systems, as well as the development of the company and its operations.

Investments (R\$ million)	2021	2020	2019
Water	537.1	147.1	260.5
Sewage	317.5	213.3	279.1
Enterprise and Operational Development	52.3	99.0	46.7
Total - Parent Company (COPASA) MG	906.9	459.4	586.3
COPANOR	36.5	22.3	34.1
Total - COPASA MG and COPANOR	943.4	481.7	620.4

6.1.1.1. Water Supply Systems

- expansion of the production capacity of the Water Supply Systems in the municipalities of Barroso, Frei Lagonegro, Lagoa Santa, Mato Verde, Montes Claros, Nova Serrana, Patos de Minas, Ubá and Várzea da Palma;
- expansion of the Water Supply Systems in the municipalities of Curvelo, Extrema, Ipatinga, Lavras, Montes Claros, Nazareno, Nova Resende, Sabará and São Gotardo;
- implementation of the Water Supply Systems in the municipalities of Cambuquira, Campestre, Conselheiro Lafaiete, Guaraciama, Ijaci, Montalvânia, Montes Claros, Palma, Patos de Minas, and São João Nepomuceno;
- improvements to and optimization of the Water Supply Systems in the municipalities of Belo Oriente, Conceição do Mato Dentro, Lavras, Medina, Paracatu, Perdígão, Resplendor, Santa Luzia, Teófilo Otoni, and Timóteo;
- implementation of the Waste Treatment Unit (WTU) of the Water Treatment Stations (WTS) in the municipalities of Araxá, Belo Horizonte, Betim, Caratinga, Cataguases, Divinópolis, Ibirité, Itajubá, Lavras, and Varginha;
- acquisition of flow micrometers, aiming at hydrometric efficiency and loss reduction;
- acquisition of operational equipment for renovation and optimization of Water Supply Systems in several operated municipalities; and
- implementation of distribution networks and water connections in buildings in several municipalities in Minas Gerais State.

6.1.1.2. Sewage Systems

- expansion of the Sewage Systems in the municipalities of Carmo da Cachoeira, Diamantina, Estrela do Sul, Fronteira, Ibirité, Ipatinga, Medina, Nova Lima, Ribeirão das Neves, and Sabará;
- implementation of the Sewage System in the municipalities of Caratinga, Divino, Espinosa, Inhapim, Leandro Ferreira, Santana do Paraíso, São João Nepomuceno, Ubá, Verdelândia, and Visconde do Rio Branco;
- execution of sewage treatment works in the municipalities of Bom Despacho, Cataguases, Jacinto, Mateus Leme, Minas Novas, Paracatu, Patos de Minas, São Gotardo, and Serra da Saudade;

- acquisition of operational equipment for renovation and optimization of Sewage Systems in several operated municipalities; and
- implementation of sewage collection networks and connections in buildings in several municipalities in the Minas Gerais state.

6.1.1.3. Business and Operational Development

- renovation of the computing infrastructure, with the implementation (in progress) of the SAP S/4 Hana system, aiming at improving and streamlining customer service and internal processes; and
- implementation of tools to ensure data and information security, as required by the General Data Protection Law (LGPD).

6.1.2. Investment Programs – 2022 to 2026

At the meeting held on December 15, 2021, the Company's Board of Directors approved the Parent Company's 2022-2026 Multi-Year Investment Plan, as detailed below:

Investment Program	2022	2023	2024	2025	2026
Amount (R\$ million)	1,395	1,410	1,600	1,600	1,410

With its Investment Plan, the Company aims to expand the services of water supply, sewage and networks, ensure water security, cut losses, grow the business, meet regulatory and efficiency targets, honor concession commitments, replace depreciated assets, as well as accomplish its purpose and mission, ensuring sustainability and business continuity. As a result, COPASA MG works to meet the demand of customers and granting authorities, in pursuit of the universality of services.

6.1.3. Fundraising

The Extraordinary Shareholders' Meeting (ESM) held on August 18, 2021 approved the contracting of a long-term credit operation, through the sixteenth issue of simple, unsecured debentures, not convertible into shares, in two (2) series, for public distribution with restricted placement efforts, in the amount of R\$750.0 million. The proceeds from this operation, with liquidation in September 29, 2021, will be allocated to partly implement the Company's Investment Plan.

At the end of 2021, the Company had a balance of contracted funds not yet released of R\$1.68 billion – R\$42.8 million of which with BNDES; R\$312.2 million with FGTS; €74.7 million (equivalent to R\$472.1 million) with KfW; and €135.0 million (equivalent to R\$853.3 million) with the European Investment Bank (EIB). The debt will be accounted for when the Company effectively receive these funds.

In compliance with Decree 10,710/2021 and Federal Law 11,445/2007, on December 31, 2021, the Company filed a Request for Evidence of its Economic and Financial Capacity with the Minas Gerais State Water and Sewage Regulatory Agency - (Arsae-MG). At the time, it was presented a fundraising plan validated by an independent certifier, proving the economic and financial capacity to comply with the targets for universalization provided for in Article 11-B of Federal Law 11,445/2007.

7. Regulatory Environment

7.1. Tariff Revision

According to the [Material Fact disclosed on June 29, 2021](#), Arsae MG disclosed, on the same date, [Arsae-MG Resolution 154/2021](#), with the result of COPASA MG's Second Tariff Revision.

According to the Average Tariff Effect [Resolution](#) and [Technical Note CRE 014/2021](#), the average tariff effect applied on current tariffs as of August 1, 2021 was a negative one point fifty-two percent (-1,52%).

Below are the links to the main final documents referring to the aforementioned Tariff Revision for the tariff cycle of August 2021 to July 2025:

- [Arsae-MG Resolution 154, of June 28, 2021: Second Periodic Tariff Revision;](#)
- [Technical Note CRE 14/2021: Result of the Second Periodic Tariff Revision - After CP 23;](#)
- [Technical Note CRE 15/2021: Tariff Adjustment Methodology - After CP23;](#)
- [Calculation of the Regulatory Asset Base \(BRE and BRA\) – After CP23;](#)
- [Technical Note CRE 01/2021 - After CP 23/2021: Methodology to Restructure Tariff Revenue, Tariff Adjustment Index, and Average Tariff Effect.](#)
- [Technical Note CRE 02/2021 - After CP 23/2021: Methodology - Capital Costs;](#)
- [Technical Note CRE 03/2021 - After CP 23/2021: Methodology - Efficient Operating Costs and X Factor;](#)
- [Technical Note CRE 04/2021 - After CP 23/2021: Methodology - Special Programs;](#)
- [Technical Note CRE 08/2021 – After CP 23: Methodology - Copanor Subsidy;](#) and
- [Technical Note CRE 10/2021 – After CP 23: Methodology - Investment Planning and Execution.](#)

7.2. Tariff Refound Proceedings

7.2.1. Administrative Proceeding 005/2019

In September 2019, Arsae-MG started Administrative Proceeding 005/2019 to investigate evidence of improperly charged amounts in the Municipality of Belo Horizonte, related to Dynamic Sewage Drainage with Collection and Treatment (EDT) from January 2012 to December 2018. COPASA MG filed an appeal but was unsuccessful. In July 2021, Arsae issued Decision Arsae-MG 066/2021, determining the refund of amounts to customers, according to the Material Fact released by the Company on July 26, 2021.

As per Notice to the Market disclosed on September 8, 2021, at the meeting held on August 26, 2021, the Board of Directors decided to refund the principal amount plus monetary correction. After identifying users who had the right to the refund, the Company found that the amount to be refunded totaled R\$125.8 million and started paying it in September 2021. The amounts were fully recorded in the third quarter of 2021 (3Q21).

7.2.2. Administrative Proceeding 028/2021

In 2021, Arsae-MG started Administrative Proceeding 028/2021 to investigate possible inconsistencies regarding the system adopted by COPASA MG to calculate the billed amount, in months after the billing by the average rate, from January to July 2020, according to the [Notice to the Market](#) released on February 11, 2021. COPASA MG filed an administrative appeal but was unsuccessful. Arsae-MG determined that the amounts should be refunded to customers.

The Company's Management authorized the refund that includes the principal plus interest and monetary correction, totaling R\$12.0 million, with payments starting in November 2021.

7.2.3. Administrative Proceeding 031/2021

In April 2021, Arsae-MG started Administrative Proceeding 31/2021 to investigate evidence of improperly charged amounts in the Municipality of Belo Horizonte, alleging the lack of actual provision of sewage treatment services. The temporary suspension in the sewage collection pumped into the Treatment Station was caused by force majeure, as a result of heavy rain in January 2020. Rain in the municipality of Belo Horizonte in this period also led to the issues of State Emergency Decrees 33, 35 and 38, all of January 2020.

In October 2021, Arsae-MG announced that COPASA MG would have to refund around R\$130 million to the users of that Municipality, as per Material Fact disclosed on October 7, 2021. The Company informs that the matter is being discussed with Arsae-MG, through the Chamber for the Prevention and Administrative Resolution of Conflicts, a unit linked to the State Attorney General's Office.

7.3. Proof of Economic and Financial Capacity by Arsae -MG

According to the Notice to the Market disclosed on March 17, 2022, in the Diário Oficial do Estado de Minas Gerais newspaper, on said date the Executive Board of Arsae-MG resolved on the procedure to prove the economic and financial capacity of COPASA MG, pursuant to Federal Law 14,026/2020 and Federal Decree 10,710/2021.

The technical reports from Arsae-MG attested the capacity of COPASA MG to meet the requirements of the said legislation, both in the first stage (economic-financial indicators), as in the second stage of the process (feasibility studies and the funding plan).

Arsae's Executive Board, as published in the Diário Oficial do Estado de Minas Gerais newspaper, decided to unanimously approved the proof of economic and financial capacity of COPASA MG, taking into consideration the Company's term of consent to amend its contracts, signed by 396 municipalities, to include universalization targets. The exception was made for the 183 municipalities that had not signed, until the final date of the opinion issued by Arsae-MG, the amendments to their respective contracts. The Company informs that, pursuant to Resolution 160/2021 of Arsae-MG, COPASA MG has seven (7) business days to present the appeal against the decision made by the regulatory agency regarding said exception.

8. Material Facts and Notices to the Market and Coronavirus

8.1. Labor Lawsuit 102100-74.2008.5.03.0024

On December 27, 2021, the Company disclosed a [Material Fact](#) stating the developments of labor lawsuit 102100-74.2008.5.03.0024 filed in 2008 by the main union of the Company's employees, questioning the lawfulness of the dismissal policy adopted at the time, i.e. using employees' age as a criterion to terminate their employment contracts. On June 18, 2019, the Company filed a Constitutional Claim with the Federal Supreme Court (STF) (Lawsuit 35.342), and issued a decision in favor of COPASA MG on November 21, 2019.

On September 30, 2021, the STF revised its decision, whereby the decision issued by the Regional Labor Court of Minas Gerais (TRT-MG), in favor of the lawsuit, would prevail again. The Company filed an Interlocutory Appeal that was rejected, and the decision was published on December 1, 2021.

On December 7, 2021, the Company filed Motions for Clarification, as it considered the decision omissive. This lawsuit was classified as a probable loss and the amount provisioned until that time totaled R\$33.5 million. Based on recent court decisions, the Company decided to revise the amount provisioned, even though such a lawsuit has not provided the amount of the decision. To that end, it made preliminary calculations and, according to the best accounting practices, it increased the provision by around R\$217 million, which was accounted for on December 31, 2021. Of this amount, R\$107.2 million were recorded as Financial Expenses and R\$110.3 million as Other Operating Expenses

8.2. Measures to Help People Affected by Heavy Rain

The Company disclosed the measures taken to help people affected by heavy rain in the state of Minas Gerais, in the month of December 2021 to February 2022, upon authorization by the Regulatory Agency, with subsequent tariff compensation. Conditions vary according to the situation of each property and are detailed in the [Notice to the Market](#) disclosed on January 19, 2022.

The Company expects that the measures taken (estimated at R\$2 million) will benefit around 27,000 families.

8.3. Coronavirus

Since the beginning of the pandemic, COPASA MG has been carrying out several actions aimed at preserving the integrity and health of its employees and minimizing the impacts of the pandemic on its customers.

On the commercial front, we provided two (2) new customer relationship channels in 2021, Chatbot and WhatsApp, and also structured the automation services at our Call Center. In relation to customers in the social category (which account for around 6% of the Company's revenue), collection actions remain suspended and we offered the possibility of paying overdue invoices in installments, free of interest and fines (this measure was in effect until July 10 2021, and as offered again from November 26 to December 31, 2021).

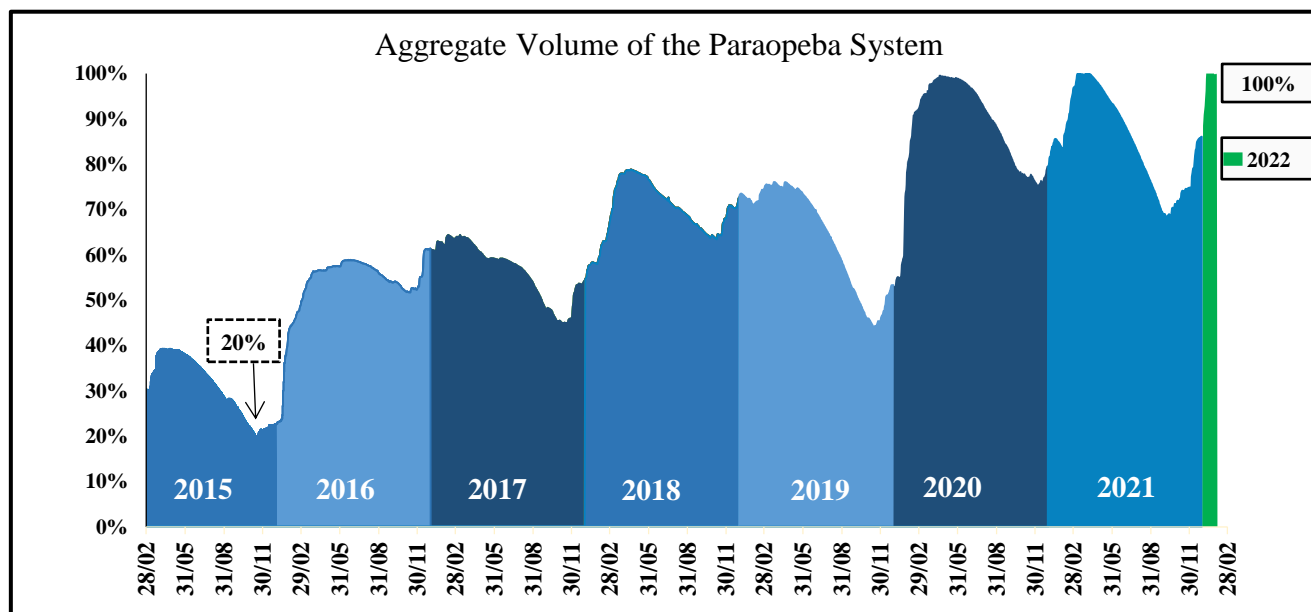
In terms of employees, COPASA MG expanded its home office practices, maintaining, however, a minimum number of in-person staff to adequately provide services to the population.

9. Water Situation

9.1. Belo Horizonte Metropolitan Area (BHMA)

9.1.1. Rio Manso, Vargem das Flores and Serra Azul

Below is the evolution of the levels of the reservoirs of the Paraopeba System (Rio Manso, Vargem das Flores and Serra Azul), which account for 49% of BHMA's distributed volume. On February 28, 2022, the levels of these reservoirs were significantly higher, because of rains in December 2021 and February 2022, as shown below.



Volume of each reservoir	28-feb-2022
Rio Manso	100,0%
Vargem das Flores	100,0%
Serra Azul	100,0%

Due to the burst of the Mina Córrego do Feijão dam on January 25, 2019, located in the municipality of Brumadinho and operated by Vale S.A., environmental, sanitary and inspection bodies determined the suspension of water collection from the Paraopeba River for public consumption and supply, which is why the Company interrupted water collection from the Paraopeba River and carried out actions aimed at identifying and mitigating risks to its operations. The Company preventively closed the floodgates of the water collection unit in the Paraopeba River on the same day of the burst, aiming at preserving the water collection facilities, whose assets did not deteriorate, and, therefore, were not compromised.

In July 2019, the Prosecution Office of the State of Minas Gerais and Vale signed a Consent Decree (TC), with COPASA MG as one of the intervening parties, for the construction of a new water collection point on the Paraopeba River, upstream of the rupture point and the congruence of the Ferro Carvão stream and the Paraopeba river.

Vale informed that it started, in September 2021, pumping water from the new Paraopeba River collection system, in Brumadinho, with a flow of one (1) thousand liters per second, reaching two (2) thousand liters per second in November. According to information provided to the Prosecution Office of the State of Minas Gerais

by Vale, on February 25, 2022, the structures implemented have already achieved technical conditions to initiate pumping tests, with a flow rate of five (5) thousand liters per second.

However, due to the need to maintain the continuity of public water supply to the Belo Horizonte Metropolitan Region, as well as to maintain production capacity to meet the water consumption levels recorded in recent days, the Company decided that it should postpone the tests for the new system until a more stable consumption scenario is achieved since a fully integrated system is subject to interruptions once it starts operating for the first time and this may directly impact water distribution to the population.

The final adjustments required to initiate the assisted operation and effective delivery of collection to COPASA MG are in progress.

COPASA MG emphasizes that the current reservoir levels in the Paraopeba basin allows initial tests of the new collection system to be temporarily postponed without jeopardizing the regular water supply to the population of the Belo Horizonte Metropolitan Region.

9.1.2. Rio das Velhas

Water drawn from Rio das Velhas, responsible for approximately 42% of the volume distributed at BHMA, is collected directly from the stream, thus being greatly influenced by the occurrence of rainfall, given its location in the upper part of the watershed. The table below shows the information on this collection system:

Rio das Velhas System	
Percentage of BHMA's distributed volume	42%
Water collection grant	8.7m ³ /s
Average flow of Rio das Velhas in the last 15 days prior to 02.28.2022	72.2m ³ /s
Average flow used in the last 12 months	6.9 m ³ /s

9.2. Other municipalities in the Minas Gerais State

The Company's activities in the interior of the State are dispersed over several municipalities and different watersheds. Generally speaking, most locations where the Company operates have a local source of water production. Therefore, any water restriction imposed on supply will only impact locally and marginally the Company's total revenues.

On February 28, 2022, Bom Jesus de Cardosos (municipality of Urucânia), which has 800 water connections, was rationing water. On February 2021, Jesus de Cardosos (municipality of Urucânia) and Vale Verde de Minas (municipality of Ipaba), which jointly account for about 1,300 water connections, were rationing water.

To minimize the impacts of the water situation, Company uses means that contribute to the regularization of supply in the affected locations, through the use of water trucks, well drilling and investments in alternative collections, according to the options available in each region. and the degree of criticality of scarcity in each case. Additionally, awareness campaigns are intensified, aiming for the rational consumption of water.

We began implementing the São Francisco System, with a capacity of 500 l/s, in Montes Claros, a municipality with approximately 413,500 people and that has historically faced droughts. This municipality represents the Company's largest concession outside the state capital. Besides promoting water security in Montes Claros, this system will supply water to the municipalities of Coração de Jesus and Ibiaí. It is also an alternative for other locations in the region, potentially benefiting about 430,000 inhabitants. The implementation of the system is expected to be completed by the end of this semester, with an approximate investment of R\$257 million.

10. Annexes

The financial information of these annexes, except where otherwise indicated, is presented in Brazilian Reais thousands (R\$ thousand) and refers to the Parent Company

10.1. Quaterly Income Statement

PARENT CO.	4Q21	4Q20	4Q21 vs. 4Q20	4Q19	4Q20 vs. 4Q19
Operating Revenue from Services					
Water services	853.535	855.883	-0,3%	823.112	4,0%
Sewage services	434.947	488.260	-10,9%	468.447	4,2%
Solid waste revenues	555	542	2,4%	466	16,3%
Construction revenues	243.090	85.154	185,5%	93.914	-9,3%
Net Operating Revenue from Services	1.532.127	1.429.839	7,2%	1.385.939	3,2%
Cost of services rendered	(829.325)	(679.936)	22,0%	(655.140)	3,8%
Construction costs	(243.090)	(85.154)	185,5%	(93.914)	-9,3%
COST OF SERVICES RENDERED	(1.072.415)	(765.090)	40,2%	(749.054)	2,1%
Gross Income	459.712	664.749	-30,8%	636.885	4,4%
Selling expenses	(52.934)	(56.040)	-5,5%	(51.434)	9,0%
Provisions for Doubtful Accounts	(59.866)	(88.781)	-32,6%	(44.852)	97,9%
General and administrative expenses	(160.290)	(134.107)	19,5%	(130.703)	2,6%
Other Operating Income	87.485	50.989	71,6%	27.383	86,2%
Other Operating Expenses	(159.439)	(57.276)	178,4%	(60.501)	-5,3%
Employees' profit sharing ¹	-	-	n.m	(16.331)	-100,0%
Equity income	(4.248)	2.241	-289,6%	(3.373)	-166,4%
Operating Income (Expenses)	(349.292)	(282.974)	23,4%	(279.811)	1,1%
Income before Financial Result and Taxes	110.420	381.775	-71,1%	357.074	6,9%
Financial Income	156.232	17.184	809,2%	35.108	-51,1%
Financial Expenses	(215.949)	(42.580)	407,2%	(57.525)	-26,0%
Financial Result	(59.717)	(25.396)	135,1%	(22.417)	13,3%
Income before Taxes	50.703	356.379	-85,8%	334.657	6,5%
Provision for Income Tax	15.279	(61.871)	-124,7%	(56.480)	9,5%
Provision for Social Contribution on Net Income	(1.680)	(25.754)	-93,5%	(22.890)	12,5%
NET INCOME FOR THE PERIOD	64.302	268.754	-76,1%	255.287	5,3%
Number of outstanding shares (thousands)	379.181	379.181	0,0%	379.181	0,0%
EARNINGS PER SHARE (BRL)²	0,17	0,71	-76,1%	0,67	5,3%

(1) The way of accounting for Employee Profit Sharing (PL) was changed and started to be performed directly as Costs of Services Sold, Selling Expenses and General and Administrative Expenses, as of 4Q19. The 4Q21 PL amount was R\$3.4 million (R\$17.4 million in 4Q20 and R\$16.3 million in 4Q19).

(2) The net income per share amounts were adjusted, considering the split occurred on 11.25.2020, in the proportion of 1 (one) to 3 (three) shares. Thus, the amounts prior to the date of this operation were divided by 3 (three).

10.2. Annual Income Statement

PARENT CO.	2021	2020	2021 vs. 2020	2019	2020 vs. 2019
Operating Revenue from Services					
Water services	3.355.225	3.193.744	5,1%	2.995.036	6,6%
Sewage services	1.824.296	1.819.243	0,3%	1.688.185	7,8%
Solid waste revenues	2.265	2.090	8,4%	2.062	1,4%
Construction revenues	648.408	273.866	136,8%	408.079	-32,9%
NET OPERATING REVENUE FROM SERVICES	5.830.194	5.288.943	10,2%	5.093.362	3,8%
Cost of services rendered	(3.028.970)	(2.607.041)	16,2%	(2.521.721)	3,4%
Construction costs	(648.408)	(273.866)	136,8%	(408.079)	-32,9%
COST OF SERVICES RENDERED	(3.677.378)	(2.880.907)	27,6%	(2.929.800)	-1,7%
GROSS INCOME	2.152.816	2.408.036	-10,6%	2.163.562	11,3%
Selling expenses	(228.213)	(222.930)	2,4%	(206.847)	7,8%
Provisions for Doubtful Accounts	(221.416)	(369.880)	-40,1%	(189.655)	95,0%
General and administrative expenses	(622.214)	(495.472)	25,6%	(484.855)	2,2%
Other Operating Income	177.380	171.341	3,5%	107.937	58,7%
Other Operating Expenses	(396.631)	(197.260)	n.m	(221.171)	-10,8%
Equity income	(12.691)	(12.587)	0,8%	(12.772)	-1,4%
Operating Income (Expenses)	(1.303.785)	(1.126.788)	15,7%	(1.007.363)	11,9%
INCOME BEFORE FINANCIAL RESULT AND TAXES	849.031	1.281.248	-33,7%	1.156.199	10,8%
Financial Income	285.167	145.962	95,4%	115.547	26,3%
Financial Expenses	(479.749)	(321.935)	49,0%	(249.442)	29,1%
Financial Result	(194.582)	(175.973)	10,6%	(133.895)	31,4%
INCOME BEFORE TAXES	654.449	1.105.275	-40,8%	1.022.304	8,1%
Provision for Income Tax	(79.558)	(208.344)	-61,8%	(193.748)	7,5%
Provision for Social Contribution on Net Income	(37.304)	(80.454)	-53,6%	(74.182)	8,5%
NET INCOME FOR THE PERIOD	537.587	816.477	-34,2%	754.374	8,2%
Number of outstanding shares (thousands)	379.181	379.181	-	379.181	-
EARNINGS PER SHARE (BRL)¹	1,42	2,15	-34,2%	1,99	8,2%

(1) The net income per share amounts were adjusted, considering the split occurred on 11.25.2020, in the proportion of 1 (one) to 3 (three) shares. Thus, the amounts prior to the date of this operation were divided by 3 (three).

10.3. Balance Sheet - Assets

PARENT CO.			31.12.2021	31.12.2020	
	31.12.2021	31.12.2020	vs. 31.12.2020	31.12.2019	vs. 31.12.2019
CURRENT					
Cash and cash equivalents	1.279.469	786.377	62,7%	521.304	50,8%
Trade accounts receivable	1.026.364	1.034.710	-0,8%	1.176.718	-12,1%
Collateral for Financing	-	8.332	n.m.	-	-
Inventories	83.322	62.603	33,1%	57.214	9,4%
Taxes recoverable	100.568	18.381	447,1%	30.173	n.m.
Technical cooperation agreement	38.271	16.152	136,9%	471	n.m.
Banks and agreement investments	3.273	24.452	-86,6%	20.190	21,1%
Sundry receivables	26.776	23.486	14,0%	21.934	7,1%
TOTAL CURRENT ASSETS	2.558.043	1.974.493	29,6%	1.828.004	8,0%
NON-CURRENT					
LONG-TERM ASSETS					
Financing guarantee deposits	65.853	191.642	-65,6%	180.770	6,0%
Restricted investments	77.228	75.715	2,0%	85.268	-11,2%
Financial assets - investment BRK Ambiental - Foz Jeceaba	26.153	76.603	-65,9%	75.074	n.m.
Credit with subsidiary	-	2.125	n.m.	-	n.m.
Deferred income and social contribution taxes	409.039	293.349	39,4%	203.908	43,9%
Financial assets	733.328	685.561	7,0%	648.892	5,7%
Technical cooperation agreement long term	5.165	26.188	n.m.	35.594	n.m.
Sundry receivables	59.087	66.762	-11,5%	44.248	50,9%
Contract assets	1.424.870	756.545	88,3%	1.132.922	n.m.
Right of use - commercial leasing	72.699	61.716	17,8%	57.169	n.m.
TOTAL LONG TERM ASSETS	2.873.422	2.236.206	28,5%	2.463.845	-9,2%
Investments	202.442	165.392	22,4%	134.243	23,2%
Intangible assets	5.592.762	5.867.484	-4,7%	5.504.374	6,6%
Property, plant and equipment	1.470.123	1.518.979	-3,2%	1.590.303	-4,5%
TOTAL PERMANENT ASSETS	7.265.327	7.551.855	-3,8%	7.228.920	4,5%
TOTAL NON-CURRENT ASSETS	10.138.749	9.788.061	3,6%	9.692.765	1,0%
TOTAL ASSETS	12.696.792	11.762.554	7,9%	11.520.769	2,1%

10.4. Balance Sheet - Liabilities

PARENT CO.			31.12.2021	31.12.2020	
	31.12.2021	31.12.2020	vs. 31.12.2020	31.12.2019	vs. 31.12.2019
CURRENT					
Contractors and suppliers	287.975	206.177	39,7%	176.302	16,9%
Income Tax and Social Contribution	-	-	n.m.	-	n.m.
Taxes, charges and contributions	75.102	79.680	-5,7%	76.719	3,9%
Loans and financing	190.315	201.851	-5,7%	170.450	18,4%
Debentures	609.822	393.905	n.m.	214.489	83,6%
Right of use - commercial leasing	26.308	32.623	-19,4%	37.166	n.m.
Public-private partnership	52.331	47.975	9,1%	59.985	-20,0%
Employees' profit sharing	125.178	91.336	37,1%	46.024	98,5%
Provision for vacations and 13th salary	119.302	125.194	-4,7%	115.971	8,0%
Tax installments	6.623	-	n.m.	14.289	n.m.
Technical cooperation agreement	1.214	3.547	-65,8%	3.326	n.m.
Retirement benefit liabilities	16.614	21.998	-24,5%	42.170	-47,8%
Interest on equity	265	72.270	-99,6%	80.719	-10,5%
Sundry obligations	375.390	102.304	266,9%	72.640	n.m.
TOTAL CURRENT LIABILITIES	1.886.439	1.378.860	36,8%	1.110.250	24,2%
NON-CURRENT					
LONG-TERM LIABILITIES					
Loans and financing	878.079	1.072.146	-18,1%	1.110.936	-3,5%
Debentures	2.307.128	2.113.239	9,2%	1.814.362	16,5%
Right of use - commercial leasing	49.331	31.512	56,5%	21.106	n.m.
Public-private partnership	208.654	258.251	-19,2%	297.434	-13,2%
Provision for litigation	377.363	134.002	181,6%	192.448	-30,4%
Retirement benefit liabilities	112.764	223.892	-49,6%	136.007	64,6%
Sundry obligations	115.099	94.040	22,4%	91.345	3,0%
Technical cooperation agreement LT	1.977	-	n.m.	3.168	n.m.
TOTAL NON-CURRENT LIABILITIES	4.050.395	3.927.082	3,1%	3.666.806	7,1%
SHAREHOLDERS' EQUITY					
Paid-up capital stock	3.402.385	3.402.385	-	3.402.385	-
Treasury shares	(8.576)	(8.576)	-	(8.576)	-
Profit reserve	3.147.591	3.147.591	-	3.378.939	-6,8%
Equity valuation adjustments	(36.434)	(84.788)	n.m.	(29.035)	n.m.
Accumulated profits	254.992	-	n.m.	-	n.m.
TOTAL SHAREHOLDERS' EQUITY	6.759.958	6.456.612	4,7%	6.743.713	-4,3%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12.696.792	11.762.554	7,9%	11.520.769	2,1%

10.5. Quaterly Cash Flow

Cash Flow	4Q21	4Q20	4Q19
Cash flow from operating activities:			
Net Income (Loss) for the Period	64.302	268.754	255.287
Adjustments to reconcile net income and net cash			
Allowance for doubtful accounts	59.866	88.781	46.457
Recovery of written-off accounts	-	-	(9.138)
Charges and monetary/currency variations, net	33.721	11.668	7.830
Interest income and expenses	160.984	25.020	35.359
Deferred income and social contribution taxes	(71.564)	7.426	9.809
Equity pick-up	4.248	(2.241)	3.373
Gain/loss on the write-off of intangible assets and property, plant and equipment	(98)	30.197	286
Depreciation and amortization	234.301	164.342	153.929
Creation of provisions	124.143	(15.280)	(1.191)
Provision for retirement benefits	18.557	16.538	15.873
Financial assets	(65.282)	(9.178)	(31.716)
Other	-	1	-
Provision for inventory losses	(290)	188	21
Adjusted income	562.888	586.216	486.179
Decrease (increase) in operating assets			
Trade accounts receivable	(14.062)	(62.840)	(14.970)
Inventories	(5.269)	1.780	(2.911)
Taxes recoverable	15.355	11.787	(28.668)
Banks and agreement investments	-	-	783
Collateral for Financing	-	-	(10.352)
Investments of securities/restricted investments	-	-	(161.966)
Other financial assets	-	-	22.914
Tariff transfer paid in advance	1.794	(2.378)	1.159
Technical cooperation agreement	1.887	2.557	73.077
Other	(731)	14.032	(1.051)
Increase (decrease) in operating liabilities			
Suppliers	71.280	(13.633)	6.849
Taxes, fees, contributions, and social obligations	2.456	7.824	100.660
Provision for vacations and Christmas bonus	(63.758)	(56.436)	(51.562)
Employee profit sharing	4.956	11.383	13.640
Technical cooperation agreement	(58)	481	4.987
Contingencies	532	(1.601)	7.396
Retirement benefit liabilities	(8.625)	(8.054)	(7.430)
Other	(80.110)	28.530	(12.184)
Payment of actuarial liabilities	(913)	(6.814)	(6.637)
Cash from operations	487.622	(73.382)	(66.266)
Interest paid	(52.337)	(36.367)	(45.015)
Interest paid - PPP	(1.524)	(1.739)	2.345
Payment of income and social contribution taxes	(3.077)	(116.493)	(131.760)
Net cash from operating activities	430.684	358.235	245.483
Cash flow from investing activities:			
Payments to PPP	(13.764)	(16.591)	(16.906)
Amount received from the sale of property, plant and equipment	2.042	266	1.668
Acquisition of Contract Assets	(284.151)	(122.881)	(103.126)
Acquisition of Intangible Assets	(47.530)	(41.612)	(105.801)
Acquisition of Property, plant and equipment	(10.875)	(5.797)	(6.657)
Financial Investment	-	-	161.349
Collateral for Financing	936	(7.462)	15.456
Banks and agreement investments	5.393	(7.106)	(12.142)
Net cash used in investing activities	(347.949)	(201.183)	(66.159)
Cash flow from financing activities:			
Income from loans, financing and debentures	41.109	537.911	22.287
Capitalized interest	-	2.292	-
Amortization of loans, financing, and debentures	(96.910)	(89.321)	(93.629)
Interest on Equity Paid	(98.697)	(59.715)	(60.022)
Dividends Paid	(57.372)	(819.918)	-
Funding costs	(383)	(1.764)	-
Payment of operating lease	(7.303)	(10.823)	(9.206)
Net cash used in financing activities	(219.556)	(441.338)	(140.570)
Increase (decrease) in cash and cash equivalents	(136.821)	(284.286)	38.754
Balance of cash and cash equivalents at the beginning of the period	1.416.290	1.070.663	482.550
Balance of cash and cash equivalents at the end of the period	1.279.469	786.377	521.304

10.6. Annual Cash Flow

Cash Flow	2021	2020
Cash flow from operational activities:		
Net Income (Loss) for the year	537.587	816.477
Provision for Doubtful Accounts		
Recovery of written-off invoices	221.416	369.880
Monetary and foreign exchange variation and charges, net	94.035	129.778
Interest income and expenses	294.323	108.243
Deferred income and social contribution taxes	(140.643)	(60.837)
Equity income	12.691	12.587
Gain/loss on intangible assets and property, plant and equipment	11.505	129.751
Depreciation and amortization	741.457	641.791
Constitution of provisions	151.130	(62.857)
Provision for retirement benefits	68.183	60.247
Financial assets	(101.836)	(36.406)
Provision for inventories loss	253	823
Others	(1.182)	(316)
Adjusted profit	1.888.919	2.109.161
Increase (decrease) in operational assets		
Accounts receivable from clients	(165.122)	(189.923)
Inventories	(20.940)	(6.259)
Taxes to be recovered	(82.187)	11.792
Advancement of tariff transfer	6.318	(19.812)
Technical cooperation agreement	(1.096)	(6.275)
Other	(2.852)	4.000
Increase (decrease) in operational liabilities		
Suppliers	81.800	17.601
Taxes, fees, contributions and social obligations	288.147	362.119
Provision for vacations and 13th salary	(5.892)	9.223
Employees' profit sharing	33.842	45.312
Technical Cooperational Agreement	(356)	(2.947)
Contingencies	(8.178)	4.411
Retirement benefit liabilities	(51.652)	(50.058)
Other	238.098	28.901
Payment of actuarial liabilities and Tax installments payment	(4.980)	(26.998)
Cash from operations	2.193.869	2.290.248
Interest paid	(212.325)	(171.107)
Interest paid from the Public Private Partnership	(6.194)	(8.859)
Income Tax (IR) and Social Contribution (CSLL) payment	(307.293)	(370.652)
NET CASH FROM OPERATING ACTIVITIES	1.668.057	1.739.630
Cash flow from investing activities:		
PPP Payment	(54.028)	(56.665)
Capital increase of subsidiaries (Copanor)	(49.740)	(43.736)
Amount received from the sale of property, plant and equipment	5.006	2.782
Purchase of Contract Assets	(794.724)	(455.637)
Purchase of Intangible Assets	(147.956)	(139.385)
Purchase of property, plant and equipment	(28.897)	(12.559)
Loan collateral deposits	143.067	15.133
Bank and financial investments of agreement	21.179	(4.262)
NET CASH USED IN INVESTING ACTIVITIES	(906.093)	(694.329)
Cash flow from financing activities:		
Income from loans, financing and debentures	895.164	564.772
Amortization of loans, financing and debentures	(779.594)	(251.750)
Juros sobre o capital próprio pagos	(282.747)	(225.064)
Dividendos pagos	(57.372)	(819.918)
Custo de captação	(11.659)	(5.280)
Payment of leasing	(32.664)	(42.988)
NET CASH USED IN FINANCING ACTIVITIES	(268.872)	(780.228)
Net increase (decrease) in cash and cash equivalents	493.092	265.073
Cash and cash equivalents at beginning of the period	786.377	521.304
Cash and cash equivalents at end of the period	1.279.469	786.377
Lease Payment	(11.124)	(11.229)
Net Cash in Financing Activities	2.547.814	1.561.525
Increase (Decrease) in Cash and Cash Equivalents	2.367.194	1.379.152
Balance of Cash at the beginning of the year	521.304	694.778
Balance of Cash at the end of the year	694.778	913.179

10.7. Debt

Debt –Funding Lines	Fixed Rate (Annual)	Index	Issue Date	Maturity Date	Outstanding Balance in dec/2021	%
<u>In National Currency:</u>						
FGTS Funds *	7,69%	TR	**	16-aug-2042	687.042	17,2%
Finame	4,21%	-	28-mar-2011	15-jan-2025	19.996	0,5%
BNDES Loan	6,85%	TJLP	15-jan-2008	15-mai-2025	126.994	3,2%
BNDES/4th Debenture Issue						
1st Series	6,87%	TJLP	15-jul-2010	15-jul-2022	15.497	0,4%
2nd Series	9,05%	IPCA	15-jul-2010	15-aug-2022	54.147	1,4%
3rd Series	6,87%	TJLP	15-jul-2010	15-jul-2022	20.519	0,5%
Caixa/5th Debenture Issue	9,00%	TR	20-sep-2011	01-sep-2031	171.559	4,3%
BNDES/8th Debenture Issue						
1st Series	7,19%	TJLP	15-jun-2015	15-jun-2028	53.125	1,3%
2nd Series	8,18%	IPCA	15-jun-2015	15-jun-2028	30.154	0,8%
BNDES/11th Debenture Issue						
1st Series	7,94%	TJLP	15-jan-2017	15-jan-2031	110.517	2,8%
2nd Series	8,85%	IPCA	15-jan-2017	15-jan-2031	59.714	1,5%
Market Debentures – 12th Issue						
1st Series	5,06%	IPCA	08-feb-2018	15-jan-2024	196.961	4,9%
2nd Series	5,27%	IPCA	08-feb-2018	15-jan-2026	101.776	2,5%
Market Debentures – 13th Issue						
2nd Series	10,07%	DI	15-jul-2018	15-jul-2023	557.276	13,9%
3rd Series	6,50%	IPCA	15-jul-2018	15-jul-2025	83.487	2,1%
Market Debentures – 14th Issue						
1st Series	9,71%	DI	15-jun-2019	15-jun-2024	47.330	1,2%
2nd Series	4,30%	IPCA	15-jun-2019	15-jun-2026	166.386	4,2%
Market Debentures – 15th Issue						
1st Series	11,06%	DI	16-dec-2020	16-dec-2025	502.295	12,5%
Market Debentures – 16th Issue						
1st Series	5,23%	IPCA	15-sep-2021	15-sep-2031	253.977	6,3%
2nd Series	10,57%	DI	15-sep-2021	15-sep-2026	508.621	12,7%
<u>In Foreign Currency:</u>						
KfW	2,07%	-	29-nov-2011	20-dec-2023	174.155	4,3%
BEI	0,028%	-	13-dec-2019	20-sep-2033	63.215	1,6%
Total Short-Term Debt + Long-Term Debt					4.004.743	100,0%
Issuance Costs of Securities					19.399	
Total Short-Term Debt + Long-Term Debt (Accounting)					3.985.344	
Cash and Cash Equivalents					1.279.469	
Net Debt ***					2.705.875	

* FGTS Funds: Brazilian Savings Bank.

** Several dates.

*** Book Value, since the costs of Fundind Operations were excluded.

About COPASA MG

Companhia de Saneamento de Minas Gerais – COPASA MG is a mixed capital company, controlled by the Minas Gerais State, whose stock has been traded since February 2006 in Novo Mercado, the highest corporate governance segment of B3 – Brasil, Bolsa, Balcão, under the ticker CSMG3. The Company’s activities are to plan, execute, expand, remodel and operate public sanitation services, involving water supply, sewage and solid waste services. COPASA MG has concessions in about 75% of the municipalities of the Minas Gerais State, supplying water to approximately 11.8 million people, of which 8.4 million people are also served with sewage services.

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