



Rio Manso Reservoir

Earnings Release

4Q23 and 2023



Belo Horizonte, March 21st, 2024 - Copasa (B3: CSMG3) hereby announces today its results for the fourth quarter of 2023 (4Q23) and the full year of 2023. 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 revenue of water, sewage, and solid waste totaled **R\$1.76 billion** in 4Q23, up by **26.7%** over 4Q22 (**R\$1.39 billion**).
- Costs and expenses totaled **R\$1.18 billion** in 4Q23 (against **R\$1.06 billion** in 4Q22), up by **11.5%**.
- The adjusted EBITDA totaled **R\$712.2 million** in 4Q23, up by **34.3%** over 4Q22 (**R\$530.0 million**). The margin was **39.8%** (**36.9%** in 4Q22).
- Net income was **R\$355.2 million** in 4Q23, up by **32.4%** over 4Q22, that was **R\$268.3 million**.
- Interest on Equity (IoE) declared in 2023 totaled **R\$637.8 million**.
- Net debt reached **R\$3.80 billion** in December 2023 and the Net Debt/EBITDA ratio was **1.5x**.
- Investments made by the Parent Company in 2023, including capitalizations, totaled **R\$1.63 billion**, increasing by **24.7%** from the same period in 2022.
- In 4Q23, water volume measured reached **181.1 million m³**, while sewage volume came to **123.9 million m³** (up by **8.6%** and **8.4%**, respectively, over 4Q22) (consolidated data).
- The delinquency rate (ratio between the balance of accounts receivable overdue between 90 and 359 days and the total amount billed in the last 12 months) reached **2.97%** in December 2023, the lowest index in the last 7 years. In December 2022 it was **3.22%**.
- The loss rate in Copasa's distribution reached **38.6%** in December 2023 (**39.4%** in December 2022).
- The Parent Company's index of "employees per thousand water and sewage connections" fell by **7.7%**, from **1.33** in December 2022 to **1.23** in December 2023.
- The capacity level of the reservoirs of the Paraopeba system is 80.6%.
- As of January 2024, the Company has been part of the new portfolio of B3's Corporate Sustainability Index (ISE), demonstrating the strength of Copasa's sustainable practices and reinforcing its ESG strategy, characterized by the integration of its commitments into its sustainable business model.

Conference Call

March 22nd, 2024 (Friday)

11 a.m. (Brasilia) 10 a.m. (New York) 2 p.m. (London)

Link: [Click here](#)

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1. Operating Performance

1.1. Operational data

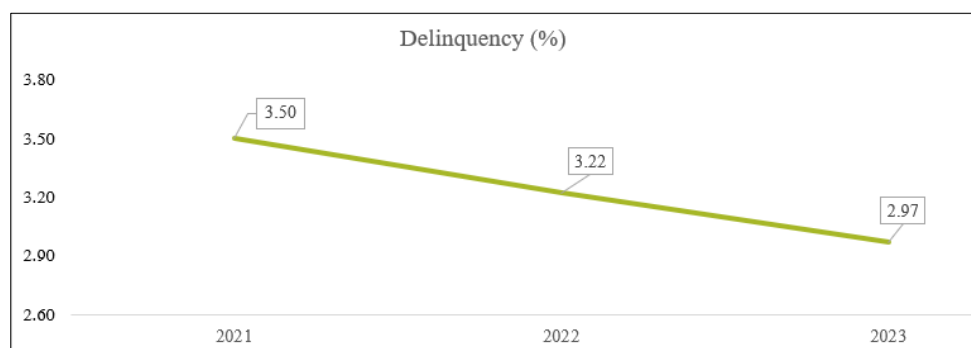
The main operational data of the parent company (Copasa) for 4Q23, 4Q22 and 4Q21 is as follows:

Copasa Data (Parent Company)	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Water							
Connections (1,000 units)	4,566	4,524	0.9%	4,564	0.1%	4,482	1.0%
Units (1,000 units)	5,526	5,474	0.9%	5,522	0.1%	5,418	1.0%
Population Served (1,000 inhabitants)	11,566	11,623	-0.5%	11,608	-0.4%	11,610	0.1%
Distributed Volume (1,000 m ³)	285,822	261,329	9.4%	275,688	3.7%	255,580	2.2%
Measured Volume (1,000 m ³)	178,164	164,233	8.5%	166,970	6.7%	155,900	5.3%
Network Extension (km)	63,063	61,986	1.7%	62,848	0.3%	60,615	2.3%
Water Metering Index (%)	99.9	99.9	-	100.0	-0,1 p.p.	99.9	-
Loss Index ¹ (%)	38.6	39.4	-0.8 p.p.	38.9	0,5 p.p.	40.1	-0.7 p.p.
Loss Index ² (L/connectionsxday)	252,2	251,3	0.3%	252,2	-	256,4	-2.0%
Sewage							
Connections (1,000 units)	3,140	3,068	2.3%	3,121	0.6%	3,012	1.9%
Units (1,000 units)	3,996	3,908	2.2%	3,972	0.6%	3,834	1.9%
Population Served (1,000 inhabitants)	8,496	8,431	0.8%	8,481	0.2%	8,342	1.1%
Measured Volume (1,000 m ³)	122,507	113,040	8.4%	115,157	6.4%	107,764	4.9%
Treated Volume (1,000 m ³)	103,210	83,365	23.8%	89,606	15.2%	86,465	-3.6%
Network Extension (km)	32,107	31,864	0.8%	31,985	0.4%	30,804	3.4%
Water and Sewage							
Consumption Days (quarter)	93.1	92.4	0.8%	93.9	-0.9%	91.7	0.8%
Consumption Days (monthly average)	31.0	30.8	0.8%	31.3	-0.9%	30.6	0.8%

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

(2) Difference between the volume distributed and the volume measured, divided by the number of served connections and the number of days in the period in the last twelve months.

According to the following chart, the delinquency rate, i.e., the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total billed amount in the last 12 months, of 3.22% in December 2022, saw a downward trend and reached 2.97% in December 2023, is the lowest rate recorded in the last 7 (seven) years. This result is due to the resumption and intensification of collection actions and debt renegotiation campaigns.



The main operational data of the subsidiary Copanor for 4Q23, 4Q22 and 4Q21 is as follows:

Copanor Data	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Water							
Connections (1,000 units)	114	112	2.6%	113	0.8%	110	1.5%
Units (1,000 units)	118	115	2.4%	117	0.8%	113	1.3%
Population Served (1,000 inhabitants)	223	225	-1.1%	225	-0.8%	223	1.2%
Distributed Volume (1,000 m ³)	4,182	4,235	-1.3%	3,919	6.7%	4,339	-2.4%
Measured Volume (1,000 m ³)	2,980	2,627	13.5%	2,622	13.7%	2,386	10.1%
Network Extension (km)	2,882	2,751	4.8%	2,846	1.3%	2,701	1.8%
Sewage							
Connections (1,000 units)	54	54	1.3%	54	0.8%	52	2.5%
Units (1,000 units)	56	55	1.1%	56	0.8%	54	2.3%
Population Served (1,000 inhabitants)	106	107	-1.0%	107	-0.8%	105	1.9%
Measured Volume (1,000 m ³)	1,350	1,230	9.7%	1,205	12.0%	1,122	9.6%
Network Extension (km)	1,559	1,576	-1.1%	1,547	0.8%	1,572	0.2%

The main operational data of the parent company (Copasa) and the subsidiary (Copanor) for 4Q23, 4Q22 and 4Q21 is as follows:

Consolidated Data (Copasa + Copanor)	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Water							
Connections (1,000 units)	4,681	4,636	1.0%	4,677	0.1%	4,591	1.0%
Units (1,000 units)	5,644	5,589	1.0%	5,638	0.1%	5,532	1.0%
Population Served (1,000 inhabitants)	11,789	11,849	-0.5%	11,833	-0.4%	11,833	0.1%
Distributed Volume (1,000 m ³)	290,004	265,565	9.2%	279,606	3.7%	259,919	2.2%
Measured Volume (1,000 m ³)	181,144	166,860	8.6%	169,592	6.8%	158,286	5.4%
Network Extension (km)	65,946	64,736	1.9%	65,694	0.4%	63,316	2.2%
Sewage							
Connections (1,000 units)	3,194	3,122	2.3%	3,175	0.6%	3,064	1.9%
Units (1,000 units)	4,052	3,963	2.2%	4,028	0.6%	3,888	1.9%
Population Served (1,000 inhabitants)	8,603	8,539	0.7%	8,588	0.2%	8,447	1.1%
Measured Volume (1,000 m ³)	123,857	114,270	8.4%	116,363	6.4%	108,886	4.9%
Network Extension (km)	33,666	33,440	0.7%	33,532	0.4%	32,376	3.3%

The volumes for the fiscal years ended 2023, 2022, and 2021 are as follows:

Distributed and Measured Volume	2023	2022	2023 X 2022	2021	2022 X 2021
Copasa					
Water					
Distributed Volume (1,000 m ³)	1,095,866	1,050,531	4.3%	1,041,473	0.9%
Measured Volume (1,000 m ³)	665,441	632,762	5.2%	618,952	2.2%
Sewage					
Measured Volume (1,000 m ³)	458,892	436,712	5.1%	424,307	2.9%
Treated Volume (1,000 m ³)	363,959	310,984	17.0%	339,981	-8.5%
Copanor					
Water					
Distributed Volume (1,000 m ³)	16,120	16,951	-4.9%	14,662	15.6%
Measured Volume (1,000 m ³)	10,686	9,911	7.8%	9,757	1.6%
Sewage					
Measured Volume (1,000 m ³)	4,917	4,671	5.3%	4,506	3.7%
Copasa+Copanor					
Water					
Distributed Volume (1,000 m ³)	1,111,985	1,067,482	4.2%	1,056,135	1.1%
Measured Volume (1,000 m ³)	676,127	642,673	5.2%	628,709	2.2%
Sewage					
Measured Volume (1,000 m ³)	463,808	441,383	5.1%	428,813	2.9%

1.2. Coverage Ratios

In 2023, the coverage ratio of Copasa's water services, within its coverage area, is above 99%, as also verified in previous years, being higher, therefore, than that required by the New Sanitation Sector Framework, showing that the Company has already reached universalization before the deadline set for 2033.

As for sewage, in 2023 the Company reported global coverage ratio for collected and treated sewage of 75%, 2.9 p.p. higher than the ratio of 72,1% reported in 2022. Copasa's robust 2024-2028 Investment Program of R\$9.8 billion, as detailed in item 6.2 of this Release, aims to make the investments necessary to maintain quality, regularity and monitoring of population growth referring to the already universalized water services, and expand investments focused on increasing collection networks and sewage treatment, with the goal of universalizing sewage services, as established by the New Sanitation Sector Framework, that is, 90% of the population supplied with collection network and sewage treatment by 2033.

The Company's coverage ratios for water and sewage are much superior that those verified for the national average. According to data disclosed by the National Sanitation Information System (SNIS), in January 2024, the ratio of global service with water network, at a national level, was 84.9%, for the reference year 2022, and the percentage of sewage treatment reached 52.2%, showing the superiority of the Company's indicators.

1.3. Customer Base

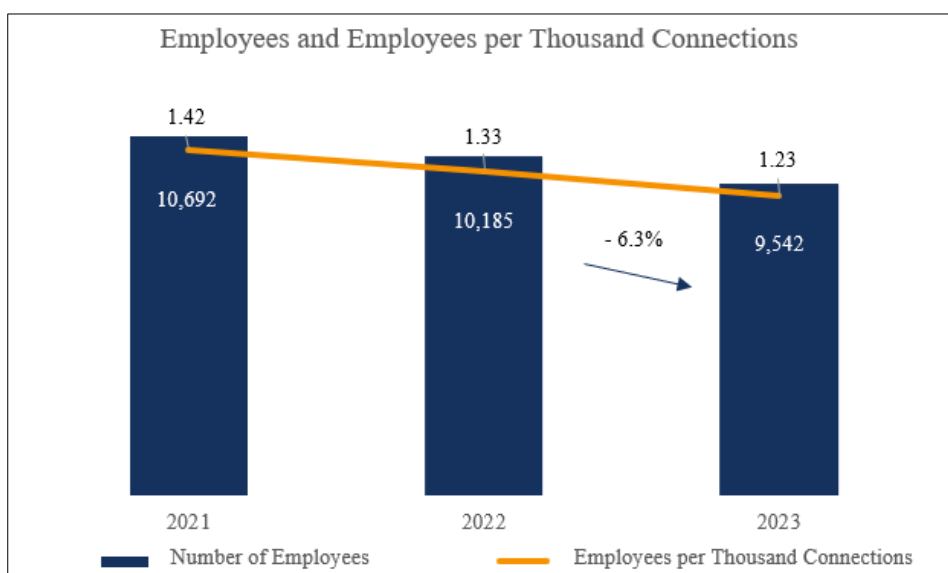
The quarterly information about the customer base, measured volume and billing by consumer category (Residential, Social Residential, Commercial, Industrial and Public) are highlighted in the following table:

Consolidated Data (Copasa MG + Copanor)	Units per Category (%)			Measures Volume per Category (%)			Billings per Category (%)		
Water and Sewage (Quarterly Average)	4Q23	4Q22	4Q21	4Q23	4Q22	4Q21	4Q23	4Q22	4Q21
Residential	79.3%	78.5%	77.4%	74.7%	74.0%	73.3%	68.8%	68.5%	68.5%
Residential Social	10.3%	11.0%	12.1%	10.5%	11.2%	12.5%	5.2%	5.5%	6.2%
Commercial	9.2%	8.6%	8.6%	8.9%	8.2%	8.0%	15.0%	13.9%	13.8%
Industrial	0.6%	0.6%	0.6%	2.0%	2.0%	2.1%	3.9%	3.9%	4.1%
Public	0.6%	1.3%	1.3%	3.9%	4.6%	4.1%	7.1%	8.2%	7.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1.4. Staff Management

1.4.1. Employees and Employees per Connection

The number of employees in the Parent Company fell by 6.3% from December 2022, to 9,542 employees in December 2023. This reduction allowed for an improvement in the rate “number of employees per thousand connections”, as shown in the chart below:



The reduction in the headcount was due to the Voluntary Separation Program (PDVI) implemented by the Company in May 2023, for which 736 employees applied, with 699 being dismissed in 2023, and 4 (four) applications cancelled. It is also worth noting that the estimated indemnification – fully accounted for in 2Q23 – totaled R\$115.1 million, R\$79.6 million of which written off in 2023.

As for Copanor, the headcount was 460 in December 2023, and the rate of employees per thousand connections was 2.69.

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	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Gross Revenue – Water	1,274,996	1,013,426	25.8%	1,172,825	8.7%	940,589	7.7%
Gross Revenue – Sewage	662,063	516,216	28.3%	611,125	8.3%	479,289	7.7%
Gross Revenue – Solid Waste	1,404	747	87.9%	1,325	5.9%	633	18.0%
Gross Revenue – Water, Sewage and Solid Waste	1,938,463	1,530,389	26.7%	1,785,275	8.6%	1,420,511	7.7%
PIS/Cofins	(179,399)	(141,630)	26.7%	(165,239)	8.6%	(131,474)	7.7%
Net Revenue – Water, Sewage and Solid Waste	1,759,064	1,388,759	26.7%	1,620,036	8.6%	1,289,037	7.7%

Net revenue from water, sewage and solid waste totaled R\$1.76 billion in 4Q23, as shown below:

Net Revenue	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Net Direct Revenue - Water	1,142,516	896,403	27.5%	1,050,449	8.8%	833,365	7.6%
Net Direct Revenue - Sewage	598,138	467,283	28.0%	551,273	8.5%	433,378	7.8%
Net Direct Revenue - Water and Sewage	1,740,654	1,363,686	27.6%	1,601,722	8.7%	1,266,743	7.7%
Net Indirect Revenue - Water	14,500	23,240	-37.6%	13,834	4.8%	20,170	15.2%
Net Indirect Revenue - Sewage	2,679	1,177	127.6%	3,317	-19.2%	1,569	-25.0%
Net Indirect Revenue - Water and Sewage	17,179	24,417	-29.6%	17,151	0.2%	21,739	12.3%
Net Revenue - Solid Waste	1,231	656	87.7%	1,163	5.8%	555	18.2%
Net Revenue - Water, Sewage and Solid Waste	1,759,064	1,388,759	26.7%	1,620,036	8.6%	1,289,037	7.7%

Next, the Company's comments on the main factors that influenced net revenue from water supply and sewage services, year on year in 4Q23:

- impacts of the tariff increase applied on January 1, 2023, with an average tariff effect of 15.7%, as authorized by Arsae-MG;
- an increase of 1.1% in water units and 2.2% in sewage units; and
- an increase of 7.0% in water volume per unit and 6.0% in sewage volume per unit, due to the higher temperatures seen in 2023.

2.2. Costs and Expenses

The costs of sales and services rendered, sales expenses, and administrative expenses totaled R\$1.18 billion in 4Q23, compared to the R\$1.06 billion reported in 4Q22, or an increase of 11.5%, as shown in the table below:

Costs and Expenses	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Manageable Costs	809,995	719,956	12.5%	749,128	8.1%	677,561	6.3%
Personnel ¹	436,328	394,660	10.6%	408,895	6.7%	375,417	5.1%
Outsourced Services	181,919	158,347	14.9%	182,244	-0.2%	133,312	18.8%
Rio Manso PPP	23,715	23,675	0.2%	23,415	1.3%	23,066	2.6%
Materials	18,735	19,726	-5.0%	19,532	-4.1%	20,573	-4.1%
Provision for Doubtful Accounts (PDA)	47,309	53,980	-12.4%	33,660	40.5%	59,866	-9.8%
Tariff Transfers to Municipalities	79,241	51,118	55.0%	68,689	15.4%	47,970	6.6%
Sundry Operational Costs	22,748	18,450	23.3%	12,693	79.2%	17,357	6.3%
Non-Manageable Costs	192,868	149,297	29.2%	181,288	6.4%	183,578	-18.7%
Electricity	159,418	116,857	36.4%	156,625	1.8%	159,157	-26.6%
Telecommunication	5,122	4,253	20.4%	5,029	1.8%	3,917	8.6%
Treatment and Laboratory Materials	33,047	36,921	-10.5%	28,817	14.7%	25,333	45.7%
Fuels and Lubricants	12,059	9,053	33.2%	7,395	63.1%	10,400	-13.0%
Tax Credits	(16,778)	(17,787)	-5.7%	(16,578)	1.2%	(15,229)	16.8%
Capital Costs	196,581	184,399	6.6%	193,007	1.9%	234,300	-21.3%
Depreciation and Amortization	196,581	184,399	6.6%	193,007	1.9%	234,300	-21.3%
Charge for Usage of Water Resources	(19,239)	5,234	-467.6%	18,112	-206.2%	6,976	-25.0%
Total Costs and Expenses	1,180,205	1,058,886	11.5%	1,141,535	3.4%	1,102,415	-3.9%
Total Costs and Expenses (without Depreciation and Amortization)	983,624	874,487	12.5%	948,528	3.7%	868,115	0.7%

(1) Includes pension plan obligations.

Below, the Company presents the comments on the items that make up the costs and expenses that presented the most significant variations, year on year in 4Q23:

2.2.1. Manageable Costs

2.2.1.1. Personnel

The rise seen in this unit was 10.6%, mainly due to the following factors:

- impacts in salaries, vacation pay, and Christmas bonuses, among other benefits arising from the 2023 Collective Bargaining Agreement, whose base date is November and considered the INPC (4.14%) as a base;
- an increase in expenses with the meal program, mostly due to the extraordinary payment of R\$8.0 million in November 2023, according to the Collective Bargaining Agreement;
- higher provision for profit sharing – because of increased net income – totaling R\$21.4 million in 4Q23 (R\$10.5 million in 4Q22);
- effects of an increase in the base of variable compensation and position-based commission, due to the improvement in the EBITDA Margin, which is the reference indicator for the calculation of said compensation;
- an increase of R\$3.7 million in expenses with the health program, due to increased utilization of medical services and a rise in health plan costs;
- a reduction of R\$5.9 million in capitalizable expenses referring to employees assigned to the Company's expansion areas and who are classified as intangible assets; and

- a decrease of 6.3% in headcount, comparing December 2023 with December 2022, due to dismissals under the Voluntary Separation Program (PDVI) in the period.

2.2.1.2. Outsourced Services

This line increased by 14.9%. The items with the most significant variations in the period were:

- an increase of R\$7.2 million in maintenance of system assets, mainly driven by new maintenance contracts in water and sewage operating units, as well as contractual adjustments;
- expenses of R\$3.9 million in outsourced bill reading and delivery services in the fourth quarter of 2023;
- an increase of R\$3.1 million in technical and professional services in 4Q23, chiefly due to occupational safety consulting services and regulatory matters, among others in a dispersed manner;
- an increase of R\$2.3 million in cleaning, surveillance, messengers and receptionist services;
- an increase of R\$2.2 million in maintenance, cut and reconnection services; and
- an increase of R\$2.2 million in generator rental costs.

2.2.1.3. Materials

This item dropped by 5.0%, mainly due to lower expenses with materials for the conservation/maintenance of assets related to operating systems and vehicle parts, accessories and components.

2.2.1.4. Impairment of Receivables

This line was 12.4% lower than in 4Q23, mainly due to the following:

- the change in the method for accounting recovered amounts from written-off accounts, which, as of 1Q23, started to be recorded as credit under this line. As a result, this line started to be seen as net value; and
- a rise in recovered amounts from written-off accounts year on year in 4Q23, mainly due to the adoption of more restrictive debt collection policies, including by reporting clients in default to credit reporting companies and by protesting bills, among other measures.

2.2.1.5. Tariff Transfers to Municipalities

The 55.0% increase in this item was mainly due to higher tariff transfer values, given the 15.70% readjustment defined by Arsae-MG and the increase in the number of municipal sanitation funds qualified to receive this transfer.

According to [Technical note GRT 01/2022](#) issued by Arsae-MG, within the scope of the tariff increase applied in January 2023, 75 new municipal sanitation funds were included with the right to the transfers, totaling 294 qualified municipalities. It is worth noting that the amounts transferred to the municipal sanitation funds are recognized in the tariff.

2.2.1.6. Sundry Operating Costs

The 23.3% increase in sundry operating costs year on year in 4Q23 was mainly due higher expenses with transportation fares, travel and tax incentives.

2.2.2. Non-Manageable Costs

2.2.2.1. Electricity

The 36.4% increase in electric energy expenses year on year in 4Q23 was mainly due to the net effect of the following factors:

- an increase of 6.6% in the Company's electricity consumption;
- an increase of 13.27% applied by CEMIG to the electric energy tariffs, levied on the captive market, effective from June 2023;
- a reduction of 3% in the subsidy applied to the electric energy tariffs of the concessionaires providing public water supply and sewage services, levied on the captive market, effective from June 2022;
- exclusion of the ICMS tax from the PIS/COFINS credit tax base, as of May 2023;
- resumption of collection of the ICMS tax on the Tariff for the Use of the Electricity Transmission System (TUST) and the Tariff for the Use of the Electricity Distribution System (TUSD), as of February 2023;
- a reduction of 16.9% in electric energy expenses from the units that migrated to the Free Market. We underscore that such units account for about 47% of the Company's total energy consumption, and that the migration occurred in 1Q23.

2.2.2.2. Telecommunications

The 20.4% rise was mainly due to the expansion and upgrade of data transmission services, the contracting of redundant links, lines and data services, as well as the annual increase in service costs.

2.2.2.3. Treatment and Laboratory Materials

The 10.5% reduction in this line was due to lower costs with the acquisition of chemicals utilized to treat water.

2.2.2.4. Fuels and Lubricants

The 33.2% increase was mainly due to higher gasoline prices and increased general consumption of diesel, driven by higher consumption from generators.

2.2.2.5. Tax Credits

The 5.7% drop in tax credits year on year in 4Q23 was mainly due to the exclusion of ICMS and IPI from the tax base of inputs with the right to PIS/COFINS credits, as well as the reclassification of the recovery of PIS/COFINS credits related to Rio Manso PPP's expense, which was recorded directly as a credit to this line as of January 2023.

2.2.3. Depreciation and Amortization

The 6.6% increase in the depreciation and amortization line year on year in 4Q23 was basically due to incorporations in PP&E and intangibles.

2.3. Other Operating Revenues (Expenses)

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

Other Operating Revenues (Expenses)	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Other Operating Revenues	11,599	33,119	-65.0%	23,526	-50.7%	87,485	-62.1%
Revenue from Technical Services	3	35	-91.4%	14	-78.6%	72	-51.4%
Reversal of Non-Deductible Provision	4,239	11,923	-64.4%	5,827	-27.3%	11,696	1.9%
Recovery of Written-off Accounts	-	9,329	n.m.	-	-	15,847	-41.1%
Other Revenues	7,357	11,832	-37.8%	17,685	-58.4%	59,870	-80.2%
Other Operating Expenses	(108,839)	(13,859)	685.3%	(5,025)	2066.0%	(159,439)	-91.3%
Provisions for lawsuits	(46,117)	11,500	n.m.	28,962	n.m.	(152,377)	-107.5%
Arsae-MG Fee	(14,203)	(13,265)	7.1%	(14,203)	0.0%	(10,737)	23.5%
Expenses with environmental preservation	(11,574)	(6,371)	81.7%	(11,470)	0.9%	(7,096)	-10.2%
Taxes and tributes	(2,420)	(6,867)	-64.8%	(3,739)	-35.3%	(1,404)	389.1%
Actuarial liability	(1,789)	3,256	n.m.	(1,656)	8.0%	(1,400)	-332.6%
Other Expenses	(32,736)	(2,112)	1450.0%	(2,919)	1021.5%	13,575	-115.6%
Total	(97,240)	19,260	n.m.	18,501	n.m.	(71,954)	n.m.

2.3.1. Other Operating Revenues

The decline in Other Operating Income was mainly due to the change in the accounting of values of the Recovery of Written-Off Accounts line, which as of 1Q23 started to be credited directly to the Impairment of Receivables line.

2.3.2. Other Operating Expenses

Other Operating Expenses were negative by R\$108.8 million in 4Q23, versus a negative result of R\$13.9 million in 4Q22. The main factors that contributed to this variation were:

- higher values referring to lawsuits in 4Q23, especially as a result of the judicial agreement formalized and settled in December 2023, aiming at settling the suit for indemnification filed in 2021, claiming economic and financial imbalance in construction contracts entered into with Copasa, with an impact of R\$33.8 million on the result; and
- lower lawsuit amounts recorded in this line in 4Q22, due to reversals of provisions for civil and tax lawsuits in that period.

2.4. Equity Pick-up (Subsidiary Copanor)

Below is the summarized Income Statement of Copanor for the comparative periods.

Summarized Statement of Copanor	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Net Revenue from Sales and/or Services	18,856	12,290	53.4%	15,754	19.7%	10,997	11.8%
Construction Revenue	5,386	6,486	-17.0%	2,704	99.2%	13,372	n.m.
Other Operating Revenues	42	379	-88.9%	529	-92.1%	141	168.8%
Operating Costs and Expenses	(19,124)	(16,851)	13.5%	(19,629)	-2.6%	(14,829)	13.6%
Construction Costs	(5,386)	(6,486)	-17.0%	(2,704)	99.2%	(13,372)	-51.5%
Other Operating Expenses	(1,096)	(1,895)	-42.2%	(782)	40.2%	(1,481)	28.0%
Net Financial Revenues (Expenses)	1,569	1,541	1.8%	1,525	2.9%	924	66.8%
Net Income (Loss)	247	(4,536)	n.m.	(2,603)	n.m.	(4,248)	6.8%

2.5. Financial Result

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

Financial Revenues (Expenses)	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Financial Revenues	84,791	64,072	32.3%	77,770	9.0%	156,232	-59.0%
Monetary Variation	3,046	11,983	-74.6%	10,098	-69.8%	6,786	76.6%
Foreign Exchange Variation	3,670	3,601	1.9%	5,822	-37.0%	8,007	-55.0%
Interest	13,090	11,944	9.6%	13,499	-3.0%	11,389	4.9%
Real Gains from Financial Investments	37,185	17,554	111.8%	18,491	101.1%	25,905	-32.2%
Capitalization of Financial Assets/Other	27,800	18,990	46.4%	29,860	-6.9%	104,145	-81.8%
Financial Expenses	(106,824)	(141,470)	-24.5%	12,984	-922.7%	(215,949)	-34.5%
Monetary Variation	(21,475)	(24,784)	-13.4%	(15,196)	41.3%	(46,256)	-46.4%
Foreign Exchange Variation	(9,288)	(14,487)	-35.9%	(8,542)	8.7%	(8,727)	66.0%
Charges on Financing and Legal Provisions	(75,806)	(102,196)	-25.8%	36,905	n.m.	(160,931)	-36.5%
Sundry	(255)	(3)	8400.0%	(183)	39.3%	(35)	-91.4%
Financial Result	(22,033)	(77,398)	-71.5%	90,754	-124.3%	(59,717)	29.6%

2.5.1. Financial Revenues

Financial income rose by 32.3% due to:

- higher real gains from financial investments, given the average increased balance of cash available year on year in 4Q23; and
- change in the account in which fines on nonpayment of clients are recorded (now recorded under Financial Income).

2.5.2. Financial Expenses

Lower financial expenses were mainly due to monetary restatement and interest resulting from the reclassification of lawsuits in 4Q22, which raised the amounts recorded in that quarter.

2.6. Taxes on Income

Taxes on Income	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Earnings before Taxes on Income	459,832	267,199	72.1%	585,153	-21.4%	50,703	427.0%
Income and Social Contribution Taxes	(104,583)	1,083	n.m.	(148,039)	-29.4%	13,599	-92.0%
Effective Rate	22.74%	0.41%	22,3 p.p.	25.30%	-2,6 p.p.	26.82%	-26,4 p.p.

The upturn in the taxes on income was mainly due to the 72.1% year-over-year increase in the earnings before taxes on income in 4Q23. The effective rate in 4Q23 is in line with the Company's historical figures.

It is worth noting that, in light of the change in the percentage of shareholder compensation for the 2022FY, which went up from 25% to 50% in December 2022, significant Interest on Equity amounts were declared for 4Q22, reflecting in lower taxes on profit for said quarter.

2.7. Net Income

Below, the net income table in the comparative periods:

Net Income and Earnings per Share	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Result before Financial Result and Taxes	481,866	344,597	39.8%	494,399	-2.5%	110,420	212.1%
Net Financial Result	(22,034)	(77,398)	-71.5%	90,754	n.m.	(59,717)	29.6%
Earnings before Taxes on Income	459,832	267,199	72.1%	585,153	-21.4%	50,703	427.0%
Taxes on Income	(104,583)	1,083	n.m.	(148,039)	-29.4%	13,599	-92.0%
Net Income	355,249	268,282	32.4%	437,114	-18.7%	64,302	317.2%
Net Earnings per Share (R\$)	0.94	0.71	32.4%	1.15	-18.7%	0.17	317.2%

2.8. EBITDA and EBITDA Margin

EBITDA is a non-accounting measure adopted by Copasa, calculated according to CVM Resolution 156/2022, consisting, as shown below, of net income plus taxes on income, financial result, depreciation/amortization, and these same items of the subsidiary Copanor.

EBITDA reached R\$679.8 million in 4Q23. Adjusted EBITDA, which excludes extraordinary and non-recurring items – Indemnification for Contractual Delinquency (please see item 2.3.2 of this Release) and reversal of provision for Labor Lawsuit – reached R\$712.0 million (34.3% higher than in 4Q22). The adjusted EBITDA margin reached 39.8% in 4Q23 (36.9% in 4Q22).

The table below shows the reconciliation of Net Income to EBITDA in the comparative periods.

EBITDA	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Net Income for the Period	355,250	268,282	32.4%	437,114	-18.7%	64,302	317.2%
(+) Taxes on Income	104,583	(1,083)	n.m.	148,039	-29.4%	(13,599)	-92.0%
(+) Financial Result	22,033	77,398	-71.5%	(90,754)	n.m.	59,717	29.6%
(+) Depreciation and Amortization	196,581	184,399	6.6%	193,007	1.9%	234,300	-21.3%
(+) Taxes on Income, Financial Result and Depreciation/Amortization of Copanor	1,306	958	36.3%	1,349	-3.2%	1,033	-7.3%
(=) EBITDA	679,753	529,954	28.3%	688,755	-1.3%	345,753	53.3%
EBITDA Margin	38.2%	36.9%	1.3 p.p.	41.5%	-3.3 p.p.	24.9%	12,0 p.p.
Adjustments - Non-Recurring Items							
(-) Labor Lawsuit	(1,614)	-	n.m.	-	n.m.	-	n.m.
(+) Compensation for Contractual Default	33,853	-	n.m.	-	n.m.	-	n.m.
(=) Adjusted EBITDA	711,992	529,954	34.3%	638,883⁽¹⁾	11.4%	456,077⁽²⁾	16.2%
Adjusted EBITDA Margin	39.8%	36.9%	2.9 p.p.	38.5%	1,3 p.p.	32.9%	4,0 p.p.

(1) In 3Q23, EBITDA was adjusted due to the reversal of a provision for Labor Lawsuit (R\$49.9 million), as detailed in item 2.1 of the [3Q23 Release](#).

(2) In 4Q21, EBITDA was adjusted due to the accounting of increased provision for Labor Lawsuit (R\$110.3 million), as detailed in item 8.1 of the [4Q21 Release](#).

3. Annual Financial Performance

3.1. 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	2023	2022	2023 X 2022	2021	2022 X 2021
Gross Revenue – Water	4,737,671	3,925,082	20.7%	3,697,410	6.2%
Gross Revenue – Sewage	2,449,552	1,992,070	23.0%	2,010,268	-0.9%
Gross Revenue – Solid Waste	5,523	2,406	129.6%	2,581	-6.8%
Gross Revenue – Water, Sewage and Solid Waste	7,192,746	5,919,558	21.5%	5,710,259	3.7%
PIS/Cofins	(665,675)	(548,069)	21.5%	(528,473)	3.7%
Net Revenue – Water, Sewage and Solid Waste	6,527,071	5,371,489	21.5%	5,181,786	3.7%

Net revenue from water, sewage and solid waste totaled R\$6.5 billion in 2023, up 21.5% over 2022, as shown in the table below:

Net Revenue	2023	2022	2023 X 2022	2021	2022 X 2021
Net Direct Revenue - Water	4,221,902	3,473,639	21.5%	3,276,054	6.0%
Net Direct Revenue - Sewage	2,211,564	1,800,694	22.8%	1,815,534	-0.8%
Net Direct Revenue - Water and Sewage	6,433,466	5,274,333	22.0%	5,091,588	3.6%
Net Indirect Revenue - Water	77,365	88,088	-12.2%	79,171	11.3%
Net Indirect Revenue - Sewage	11,382	6,969	63.3%	8,762	-20.5%
Net Indirect Revenue - Water and Sewage	88,747	95,057	-6.6%	87,933	8.1%
Net Revenue - Solid Waste	4,858	2,099	131.4%	2,265	-7.3%
Net Revenue - Water, Sewage and Solid Waste	6,527,071	5,371,489	21.5%	5,181,786	3.7%

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:

- impacts of the tariff increase applied on January 1, 2023, with an average tariff effect of 15.7%, as authorized by Arsae-MG;
- an increase of 1.1% in water units and 2.1% in sewage units; and
- an increase of 4.0% in water volume per unit and 3.3% in sewage volume per unit, due to the higher temperatures seen in 2023.

3.2. Costs and Expenses

Costs and expenses totaled R\$4.6 billion, increased by 12.4% from 2022. Excluding the amount referring to VSP, accounted for in 2023, total costs and expenses would have increased by 9.6% in the comparison between both periods. The following table shows the costs and expenses in the comparative periods:

Costs and Expenses	2023	2022	2023 X 2022	2021	2022 X 2021
Manageable Costs	3,108,419	2,720,113	14.3%	2,710,965	0.3%
Personnel ⁽¹⁾	1,631,468	1,495,462	9.1%	1,492,208	0.2%
Voluntary Separation Program - VSP	115,067	-	n.m.	152,171	-
Outsourced Services	694,302	605,939	14.6%	474,963	27.6%
Rio Manso PPP	91,288	96,779	-5.7%	86,058	12.5%
Materials	73,220	79,957	-8.4%	70,859	12.8%
Provision for Doubtful Accounts (PDA)	183,658	201,935	-9.1%	221,416	-8.8%
Tariff Transfers to Municipalities	262,530	194,281	35.1%	171,917	13.0%
Sundry Operational Costs	56,886	45,760	24.3%	41,373	10.6%
Non-Manageable Costs	707,089	631,557	12.0%	635,846	-0.7%
Electricity	578,966	523,234	10.7%	560,364	-6.6%
Telecommunication	19,279	16,817	14.6%	13,308	26.4%
Treatment and Laboratory Materials	136,090	121,103	12.4%	87,716	38.1%
Fuels and Lubricants	37,387	39,278	-4.8%	31,942	23.0%
Tax Credits	(64,633)	(68,875)	-6.2%	(57,484)	19.8%
Capital Costs	778,425	721,131	7.9%	741,456	-2.7%
Depreciation and Amortization	778,425	721,131	7.9%	741,456	-2.7%
Charge for Usage of Water Resources	-	13,717	-100.0%	12,546	9.3%
Total Costs and Expenses	4,593,933	4,086,518	12.4%	4,100,813	-0.3%
Total Costs and Expenses (without VSP)	4,478,866	4,086,518	9.6%	3,948,642	3.5%
Total Costs and Expenses (without Depreciation and Amortization)	3,815,508	3,365,387	13.4%	3,359,357	0.2%

(1) Includes pension plan obligations.

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 increased by 9.1% in 2023 over 2022. The most significant changes were:

- impacts on salaries, vacation pay, Christmas bonus and other benefits arising from the Collective Bargaining Agreement referring to November 2022 and November 2023, based on the accumulated INPC of 6.46% and 4.14%, respectively;
- effects of the increase in the base of variable compensation, position-based commission, and employee profit-sharing, due to better results and EBITDA margin recorded in 2023, in comparison with the previous year.
- an increase in expenses with the meal program, mostly due to the extraordinary payment of R\$8.0 million in November 2023, according to the Collective Bargaining Agreement;
- an increase of R\$8.2 million in expenses with the health program, due to increased utilization of medical services and higher health plan costs;

- a reduction of R\$5.0 million in capitalizable expenses mainly referring to employees assigned to the Company's expansion areas and who are classified as intangible assets; and
- a decrease of 6.3% in headcount, comparing December 2023 with December 2022, due to dismissals under the Voluntary Separation Program (PDVI) in the period. Information about said Program is included in item 1.4.1 of this Earnings Release.

3.2.1.2. Voluntary Separation Program - VSP

Refers to expenditures in 2023, related to Copasa's Voluntary Separation Program (PDVI), which was joined by 736 Company employees, and the total cost, recognized in that year's result, totaled R\$115.1 million.

3.2.1.3. Outsourced Services

This line increased by 14.6%. The items with the most significant variations in the period were:

- a rise of R\$31.3 million in expenses with conservation and maintenance of assets and systems, year on year in 2023, mainly due to the inclusion of new contracts and contractual adjustments;
- an increase of R\$12.2 million in 2023 in expenses with outsourced bill reading and delivery services;
- increase of R\$9.6 million in maintenance, cuts and reconnection services;
- an increase of R\$8.6 million in 2023 in expenses with technical and professional services;
- an increase of R\$8.5 million in generator rental costs;
- an increase of R\$7.0 million in expenses with information technology services; and
- an increase of R\$5.5 million in expenses with marketing and advertising.

3.2.1.4. Rio Manso PPP

Saw a reduction of 5.7% in the comparative periods, mainly due to the recovery of PIS/Cofins credits referring to this service, which was recorded directly as a credit to this line as of 1Q23.

3.2.1.5. Materials

This item fell by 8.4%, mainly due to lower expenses with vehicle parts, accessories, and components, as well as other items in a dispersed manner.

3.2.1.6. Impairment of Receivables

Year over year, this item fell by 9.1% in 2023, due to lower defaults reported in the period, measured by the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total amount billed in the last 12 months. The ratio fell from 3.22% in December 2022 to 2.97% in December 2023, due to collection actions and debt renegotiation campaigns.

Also contributed to the decline of this line the change in the method for accounting recovered amounts from written-off accounts, which, as of 1Q23, started to be recorded as credit under this line. As a result, this line started to be seen as net value.

3.2.1.7. Tariff Transfers to Municipalities

The 35.1% increase in this line year on year in 2023 was mainly due to increased tariff transfer values, given the 15.70% tariff increase and the increase in the number of municipal sanitation funds qualified to receive such transfer, as detailed in item 2.2.1.5 of this Release.

3.2.1.8. Sundry Operating Costs

The 24.3% increase seen year on year in 2023 was due to higher expenses with water self-consumption, transportation fares, travel and accommodations, as well as other lines in a pulverized manner.

3.2.2. Non-Manageable Costs

3.2.2.1. Electricity

The 10.7% increase in electric power expenses year on year in 2023 was mainly due to the net effect of the following factors:

- an increase of 4.3% in the Company's electricity consumption;
- an increase of 8.8% in Cemig's electricity tariff in June 2022 and 13.27%, effective from June 2023;
- a reduction of 3% in the subsidy applied to the electric energy tariffs of the concessionaires providing public water supply and sewage services, effective from June 2022;
- exclusion of ICMS from the PIS/COFINS credit tax base, as of May 2023;
- resumption of collection of the ICMS tax on the Tariff for the Use of the Electricity Transmission System (TUST) and the Tariff for the Use of the Electricity Distribution System (TUSD), as of February 2023; and
- tax exemption, with the reduction of ICMS on electricity service to the ceiling of 18%, effective from June 23, 2022;
- lower expenses with the application of flags in part of 2022, as flags were not recollected in 2023; and
- a reduction of 19.9% in electric energy expenses from the units that migrated to the Free Market.

It is worth noting that the units that migrated to the Free Market represented growing percentages of the Company's total energy consumption throughout 2023, reaching, in December this year, 47% of the total electricity used by the Company.

3.2.2.2. Telecommunications

The 14.6% rise in this line mainly reflects the expansion of data transmission services, the growth of the Personal Mobile Service plant, in addition to the contracting of services and mobile phone lines to serve digital ETA, digital ETE and SIGOS solutions.

3.2.2.3. Treatment and Laboratory Materials

The increase of 12.4% in this item, year on year in 2023, was mainly a result of higher prices of chemicals used in water treatment and higher consumption of some of these products because of specific operating issues.

3.2.2.4. Fuels and Lubricants

The 4.8% reduction in this line was mainly due to a fall in fuel prices year on year in 2023.

3.2.2.5. Tax Credits

The 6.2% drop in tax credits, year on year in 2023, was mainly due to the same reasons presented in item 2.2.2.5 – a reduction in the tax base of inputs with the right to credit and the reclassification of the recovery of PIS/Cofins credits, especially the expense referring to the Rio Manso PPP.

3.2.3. Depreciation and Amortization

The 7.9% increase in the depreciation and amortization line year on year in 2023 was basically due to incorporations in PP&E and intangibles.

3.3. Other Operating Revenues (Expenses)

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

Other Operating Revenues (Expenses)	2023	2,022	2023 X 2022	2021	2022 X 2021
Other Operating Revenues	67,060	135,017	-50.3%	177,380	-23.9%
Revenue from Technical Services	117	259	-54.8%	145	78.6%
Reversal of Non-Deductible Provision	28,277	62,031	-54.4%	33,650	84.3%
Recovery of Written-off Accounts	-	42,798	n.m.	64,628	-33.8%
Other Revenues	38,666	29,929	29.2%	78,957	-62.1%
Other Operating Expenses	(193,490)	(151,312)	27.9%	(396,632)	-61.9%
Provisions for lawsuits	(37,026)	(29,389)	26.0%	(238,038)	-87.7%
Arsae-MG Fee	(56,813)	(53,060)	7.1%	(42,949)	23.5%
Expenses with environmental preservation	(39,750)	(20,686)	92.2%	(26,184)	-21.0%
Taxes and tributes	(13,306)	(15,553)	-14.4%	(8,382)	85.6%
Actuarial liability	(6,756)	(10,806)	-37.5%	(12,713)	-15.0%
Other Expenses	(39,839)	(21,818)	82.6%	(68,366)	-68.1%
Total	(126,430)	(16,295)	675.9%	(219,252)	-92.6%

(1) As of 1Q23, the amounts in the Recovery of Written-Off Accounts line started to be credited directly to the Impairment of Receivables line.

3.3.1. Other Operating Income

In addition to the change in the accounting of the Recovery of Written-off Accounts line, lower tariff refund amounts also contributed to the 50.3% drop year on year in 2023, as determined by Arsae-MG, year on year in 2023. It is worth noting that the amounts refunded to customers, which are part of the amount provisioned in 3Q21 (R\$126.8 million), were billed as a reduction factor against revenue, and adjusted by reversing in Other Operating Revenues, with null final effect on the result.

3.3.2. Other Operating Expenses

The 27.9% increase year on year in 2023 was mainly due to:

- the reversal of the provision created as a result of the agreement executed referring to the Labor Class Action (Action 102100-74.2008.5.03.0024), with roughly R\$59.0 million accounted for as Other Operating Expenses; and
- higher values referring to lawsuits in 2023, especially as a result of the judicial agreement formalized and settled in December 2023, aiming at settling the suit for indemnification filed in 2021, claiming economic and financial imbalance in construction contracts entered into with Copasa, with an impact of R\$33.8 million on the result.

3.4. Equity Pick-up (Subsidiary Copanor)

The equity pick-up recognized in 2023 refers to the wholly-owned subsidiary Copanor and was negative by R\$18.3 million (negative by R\$11.2 million in 2022).

Summarized Statement of Copanor	2023	2,022	2023 X 2022	2021	2022 X 2021
Net Revenue from Sales and/or Services	65,230	47,292	37.9%	41,381	14.3%
Construction Revenue	13,433	17,040	-21.2%	23,134	-26.3%
Other Operating Revenues	641	1,851	-65.4%	1,805	2.5%
Operating Costs and Expenses	(71,515)	(62,652)	14.1%	(55,061)	13.8%
Construction Costs	(13,433)	(17,040)	-21.2%	(23,134)	-26.3%
Other Operating Expenses	(11,873)	(2,831)	319.4%	(3,091)	-8.4%
Net Financial Revenues (Expenses)	(831)	5,177	n.m.	2,275	127.6%
Net Income (Loss)	(18,348)	(11,163)	64.4%	(12,691)	-12.0%

3.5. Financial Result

Below is a table with the Financial Result:

Financial Revenues (Expenses)	2023	2022	2023 X 2022	2021	2022 X 2021
Financial Revenues	327,502	272,601	20.1%	285,168	-4.4%
Monetary Variation	18,580	18,963	-2.0%	9,835	92.8%
Foreign Exchange Variation	29,871	59,895	-50.1%	32,581	83.8%
Interest	49,679	47,783	4.0%	46,507	2.7%
Real Gains from Financial Investments	125,863	86,368	45.7%	47,839	80.5%
Capitalization of Financial Assets/Other	103,509	59,592	73.7%	148,406	-59.8%
Financial Expenses	(329,589)	(484,160)	-31.9%	(479,749)	0.9%
Monetary Variation	(99,089)	(125,200)	-20.9%	(142,137)	-11.9%
Foreign Exchange Variation	(20,962)	(32,009)	-34.5%	(30,193)	6.0%
Charges on Financing and Legal Provisions	(208,097)	(326,687)	-36.3%	(306,599)	6.6%
Sundry	(1,441)	(264)	445.8%	(820)	-67.8%
Financial Result	(2,087)	(211,559)	-99.0%	(194,581)	8.7%

The reduction seen in Net Financial Result, in comparison with 2022, was mainly due to the following factors:

- higher real gains from financial investments, given the average increased balance of working capital throughout 2023 in comparison with 2022 and the higher accumulated CDI rate year on year in 2023;
- change in the account in which fines on nonpayment of clients are recorded (now accounted for as Financial Income); and
- reversal of the provision created due to the aforementioned agreement executed referring to the Labor Class Action, as a result of which R\$108.9 million, referring to interest and monetary restatement, was accounted for as Financial Expenses.

3.6. Taxes on Income

Taxes on income are shown in the table below:

Taxes on Income	2023	2022	2023 X 2022	2021	2022 X 2021
Earnings before Taxes on Income	1,786,272	1,045,954	70.8%	654,449	59.8%
Income and Social Contribution Taxes	(406,926)	(202,592)	100.9%	(116,862)	73.4%
Effective Rate	22.78%	19.37%	3,41 p.p.	17.86%	1,51 p.p.

The 70.8% increase in taxes on income reported in 2023 compared to 2022, was mainly due to higher taxable income in the period.

3.7. Net Income

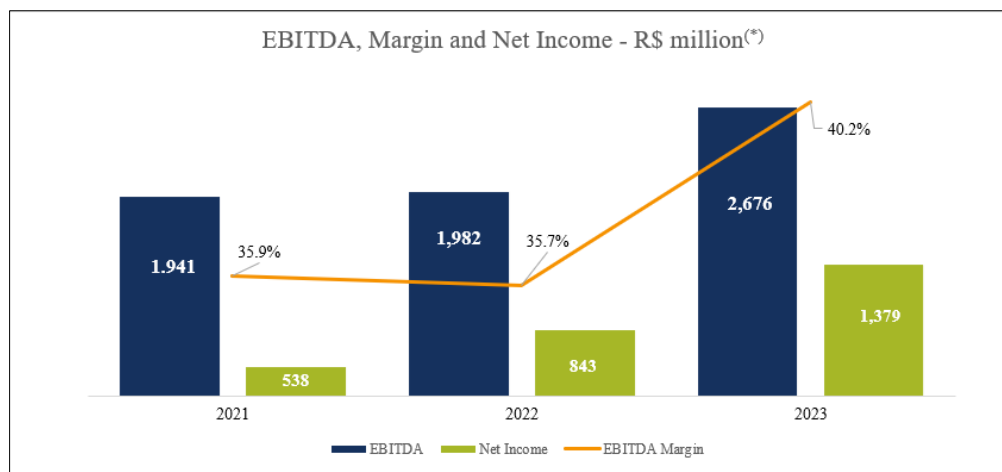
The Company reported a net income of R\$1.38 billion in 2023, compared to the R\$843.4 million recorded in 2022, as shown in the table below:

Net Income and Earnings per Share	2023	2022	2023 X 2022	2021	2022 X 2021
Result before Financial Result and Taxes	1,788,360	1,257,513	42.2%	849,031	48.1%
Net Financial Result	(2,088)	(211,559)	-99.0%	(194,582)	8.7%
Earnings before Taxes on Income	1,786,272	1,045,954	70.8%	654,449	59.8%
Taxes on Income	(406,926)	(202,592)	100.9%	(116,862)	73.4%
Net Income	1,379,346	843,362	63.6%	537,587	56.9%
Net Earnings per Share (R\$)	3.64	2.22	63.6%	1.42	56.9%

3.8. EBITDA and Adjusted EBITDA

Consolidated EBITDA is a non-accounting measure adopted by Copasa, calculated according to CVM Resolution 156/2022, consisting, as shown below, of net income plus taxes on income, financial result, depreciation, and amortization of the Parent Company, and the same items of Copanor.

According to the chart below, in 2023 Adjusted EBITDA was R\$2.68 billion, with a margin of 40.2%. Net income reached R\$1.38 billion in 2023 (R\$843.3 million in 2022), impacted by the recovery of margins and reversals referring to Labor Lawsuit 102100-74.2008.5.03.0024, which were realized in other operating and financial expenses:



(*) In 2021 and 2023, the values refer to Adjusted EBITDA and the Adjusted EBITDA Margin.

Below, we present the reconciliation of the Company's net income with EBITDA/Adjusted EBITDA, referring to the fiscal years ended 2023, 2022 and 2021:

EBITDA	2023	2,022	2023 X 2022	2021	2022 X 2021
Net Income for the Period	1,379,346	843,362	63.6%	537,587	56.9%
(+) Taxes on Income	406,926	202,592	100.9%	116,862	73.4%
(+) Financial Result	2,088	211,559	-99.0%	194,582	8.7%
(+) Depreciation and Amortization	778,425	721,131	7.9%	741,456	-2.7%
(+) Taxes on Income, Financial Result and Depreciation/Amortization of Copanor	11,980	3,825	213.2%	4,921	-22.3%
(=) EBITDA	2,578,765	1,982,469	30.1%	1,595,408	24.3%
EBITDA Margin	38.7%	35.7%	3.0 p.p.	29.5%	6.2 p.p.
Adjustments - Non-Recurring Items					
(+) Voluntary Separation Program (VSP) ¹	115,067	-	n.m.	152,171	n.m.
(+) Refund -Arsae-MG ²	-	-	n.m.	82,639	n.m.
(+) Provision Increase – Labor Lawsuit ³	-	-	n.m.	110,324	n.m.
(+) Reversal of Provision Referring to Labor Lawsuit ⁴	(51,486)	-	n.m.	-	n.m.
(+) Compensation for Contractual Default	33,853	-	n.m.	-	n.m.
(=) Adjusted EBITDA	2,676,199	1,982,469	35.0%	1,940,542	2.2%
Adjusted EBITDA Margin	40.2%	35.7%	4.5 p.p.	35.9%	-0.2 p.p.

(1) For more information, please see item 1.3.2 of the [2Q23 Release](#) and item 2.3.2 of the [2Q21 Release](#).

(2) For more information, please see item 1.2.2 of the [3Q21 Release](#).

(3) For more information, please see item 8.1 of the [4Q21 Release](#).

(4) For more information, please see item 2.1 of the [3Q23 Release](#).

4. Shareholder Compensation

4.1. Dividend Policy Revision

The Dividend Policy in force was approved by the Extraordinary Shareholders' Meeting held on April 28th, 2023, as content summarized below.

Regular Dividends:

- Regular Dividends shall be in the form of Dividends or Interest on Equity (IoE).
- Declared IoE shall be considered as mandatory minimum legal dividend.
- The percentage of Adjusted Net Income (Net Income after reducing or increasing the amounts specified in items I, II, and III of article 202 of Federal Law 6,404/1976) to be distributed as Regular Dividends shall be defined, by the Board of Directors, upon approval of the corporate budget for the fiscal year, always observing the following parameters:
 - the mandatory legal minimum;
 - the maximum limit of 50% (fifty percent).
- The declaration of Regular Dividends, which is the responsibility of the Board of Directors, shall occur every quarter, whereby the payment will occur within 60 (sixty) days from the date in which they were declared, except for the amounts referring to the fourth quarter, which shall be defined at the Annual Shareholders' Meetings (ASM) that approves the Financial Statements for the fiscal year.

Extraordinary Dividends:

- They may be distributed as assessed by the Board of Directors, complying with:
 - The general guidelines, including (i) compliance with the public interest that justified the creation of Copasa MG; and (ii) the guarantee of resources, in its Investment Plan, to meet the provisions of Federal Law 11,445/2007 and Federal Law 14,026/2020, in particular, regarding the universalization of basic sanitation services and other established qualitative and quantitative goals.
 - The legal, regulatory, statutory, and financial restrictions, as well as covenants.

4.2. Dividends and Interest on Equity Declared

Below is the information on the amounts declared as shareholder payout. The distributions made were preceded by internal studies and projections that indicated that the distribution of earnings does not affect the investment plan, liquidity, as well as compliance with covenants in the next few years, considering the Company's current leverage level.

4.2.1. Regular Dividends - 2023

For 2023, the Board of Directors' meeting held on February 24, 2023 established and approved the distribution of Regular Dividends corresponding to 50% of the net income, adjusted according to article 202 of Federal Law 6,404/1976, as Interest on Equity (IoE) and/or dividends.

As detailed in the table below, Regular Dividends referring to 2023 totaled R\$637.8 million, being R\$479.1 million referring to IoE and R\$158.7 million referring to Additional Dividends, corresponding to 50% of the Adjusted Net Income.

Reference	Corporate Event and Date	Cut-off Date	Amount	Value per share (R\$)	Payment Date
1Q23 IoE	BoDM 03.17.2023	03.22.2023	131,583	0.34701814	05.16.2023
2Q23 IoE	BoDM 06.16.2023	06.21.2023	128,511	0.33891701	08.14.2023
4Q23 IoE	BoDM 09.15.2023	09.21.2023	127,431	0.33607033	11.14.2023
Declared Total (Jan to Sep/2023)			387,525	1.02200549	
4Q23 IoE	BoDM 12.15.2023	21.12.2023	91,606	0.24158944	(1)
4Q23 Dividends	BoDM 03.20.2024	25.03.2024	158,651	0.41840337	(1)
Declared Total 2023			637,783	1.68199830	

4.2.2. Extraordinary Dividends

According to the Dividend Policy in force, the [ESM held on December 13th, 2023](#) approved the distribution of Extraordinary Dividends totaling R\$372.5 million, using part of the Balance of the Earnings Retention Reserve Account existing in the balance sheet for the year ended December 31, 2022, as per the table below:

Reference	Corporate Event and Date	Cut-off Date	Amount	Value per share (R\$)	Payment Date
Extraordinary Dividends	AGM 12.13.2023	12.13.2023	372,472	0.98230499	12.28.2023

4.2.3. Shareholder Compensation - 2024

For 2024, the Board of Directors' meeting held on December 15, 2023, approved the distribution of Regular Dividends corresponding to 50% of the net income, adjusted according to article 202 of Federal Law 6,404/76, as Interest on Equity (IoE) or dividends.

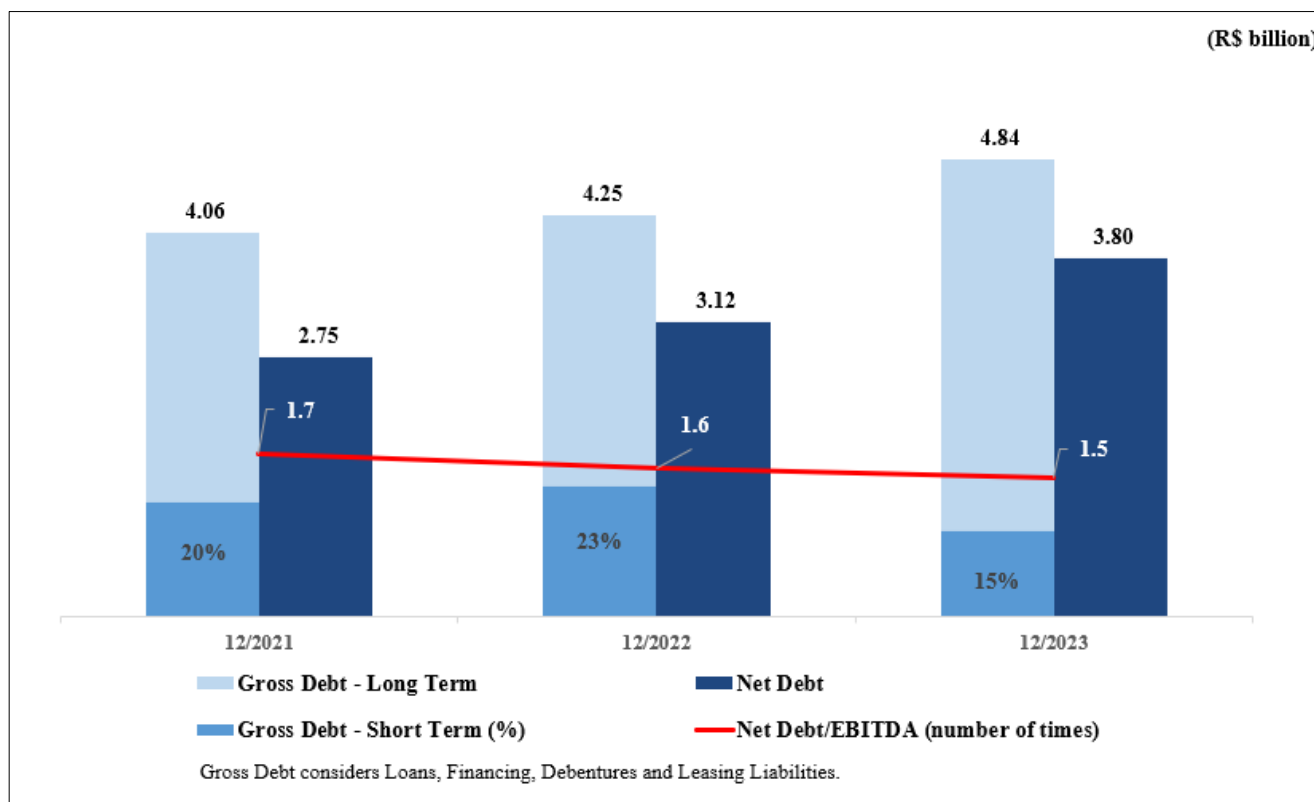
The Board of Directors' meeting held on March 20th, 2023 approved the declaration of IoE for the first quarter of 2024 (1Q24), totaling R\$172.4 million, as per the table below.

Reference	Corporate Event and Date	Cut-off Date	Amount	Value per share (R\$)	Payment Date
1Q24 IoE	BoDM 03.20.2024	03.25.2024	117,596	0.31013057	05.17.2024
1Q24 Dividends	BoDM 03.20.2024	03.25.2024	54,831	0,14460453	05.17.2024

5. Indebtedness and Rating

5.1. Gross Debt and Net Debt

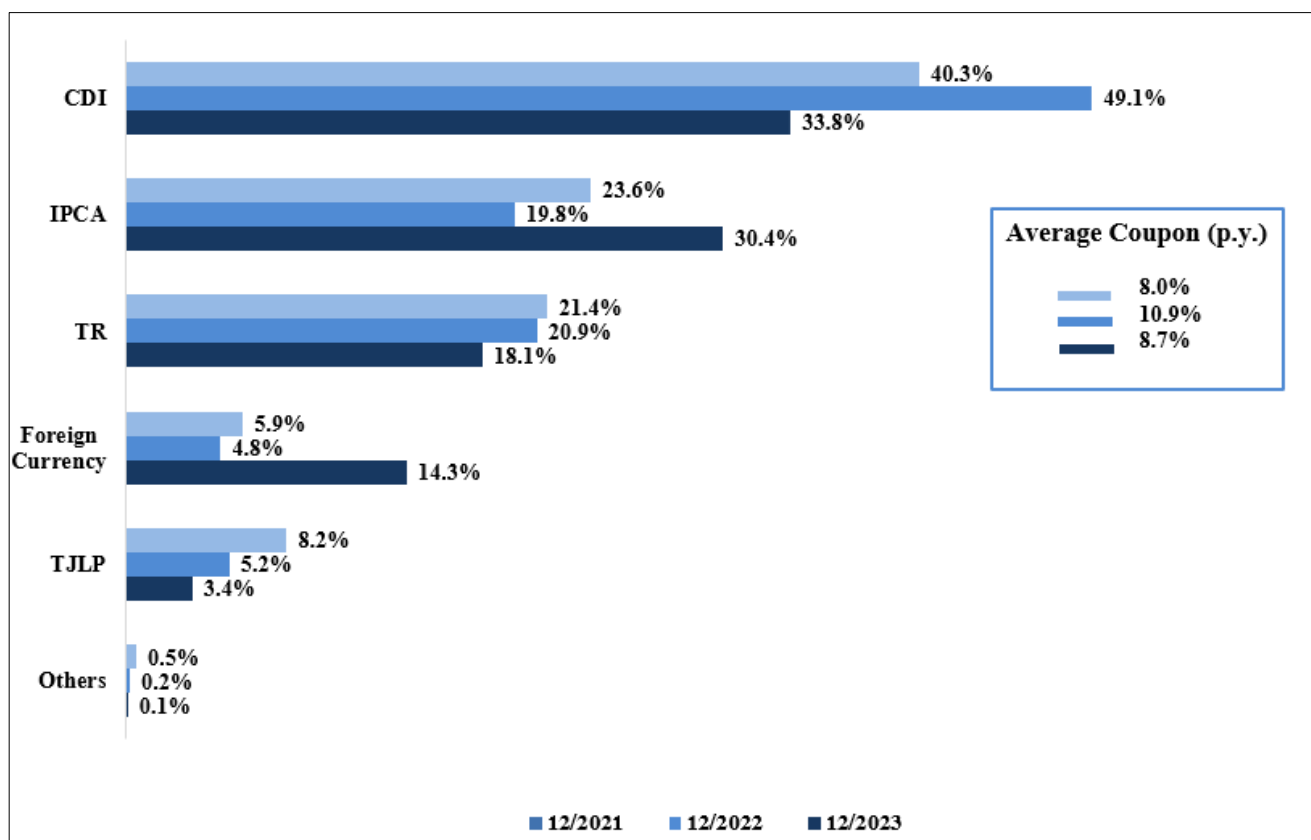
According to the chart below, net debt moved up from R\$3.12 billion in December 2022 to R\$3.80 billion in December 2023. The leverage ratio, as measured by the Net Debt/EBITDA ratio in the last 12 months, reached 1.5x in December 2023 (1.6x in December 2022).



Indebtedness in foreign currency accounted for 14.3% of total loans, financing and debentures in December 2023 and referred to the debt with the German bank KfW, the European Investment Bank and the French Development Agency (AFD), whose balance on December 31st, 2023 was approximately €127 million (corresponding to R\$681 million, considering the euro exchange rate on December 31st, 2023), as detailed in Exhibit 10.6.

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, 2022 and 2023:



The drop in the share of CDI, which reached 33.8% in December 2023, mainly reflects amortizations made over the year. The increase in the share of IPCA in the debt (30.4% in December 2023) is mainly attributed to the raising of funds through the 18th Debenture Issue carried out in September 2023, totaling R\$900.0 million, being R\$786.4 million under IPCA.

Referring to higher foreign currency debt, whose share went up from 4.8% in December 2022 to 14.3% in December 2023, mostly due to the release of €82.0 million referring to the contract with the European Investment Bank.

5.3. Corporate Ratings

On June 21st, 2023, Fitch Ratings published a [report](#) confirming as AA+(bra) the National Long-Term Rating of the Company and its issues of unsecured debentures. The corporate rating outlook remained stable.

On October 6th, 2023, Moody's published a [report](#), confirming a corporate rating of AAA.br for Copasa. The corporate rating outlook remained stable.

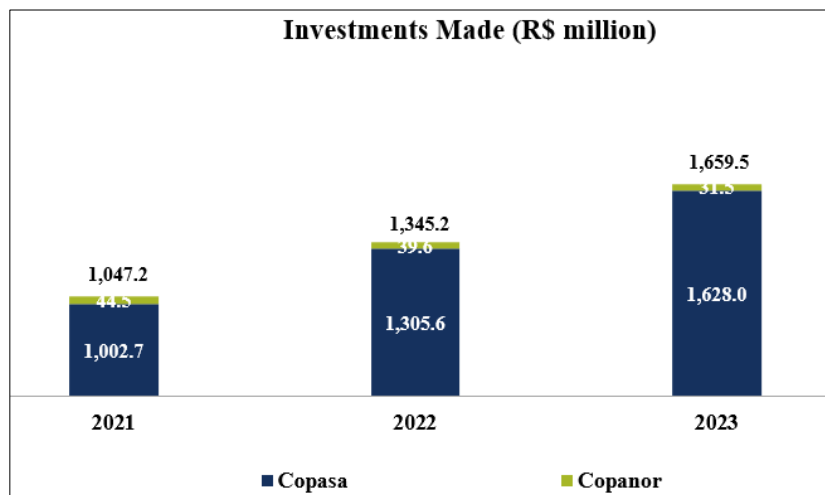
Below is a table with a summary of the ratings:

Agency	National Scale	Outlook	Date	Report Link
Fitch Ratings	AA+(bra)	Stable	06.21.2023	Report
Moody's	AAA.br	Stable	06.10.2023	Report

6. Investment Program and Fundraising

6.1. Investment Program - 2023

As shown in the chart below, the amounts invested in 2023 in the Parent Company totaled R\$1.63 billion, up by 24.7% over 2022. Including Copanor, total investments reached R\$1.66 billion (+23.4% over 2022):



The table below shows the breakdown of investments in water, sewage, corporate development, operations and capitalizations, as well as the amounts related to subsidiary Copanor in the last 3 (three) years:

Investments (R\$ million)	2023	2022	2021
Water	680.0	579.4	537.1
Sewage	671.0	449.3	317.5
Enterprise and Operational Development	78.5	100.8	52.3
Subtotal	1,429.5	1,129.5	906.9
Capitalizations ¹	198.6	176.1	95.8
Total - Parent Company (Copasa MG)	1,628.0	1,305.6	1,002.7
Copanor (including capitalizations)	31.5	39.6	44.5
Total - Copasa and Copanor	1,659.5	1,345.2	1,047.2

(1) Amounts referring to the capitalization of interest, personnel expenses, materials, and others, related to works and corporate and operating development

Below is the breakdown of the investments made:

6.1.1. Water Supply Systems

- implementation, expansion, and improvements of water supply systems of the municipalities of Alfenas, Belo Horizonte, Brumadinho, Cambuquira, Capelinha, Caratinga, Conceição do Mato Dentro, Conselheiro Lafaiete, Contagem, Diamantina, Divinópolis, Esmeraldas, Fronteira, Frutal, João Pinheiro, Lavras, Mesquita, Montes Claros, Nova Lima, Nova Serrana, Paracatu, Patos de Minas, Perdigoão, Riacho dos Machados, Ribeirão das Neves, Santa Bárbara, Santa Luzia, Santo Antônio do Monte, Timóteo, Vespasiano, among others;
- emergency works to restore water pipelines in the Metropolitan Region of Belo Horizonte - BHMA, mainly the Paraopeba System Pipeline – ETA Serra Azul;
- actions aimed at making hydrometering more efficient and to reduce losses, featuring the acquisition of flow macro and micrometers;

- acquisition of operational equipment for renovation and optimization of the water supply system in several operated municipalities; and
- execution of works for the implementation of Waste Treatment Units (WTUs) in Water Treatment Stations (WTS) in the municipalities of Araxá, Belo Horizonte, Betim, Caratinga, Carmo do Rio Claro, Diamantina, Guaxupé, Ibirité, Lavras, Nova Lima, Patos de Minas, São Gotardo, Três Corações, Varginha, among others.

6.1.2. Sewage Systems

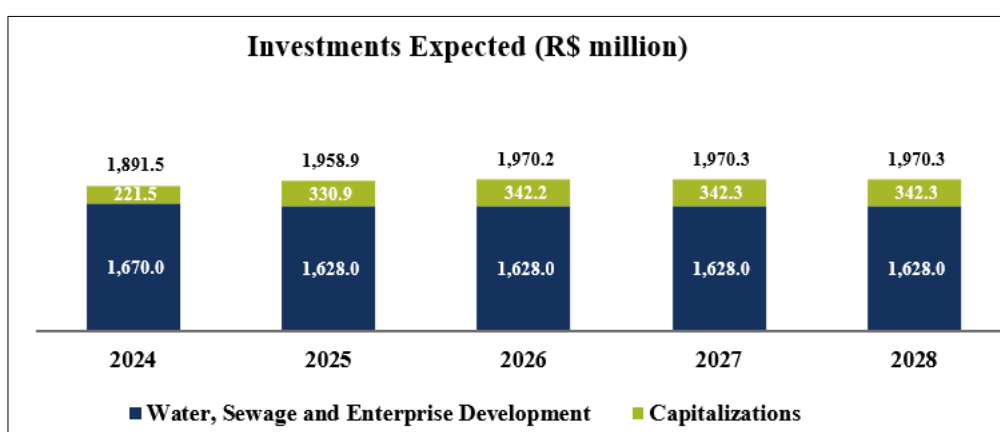
- implementation, expansion, and improvements in the sewage of the municipalities of Abaeté, Além Paraíba, Belo Horizonte, Betim, Bonfim, Buritis, Campanha, Carmo da Cachoeira, Confins, Conselheiro Lafaiete, Contagem, Cruzília, Diamantina, Divino, Divinópolis, Guaxupé, Igarapé, Inhapim, Itaobim, Jacinto, Januária, Juatuba, Madre de Deus de Minas, Mateus Leme, Montes Claros, Mutum, Nova Lima, Paracatu, Patos de Minas, Pedro Leopoldo, Perdões, Presidente Bernardes, Presidente Juscelino, Ribeirão das Neves, Rio Pomba, Sabará, Santa Luzia, Santana do Paraíso, Santos Dumont, São Francisco, São João Nepomuceno, São Joaquim de Bicas, Sarzedo, Teófilo Otoni, Timóteo, Ubá, Visconde do Rio Branco, among others;
- replacement of sewage assets in several municipalities where the Company operates; and
- acquisition of operational equipment for renovation and optimization of the sewage system in several operated municipalities.

6.1.3. Business and Operational Development

- renovation of the computing infrastructure, with the complete implementation of the SAP S/4HANA system;
- investments in programs for the renovation of operating units and energy efficiency; and
- investments in programs for research, monitoring, and protection of water resources.

6.2. Investment Program – 2024 to 2028

Below are the projected amounts of the Multi-Year Investment Program for the Parent Company for the 2024-2028 period, as approved by the Board of Directors on December 15th, 2023:



The investments provided for in the Investment Program aim for the expansion of water supply and sewage systems, extension of networks, water security, fight against losses, corporate development, compliance with regulatory and efficiency goals, concession commitments assumed, and replacement of depreciated assets, aligned with the achievement of the Company's purpose and mission, ensuring its sustainability and continuity.

As a result, Copasa aims to meet the demand of customers and the granting authority to expand the coverage of the water and sewage supply services.

6.3. Fundraising

To support the Investment Program, the Company intends to use funds from its cash generation, as well as those coming from third-party loans.

In September 2023, it was concluded the 18th Public Issue of Simple Debentures, totaling R\$900.0 million, in two series, with the first series totaling R\$113.6 million and remuneration pegged to the DI rate, plus 1.20% per year, and the second series totaling R\$786.4 million and remuneration pegged to the Extended National Consumer Price Index (IPCA), plus 7.10% per year. Both debenture series will mature in 7 (seven) years.

On December 29th, 2023, the Company contracted financing along with the French Development Agency totaling €200 million, due in 20 years, with a grace period of 5 (five) years for amortization. The ceiling interest rate is Euribor 6M + spread, with half-yearly payments over the disbursed amount, establishing the mandatory minimum interest rate of 0.25% p.a.

Referring to contracted funds and not yet available, at the end of 2023, the Company had a balance of R\$1.8 billion, as table below. The debt will be recorded when these funds enter the Company.

Funding Lines	Balance to be Released (R\$ million)
Caixa Econômica Federal	195.4
KfW ¹	243.3
BEI ¹	283.6
AFD ¹	1,070.3
Total Balance to be Released	1,792.6

(1) Funding Lines contracted in Euro, with the balances being converted into Reais (R\$) at the end of December 2023 (€1.0 equivalent to R\$5.3516).

7. Regulatory Environment – Tariff Increase

The base date of the Tariff Increase, whose methodology is defined by [Technical Note CRE 15/2021](#), is January 1st of each year.

According to the [Material Fact](#) of November 24th, 2023, Arsae-MG disclosed the Tariff Adjustment to be applied by Copasa as of January 1st, 2024. The Average Tariff Effect (ETM, or ATE) was 4.21%. In addition to inflation adjustment, financial compensation and amounts referring to special programs, there were also the results of X Factor, whose global result is summarized below:

X Factor	Amount (R\$ million)	Accumulated Impact (%)
Telephone Service Performance Factor	-1.36	-0.02%
Loss Reduction Incentive Factor	-19.63	-0.27%
Sewage Universalization Incentive Factor	70.10	0.98%
Quality Factor	43.46	0.60%
Total	92.57	1.29%

8. Service Concessions

As shown in the table below, in December 2023, Copasa (consolidated) had 638 concessions for water services and 309 concessions for sewage services, in which 633 water concessions and 271 sewage concessions were in operation.

Concessions ^{1,2}	12.31.2023			12.31.2022		
	Total	Parent Company	Copanor	Total	Parent Company	Copanor
Water						
Concession	638	589	49	640	591	49
In Operation	633	584	49	632	584	48
Sewage						
Concession ³	309	253	56	309	253	56
In Operation	273	231	42	269	228	41

(1) 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

(2) It Includes expired concessions with 31 municipalities and concessions with 2 municipalities whose contracts were legally declared null.

(3) The reduction was due to the termination of water concession contracts in São José da Barra and São José da Safira, which had already expired and represented, together, 0.04% of the Company's revenue.

As shown in the chart above, there were the following changes in the concessions in the past 12 months:

- **Within the scope of Copasa:**

- sewage operations began in the municipalities of Natalândia and Frei Lagonegro, which have a combined urban population of 3.7 thousand inhabitants.
- sewage operations began in the municipalities of Patis, Nova Resende and Presidente Juscelino, which have a combined urban population of 15.8 thousand inhabitants; and
- contracts were terminated in the municipalities of São José da Barra (population of 5.5 thousand inhabitants) and São José da Safira (population of 3.2 thousand inhabitants), which had already expired and represented, together, 0.04% of the Company's revenue.

- **Within the scope of Copanor:**

- water supply operations began in the municipality of Olhos d'Água, which has an urban population of 4.3 thousand inhabitants; and
- sewage operations began in the municipality of Francisco Badaró, which has an urban population of 4.5 thousand inhabitants.

The table below shows the Company's ten (10) main current concessions as of December 31th, 2023, which together account for approximately 49% 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
Divinópolis	06/2041
Ribeirão das Neves	05/2034
Patos de Minas	12/2038
Santa Luzia	02/2050
Pouso Alegre	08/2046
Varginha	06/2047

In December 2023, 83% of the Company's water and sewage revenues came from concessions expiring after December 2031. On the same date, concessions from 31 municipalities were expired, in addition to contractual nullity for 2 other municipalities, both of which accounted for approximately 4.3% of net revenues from water and sewage.

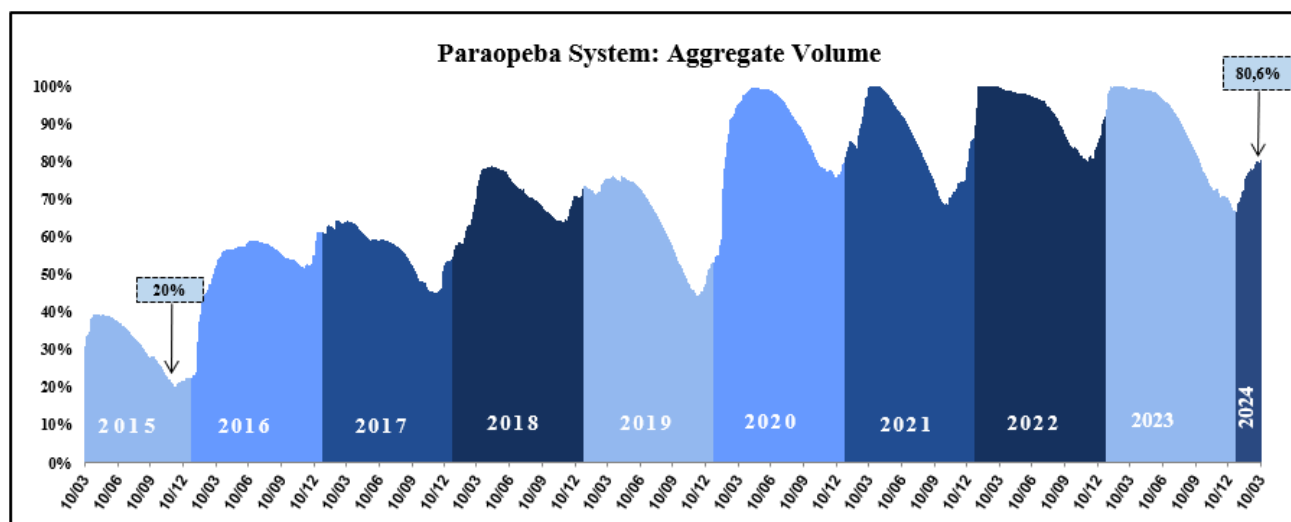
Under the principle of continuity for the provision of essential public services, these municipalities continue to be served and billed by the Company, both in municipalities with expired concessions and in municipalities where contractual nullity was decreed.

9. Water Situation

9.1. Belo Horizonte Metropolitan Area (BHMA)

9.1.1. Rio Manso, Vargem das Flores and Serra Azul

This System is operated in an integrated fashion, ensuring greater operating flexibility for water distribution to balance demand and maintain safe operation levels. Below is the evolution of the levels of the Paraopeba System's reservoirs, which together account for 51% of BHMA's distributed volume. On March 10th, 2024, the levels of these reservoirs were at 80.6% of their capacity, as shown below:



Reservoir Level Volume	03/10/2024
Rio Manso	81.4%
Vargem das Flores	71.9%
Serra Azul	83.0%

To increase water security in the Metropolitan Region of Belo Horizonte, in 2015, a new water collection system was built with a flow of 5 m³/s in the Paraopeba River for treatment at the Rio Manso Water Treatment Station. Due to the burst of the Mina Córrego do Feijão dam on January 25th, 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.

In July 2019, the Prosecution Office of the State of Minas Gerais and Vale S.A. signed a Consent Decree, with Copasa 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. On November 18th, 2022, Vale S.A. presented to the Prosecution Office of Minas Gerais a schedule for the conclusion of the works of the new collection of the Paraopeba River.

The pumping tests for the Rio Manso WTS started on March 2023, with flows varying from 1,000 l/s to 5,000 l/s. During the tests, the operating parameters of the elevator pumps are continuously monitored and indicated the need for adjustments so the systems can perfectly operate, now in execution.

9.1.2. Rio das Velhas

Water drawn from Rio das Velhas, responsible for approximately 43% 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	43%
Water collection grant	8.7 m ³ /s
Average flow of Rio das Velhas in the last 15 days prior to 03.10.2024	34.36 m ³ /s
Average flow used in 2023	7.5 m ³ /s

9.1.3. Resilience Works of the Paraopeba and Rio das Velhas Basins

According to the [Material Fact](#) disclosed on February 28th, 2023, the Company received from its controlling shareholder, the Minas Gerais State, through the State Secretariat of Economic Development, an Official Letter informing that, regarding the expected interventions and works that will improve water resilience of the Paraopeba and Rio das Velhas Basins, the controlling shareholder required that the amounts to be transferred to the works will be non-onerous and, consequently, no capital contribution to the Company will be made. Legal instruments regarding this matter were formalized in 4Q23.

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 March 10th, 2024, the district of Bom Jesus de Cardosos (municipality of Urucânia) which have around 800 water connections, accounting for 0.01% of the Company's total connections, were rationing water. In March 2023, the municipality of Capelinha and the district of Bom Jesus de Cardosos (municipality of Urucânia) were rationing water.

To minimize the impacts of the water situation, Company uses means, when necessary, 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.

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. Quarterly Income Statement

PARENT CO.	4Q23	4Q22	4Q23 vs. 4Q22	3Q23	4Q23 vs. 3Q23	4Q21	4Q22 vs. 4Q21
Operating Revenue from Services							
Water services	1,157,016	919,643	25.8%	1,064,283	8.7%	853,535	7.7%
Sewage services	600,816	468,460	28.3%	554,590	8.3%	434,947	7.7%
Solid waste revenues	1,231	656	87.7%	1,163	5.8%	555	18.2%
Construction revenues	212,064	180,637	17.4%	239,081	-11.3%	243,090	-25.7%
Net Operating Revenue from Services	1,971,127	1,569,396	25.6%	1,859,117	6.0%	1,532,127	2.4%
Cost of services rendered	(908,034)	(780,381)	16.4%	(853,062)	6.4%	(829,325)	-5.9%
Construction costs	(212,064)	(180,637)	17.4%	(239,081)	-11.3%	(243,090)	-25.7%
COST OF SERVICES RENDERED	(1,120,098)	(961,018)	16.6%	(1,092,143)	2.6%	(1,072,415)	-10.4%
Gross Income	851,029	608,378	39.9%	766,974	11.0%	459,712	32.3%
Selling expenses	(69,776)	(63,648)	9.6%	(72,772)	-4.1%	(52,934)	20.2%
Expected credit losses for trade receivables	(47,309)	(53,980)	-12.4%	(33,660)	40.5%	(59,866)	-9.8%
General and administrative expenses	(155,085)	(160,877)	-3.6%	(182,041)	-14.8%	(160,290)	0.4%
Other Operating Income	11,599	33,119	-65.0%	23,526	-50.7%	87,485	-62.1%
Other Operating Expenses	(108,839)	(13,859)	685.3%	(5,025)	2066.0%	(159,439)	-91.3%
Equity income	247	(4,536)	n.m.	(2,603)	n.m.	(4,248)	6.8%
Operating Income (Expenses)	(369,163)	(263,781)	40.0%	(272,575)	35.4%	(349,292)	-24.5%
Income before Financial Result and Taxes	481,866	344,597	39.8%	494,399	-2.5%	110,420	212.1%
Financial Income	84,791	64,072	32.3%	77,770	9.0%	156,232	-59.0%
Financial Expenses	(106,824)	(141,470)	-24.5%	12,984	n.m.	(215,949)	-34.5%
Financial Result	(22,033)	(77,398)	-71.5%	90,754	n.m.	(59,717)	29.6%
Income before Taxes	459,833	267,199	72.1%	585,153	-21.4%	50,703	427.0%
Current Income Tax and Social Contribution	(81,746)	18,393	n.m.	(70,959)	15.2%	(57,964)	n.m.
Deferred Income Tax and Social Contribution	(22,837)	(17,310)	31.9%	(77,080)	-70.4%	71,563	n.m.
NET INCOME FOR THE PERIOD	355,250	268,282	32.4%	437,114	-18.7%	64,302	317.2%
Number of outstanding shares (thousands)	379,181	379,181	-	379,181	-	379,181	-
EARNINGS PER SHARE (BRL)	0.94	0.71	32.4%	1.15	-18.7%	0.17	317.2%

10.2. Annual Income Statement

PARENT CO.	2023	2022	2023 X 2022	2021	2022 X 2021
Operating Revenue from Services					
Water services	4,299,267	3,561,727	20.7%	3,355,225	6.2%
Sewage services	2,222,946	1,807,663	23.0%	1,824,296	-0.9%
Solid waste revenues	4,858	2,099	131.4%	2,265	-7.3%
Construction revenues	798,644	741,034	7.8%	648,408	14.3%
Net Operating Revenue from Services	7,325,715	6,112,523	19.8%	5,830,194	4.8%
Cost of services rendered	(3,467,177)	(3,050,458)	13.7%	(3,028,970)	0.7%
Construction costs	(798,644)	(741,034)	7.8%	(648,408)	14.3%
COST OF SERVICES RENDERED	(4,265,821)	(3,791,492)	12.5%	(3,677,378)	3.1%
Gross Income	3,059,894	2,321,031	31.8%	2,152,816	7.8%
Selling expenses	(296,154)	(260,751)	13.6%	(228,213)	14.3%
Expected credit losses for trade receivables	(183,658)	(201,935)	-9.1%	(221,416)	-8.8%
General and administrative expenses	(646,944)	(573,374)	12.8%	(622,214)	-7.8%
Other Operating Income	67,060	135,017	-50.3%	177,380	-23.9%
Other Operating Expenses	(193,490)	(151,312)	27.9%	(396,631)	-61.9%
Equity income	(18,348)	(11,163)	64.4%	(12,691)	-12.0%
Operating Income (Expenses)	(1,271,534)	(1,063,518)	19.6%	(1,303,785)	-18.4%
Income before Financial Result and Taxes	1,788,360	1,257,513	42.2%	849,031	48.1%
Financial Income	327,501	272,601	20.1%	285,167	-4.4%
Financial Expenses	(329,589)	(484,160)	-31.9%	(479,749)	0.9%
Financial Result	(2,088)	(211,559)	-99.0%	(194,582)	8.7%
Income before Taxes	1,786,272	1,045,954	70.8%	654,449	59.8%
Current Income Tax and Social Contribution	(305,613)	(126,952)	140.7%	(257,505)	-50.7%
Deferred Income Tax and Social Contribution	(101,313)	(75,640)	33.9%	140,643	n.m.
NET INCOME FOR THE PERIOD	1,379,346	843,362	63.6%	537,587	56.9%
Number of outstanding shares (thousands)	379,181	379,181	-	379,181	-
EARNINGS PER SHARE (BRL)	3.64	2.22	63.6%	1.42	56.9%

10.3. Balance Sheet – Assets

ASSETS - PARENT CO.	12/2023	12/2022	12/2023 vs. 12/2022	09/2023	12/2023 vs. 09/2023	12/2021	12/2022 vs. 12/2021
CURRENT							
Cash and cash equivalents	994,581	1,091,080	-8.8%	1,203,526	-17.4%	1,279,469	-14.7%
Trade accounts receivable	1,264,375	1,040,394	21.5%	1,233,234	2.5%	989,272	5.2%
Banks and agreement investments	-	11,791	n.m.	345	n.m.	3,273	-
Inventories	106,706	112,118	-4.8%	112,244	-4.9%	83,322	34.6%
Taxes recoverable	36,234	90,325	-59.9%	12,637	186.7%	100,568	-10.2%
Technical cooperation agreement	51,368	30,170	70.3%	55,496	-7.4%	38,271	-21.2%
Other Assets	36,944	31,679	16.6%	35,765	3.3%	26,776	18.3%
TOTAL CURRENT ASSETS	2,490,208	2,407,557	3.4%	2,653,247	-6.1%	2,520,951	-4.5%
NON-CURRENT							
Accounts Receivable from Customers	56,017	34,678	61.5%	43,731	28.1%	37,092	-6.5%
Financing guarantee deposits	61,883	61,033	1.4%	61,926	-0.1%	65,853	-7.3%
Deferred income and social contribution taxes	236,824	312,483	-24.2%	234,007	1.2%	409,039	-23.6%
Restricted Investments	75,285	71,706	5.0%	74,616	0.9%	77,228	-7.2%
Financial assets – Concession Contracts	999,639	872,921	14.5%	936,483	6.7%	733,328	19.0%
Technical cooperation agreement long term	4,479	2,629	70.4%	-	n.m.	5,165	-49.1%
Other Assets	48,083	51,092	-5.9%	43,867	9.6%	85,240	-40.1%
Right of use - commercial leasing	86,852	94,275	-7.9%	86,393	0.5%	72,699	29.7%
Contract assets	2,511,680	2,057,435	22.1%	2,609,858	-3.8%	1,424,870	44.4%
Investments	274,699	245,457	11.9%	274,452	0.1%	202,441	21.2%
Intangible assets	5,570,519	5,497,318	1.3%	5,539,800	0.6%	5,592,762	-1.7%
Property, plant and equipment	1,757,823	1,467,396	19.8%	1,442,914	21.8%	1,470,124	-0.2%
TOTAL NON-CURRENT ASSETS	11,683,783	10,768,423	8.5%	11,348,047	3.0%	10,175,841	5.8%
TOTAL ASSETS	14,173,991	13,175,980	7.6%	14,001,294	1.2%	12,696,792	3.8%

10.4. Balance Sheet – Liabilities

LIABILITIES - PARENT CO.	12/2023	12/2022	12/2023 vs. 12/2022	09/2023	12/2023 vs. 09/2023	12/2021	12/2022 vs. 12/2021
CURRENT							
Loans and financing	113,975	150,328	-24.2%	119,066	-4.3%	190,315	-21.0%
Debentures	567,681	790,543	-28.2%	565,445	0.4%	609,822	29.6%
Public-private partnership	45,752	36,792	24.4%	48,243	-5.2%	52,331	-29.7%
Suppliers	377,766	289,620	30.4%	326,247	15.8%	287,977	0.6%
Obligations - Commercial Leasing	47,457	35,112	35.2%	40,539	17.1%	26,308	33.5%
Taxes, Fees, Contributions and Social and Labor Obligations	111,914	98,125	14.1%	96,891	15.5%	75,100	30.7%
Provision for vacations	140,157	135,235	3.6%	199,010	-29.6%	119,302	13.4%
Technical cooperation agreement	1,298	7,978	-83.7%	2,370	-45.2%	1,214	557.2%
Employees' profit sharing	85,225	55,237	54.3%	65,372	30.4%	125,178	-55.9%
Retirement benefit liabilities	60	9,627	-99.4%	9,828	-99.4%	16,614	-42.1%
Dividends and Interest on equity payable	430,991	231,653	86.1%	119,528	260.6%	265	87316.2%
Other Liabilities	74,007	84,001	-11.9%	107,763	-31.3%	375,390	-77.6%
Tax installments	-	-	n.m.	-	n.m.	6,623	n.m.
Income Tax and Social Contribution	-	-	n.m.	289	n.m.	-	n.m.
TOTAL CURRENT LIABILITIES	1,996,283	1,924,251	3.7%	1,700,591	17.4%	1,886,439	2.0%
NON-CURRENT							
Loans and financing	1,315,102	826,609	59.1%	1,062,706	23.8%	878,079	-5.9%
Debentures	2,746,756	2,372,440	15.8%	2,849,331	-3.6%	2,307,128	2.8%
Right of use - commercial leasing	44,710	70,797	-36.8%	56,750	-21.2%	49,331	43.5%
Public-private partnership	166,148	206,811	-19.7%	173,370	-4.2%	208,654	-0.9%
Provision for litigation	125,764	396,748	-68.3%	134,857	-6.7%	377,363	5.1%
Retirement benefit liabilities	109,577	44,296	147.4%	34,370	218.8%	112,764	-60.7%
Sundry obligations	95,826	79,514	20.5%	98,213	-2.4%	115,099	-30.9%
Technical cooperation agreement	-	-	n.m.	-	n.m.	1,977	n.m.
TOTAL NON-CURRENT LIABILITIES	4,603,883	3,997,215	15.2%	4,409,597	4.4%	4,050,395	-1.3%
SHAREHOLDERS' EQUITY							
Paid-up capital stock	3,402,385	3,402,385	0.0%	3,402,385	0.0%	3,402,385	0.0%
Treasury shares	(8,576)	(8,576)	0.0%	(8,576)	0.0%	(8,576)	0.0%
Profit reserve	4,225,721	3,856,580	9.6%	3,856,600	9.6%	3,402,583	13.3%
Equity valuation adjustments	(45,705)	4,125	n.m.	4,104	n.m.	(36,434)	n.m.
Retained earnings	-	-	n.m.	636,593	n.m.	-	n.m.
TOTAL SHAREHOLDERS' EQUITY	7,573,825	7,254,514	4.4%	7,891,106	-4.0%	6,759,958	7.3%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,173,991	13,175,980	7.6%	14,001,294	1.2%	12,696,792	3.8%

10.5. Cash Flow

Cash Flow	4Q23	4Q22	2023	2022
Cash flow from operational activities:				
Net Income (Loss)	355,250	268,282	1,379,346	843,362
Adjustments to reconcile net income and net cash				
Expected credit losses for trade receivables	47,309	53,980	183,658	201,935
Monetary and foreign exchange variation and charges, net	23,313	(141)	62,672	33,317
Interest income and expenses	59,754	82,719	217,150	231,542
Deferred income and social contribution taxes	22,837	17,310	101,313	75,640
Equity income	(247)	4,536	18,348	11,163
(Gain) loss on the write-off of intangibles and property, plant and equipment	(41,124)	979	27,356	13,215
Depreciation and amortization	196,580	184,399	778,424	721,131
Creation (reversal) of provisions	(3,294)	(31,294)	(262,551)	(39,751)
Provision for retirement benefits	16,859	6,111	58,871	54,945
Financial assets	(13,802)	(13,910)	(73,341)	(55,924)
Others	(1,110)	(3,323)	(2,886)	(4,983)
Provision for inventories loss	-	378		
Adjusted profit	662,325	570,026	2,488,360	2,085,592
Changes in assets:				
Accounts receivable from clients	(77,046)	(46,507)	(376,919)	(200,809)
Inventories	5,341	(2,236)	4,707	(28,774)
Taxes to be recovered	(23,576)	140,110	54,112	10,243
Advancement of tariff transfer to municipalities	-	1,990		
Technical cooperation agreement	(351)	9,766	(23,048)	10,637
Other	(5,791)	11,000	2,486	18,688
Changes in liabilities:				
Suppliers	51,519	32,123	88,146	1,643
Taxes, fees, contributions and social security and labor obligations	120,413	(56,600)	330,077	203,039
Provision for vacations and 13th salary	(58,853)	(49,858)	4,922	15,933
Employees' profit sharing	19,853	12,235	29,988	(69,941)
Technical Cooperation Agreement	(1,072)	124	(6,680)	4,787
Contingencies	(5,799)	1,595	(8,433)	2,145
Retirement benefit liabilities	(26,875)	(15,839)	(78,612)	(64,527)
Payroll payable - Collective Bargaining Agreement	-	7,067	-	(178,835)
Voluntary Separation Program - VSP	(35,567)	10,095	35,468	(80,734)
Others	3,533	(38,431)	(14,551)	(37,184)
Cash from operations	628,054	586,660	2,530,023	1,691,903
Interest paid	(94,737)	(68,652)	(423,638)	(341,871)
Interest paid from the Public Private Partnership	(2,316)	(4,873)	(11,820)	(15,655)
Income Tax (IR) and Social Contribution (CSLL) payment	(112,225)	(80,480)	(349,759)	(203,590)
Net Cash from Operating Activities	418,776	432,655	1,744,806	1,130,787
Cash flow from investing activities:				
Public Private Partnership Payment	(10,770)	(4,448)	(36,634)	(25,464)
Subsidiary Capital Raise (Copanor)	-	-	(47,590)	(54,179)
Amount received from the sale of property, plant and equipment	1,026	-	3,746	3,476
Purchase of Contract Assets	(255,229)	(215,630)	(1,046,011)	(949,336)
Purchase of Intangible Assets	(130,706)	(69,348)	(408,273)	(203,056)
Purchase of property, plant and equipment	(31,093)	(48,061)	(64,394)	(75,131)
Deposit to guarantee financing	851	26,963	4,605	37,776
Bank and financial investments of agreement	345	(6,915)	11,791	(8,518)
Reduction of financial assets	-	21,180	-	21,180
Net Cash used in Investing Activities	(425,576)	(317,439)	(1,582,760)	(1,274,432)
Cash flow from financing activities:				
Income from loans, financing and debentures	290,223	807,130	1,498,361	876,002
Amortization of loans, financing and debentures	(163,898)	(139,016)	(906,246)	(762,550)
Payment of Interest on Equity	(119,186)	(54,906)	(591,911)	(136,141)
Payment of Dividends	(185,535)	-	(185,535)	
Issuance Costs of Securities	(7,292)	(3,443)	(21,673)	(3,443)
Payment of leasing	(16,457)	(11,423)	(51,541)	(39,792)
Net Cash Used in Financing Activities	(202,145)	598,342	(258,545)	(65,924)
Net increase (decrease) in cash and cash equivalents	(208,945)	734,738	(96,499)	(209,569)
Cash and cash equivalents at beginning of the period	1,203,526	356,342	1,091,080	1,279,469
Cash and cash equivalents at end of the period	994,581	1,091,080	994,581	1,091,080

10.6. Debt

Debt –Funding Lines Consolidated Data	Index + Fixed Rate (Annual)	Issue Date	Maturity Date	Outstanding Balance	%
<u>In National Currency:</u>					
FGTS Funds ¹	TR + 7.30% to TR + 8.50%	08.16.2009	01.16.2043	729,709	15,3%
Finame	2.5% to 8.7%	03.28.2011	01.15.2025	3,323	0,1%
BNDES Loan	TJLP + 1.55% to 1.73%	01.15.2008	05.15.2025	17,187	0,4%
Caixa Debentures - 5th Issue	TR + 9.00%	09.20.2011	09.01.2031	136,247	2,9%
BNDES Debentures - 8th Issue					
1st Series	TJLP + 1.87%	06.15.2015	06.15.2028	42,128	0,9%
2nd Series	IPCA + 8.18%	06.15.2015	06.15.2028	27,079	0,6%
BNDES Debentures - 11th Issue					
1st Series	TJLP + 2.62%	01.15.2017	01.15.2031	101,156	2,1%
2nd Series	IPCA + 8.85%	01.15.2017	01.15.2031	58,159	1,2%
Market Debentures – 12th Issue					
1st Series	IPCA + 5.0642%	02.08.2018	01.15.2024	43,646	0,9%
2nd Series	IPCA + 5.2737%	02.08.2018	01.15.2026	70,475	1,5%
Market Debentures – 13th Issue					
2nd Series				-	0,0%
3rd Series	IPCA + 6.50%	07.15.2018	07.15.2025	61,651	1,3%
Market Debentures – 14th Issue					
1st Series	106.15% of CDI	06.15.2019	06.15.2024	9,645	0,2%
2nd Series	IPCA + 4.30%	06.15.2019	06.15.2026	115,228	2,4%
Market Debentures – 15th Issue					
1st Series	CDI + 1.75%	12.16.2020	12.16.2025	308,941	6,5%
Market Debentures – 16th Issue					
1st Series	IPCA + 5.2306%	09.15.2021	09.15.2031	281,960	5,9%
2nd Series	CDI + 1.30%	09.15.2021	09.15.2026	430,205	9,0%
Market Debentures – 17th Issue					
Single Series	CDI + 1.30%	12.16.2022	12.16.2029	752,937	15,8%
Market Debentures – 18th Issue					
1st Series	CDI + 1.20%	09.15.2023	09.16.2030	114,123	2,4%
2nd Series	IPCA + 7.10%	09.15.2023	09.16.2030	793,540	16,6%
<u>In Foreign Currency^{2,3}:</u>					
KfW	Euro + 1.41%	12.13.2018	05.15.2034	185,218	3,9%
BEI	Euro + Euribor + 0.55%	12.13.2019	09.20.2033	496,120	10,4%
AFD	Euro + Euribor + 2.69%	12.29.2023	12.20.2043	15	0,0%
Issuance Costs of Securities				(35,176)	
(=) Total Loans, Financing and Debentures				4,743,515	
(+) Leasing Liabilities				92,279	
(=) Total Gross Debt (Short + Long Term)				4,835,794	
(-) Cash and Cash Equivalents				(1,031,426)	
(=) Net Debt				3,804,368	

(1) FGTS Funds: Brazilian Savings Bank.

(2) Foreign-currency contracts are also subject to an availability rate (0.25% p.a.) on the balance disbursable.

(3) Debts contracted in Euro, whose exchange rate in relation to the Real was R\$5.3516 on 12.31.2023.

About Copasa

Copasa 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. Together with its subsidiary Copanor, Copasa has concessions in about 75% of the municipalities of the Minas Gerais State, supplying water to approximately 11.8 million people, of which 8.6 million people are also served with sewage services.

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