

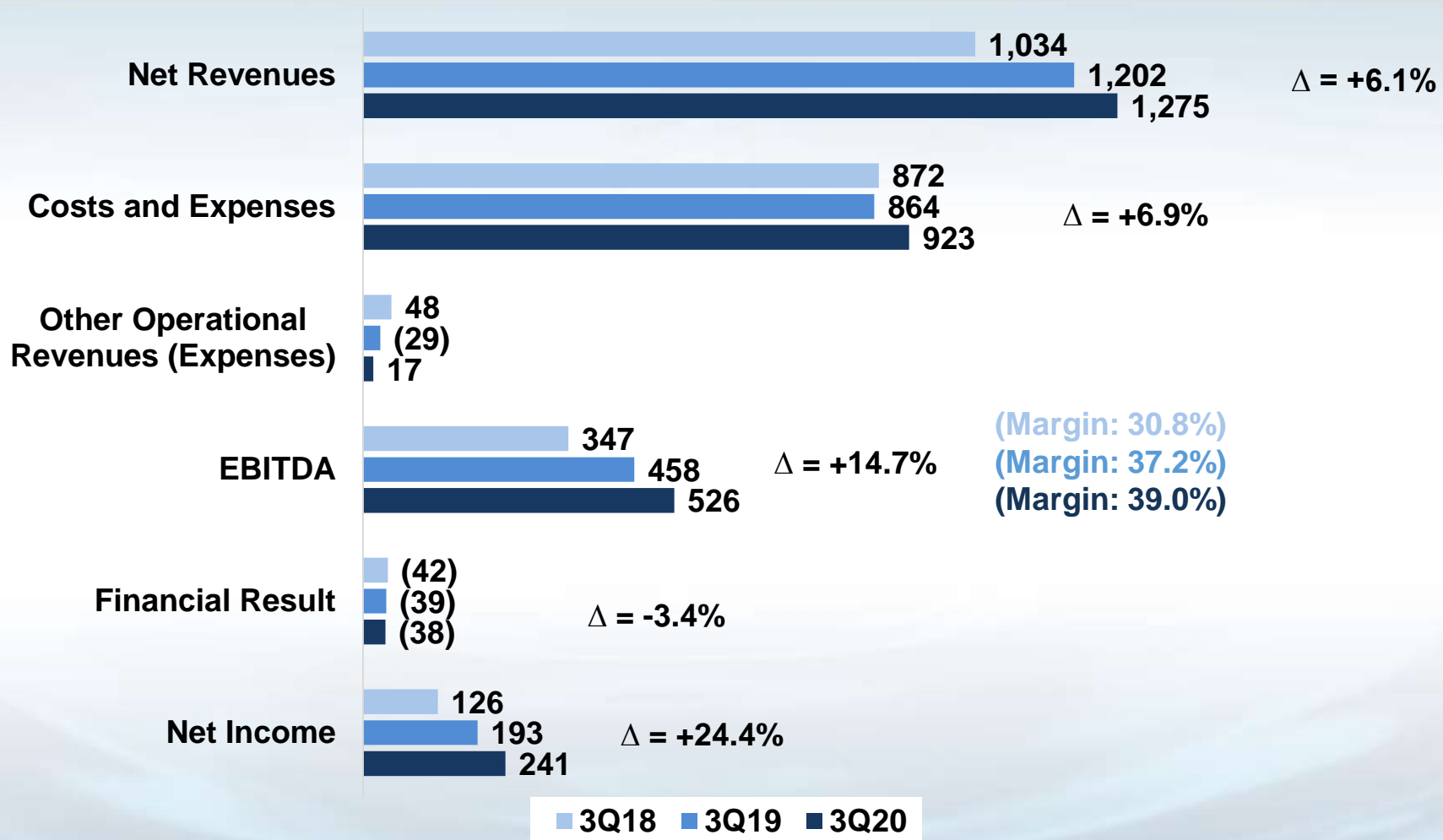
**3Q20 EARNINGS PRESENTATION  
5 NOVEMBER 2020**



# FINANCIAL HIGHLIGHTS

## Parent Company - Quarterly

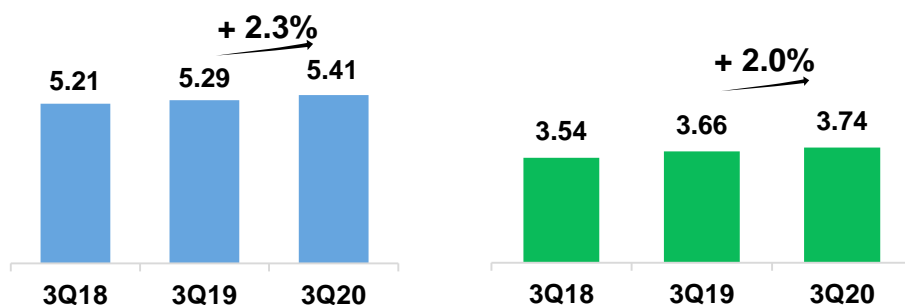
(BRL million)



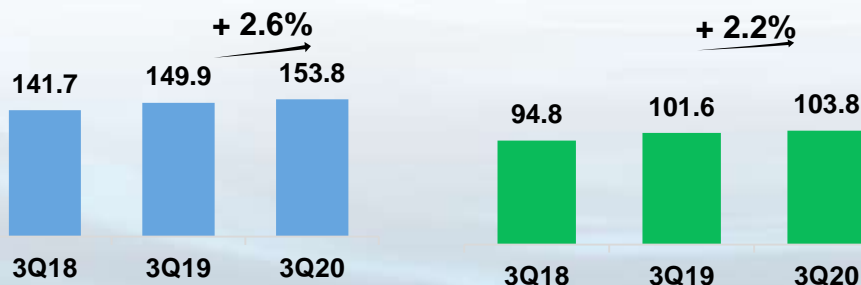
# WATER AND SEWAGE REVENUE

Net Revenue (BRL million)	3Q18	3Q19	Var. (%)	3Q20	Var. (%)
Water	668.4	767.3	14.8%	816.3	6.4%
Sewage	365.3	433.9	18.8%	458.0	5.6%
Solid Waste	0.6	0.5	-15.0%	0.5	1.0%
<b>Water, Sewage and Solid Waste</b>	<b>1,034.3</b>	<b>1,201.8</b>	<b>16.2%</b>	<b>1,274.8</b>	<b>6.1%</b>

## Units (Consolidated – Million)

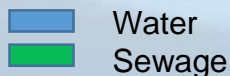


## Measured Volume (Consolidated – Million M<sup>3</sup>)



## Other Factors

- ✓ **Tariff Adjustment: +8.38% (August/2019).**
- ✓ **Upgrade from Social tariff customers to Residential: increasing the revenue by approximately BRL 6.0 million (July 2020).**
- ✓ **Change in the sewage tariff level in 8 cities, where approximately 63,000 units migrated from Sewage Collection (EDC) to Sewage Collection and Treatment (EDT), increasing the monthly revenue in BRL 2.3 million.**
- ✓ **Reduction of BRL 2.7 million in indirect revenue from water and sewage, mainly due to the measures adopted to minimize the impacts caused by the Covid-19 pandemic.**



# MANAGEABLE COSTS

## Parent Company - Quarterly

4

(BRL million)

Breakdown	3Q18	3Q19	3Q20
Personnel	344.5	349.9 +1.5%	351.1 +0.4%
Outsourced Services (exclud. non manageable)	108.4	105.4 -2.8%	107.6 +2.1%
Rio Manso PPP	25.6	18.6 -27.1%	18.5 -0.4%
Material (exclud. non manageable)	13.3	14.5 +9.3%	14.2 -2.2%
Provision for Doubtful Accounts (PDA)	79.7	47.5 -40.4%	93.4 +96.7%
Tariff Transfers to Municipalities	23.0	26.9 +16.8%	34.8 +29.5%
Sundry Operational Costs	7,7	8,2 +6.1%	5,9 -28.6%
<b>Subtotal</b>	<b>602.2</b>	<b>570.9 -5.2%</b>	<b>625.5 +9.5%</b>



# NON MANAGEABLE COSTS AND OTHERS

## Parent Company - Quarterly

5

(BRL million)

Breakdown	3Q18	3Q19	3Q20	
<b>Non Manageable Costs</b>	Electricity	128.6	131.5 +2.2%	114.7 -12.8%
	Telecommunication	2.9	3.3 +12.6%	3.0 -8.8%
	Treatment Chemicals	14.5	18.3 +26.7%	18.3 -0.1%
	Fuels and Lubricants	6.5	6.7 +2.0%	5.8 -12.6%
	Tax Credit	(28.6)	(23.3) -18.4%	(12.8) -45.1%
<b>Subtotal</b>	<b>124.0</b>	<b>136.4 +10.1%</b>	<b>129.0 -5.4%</b>	
<b>Others</b>	Charge for Usage of Water Resources	4.2	3.0 -27.9%	9.3 +207.9%
	Depreciation and Amortization	141.3	153.2 +8.4%	159.0 +3.8%
<b>Total Costs and Expenses</b>	<b>871.7</b>	<b>863.6 -0.9%</b>	<b>922.8 +6.9%</b>	



# OTHER REVENUES (EXPENSES) AND EQUITY INCOME

## Parent Company - Quarterly

6

(BRL million)

OTHER ITEMS	3Q18	3Q19	3Q19 vs. 3Q18	3Q20	3Q20 vs. 3Q19
Other Operational Revenues	84.9	23.5	-72.4%	64.7	175.7%
Other Operational Expenses	(37.2)	(52.7)	41.6%	(47.3)	-10.2%
Equity Income	(4.6)	(4.3)	-5.1%	(3.8)	-12.2%
<b>TOTAL</b>	<b>43.1</b>	<b>(33.5)</b>	<b>n.m.</b>	<b>13.6</b>	<b>n.m.</b>

# CAPEX

## Finished and Projected Investments

### Projected Investments for 2020:

- COPASA: BRL 816 million
- Copanor : BRL 37 million

Finished Investments (BRL million)	9M20
Water	106
Sewage	148
Others	73
<b>COPASA</b>	<b>328</b>
COPANOR	15
<b>COPASA + COPANOR</b>	<b>343</b>

### Investment Program 2021-2024 (BRL million)

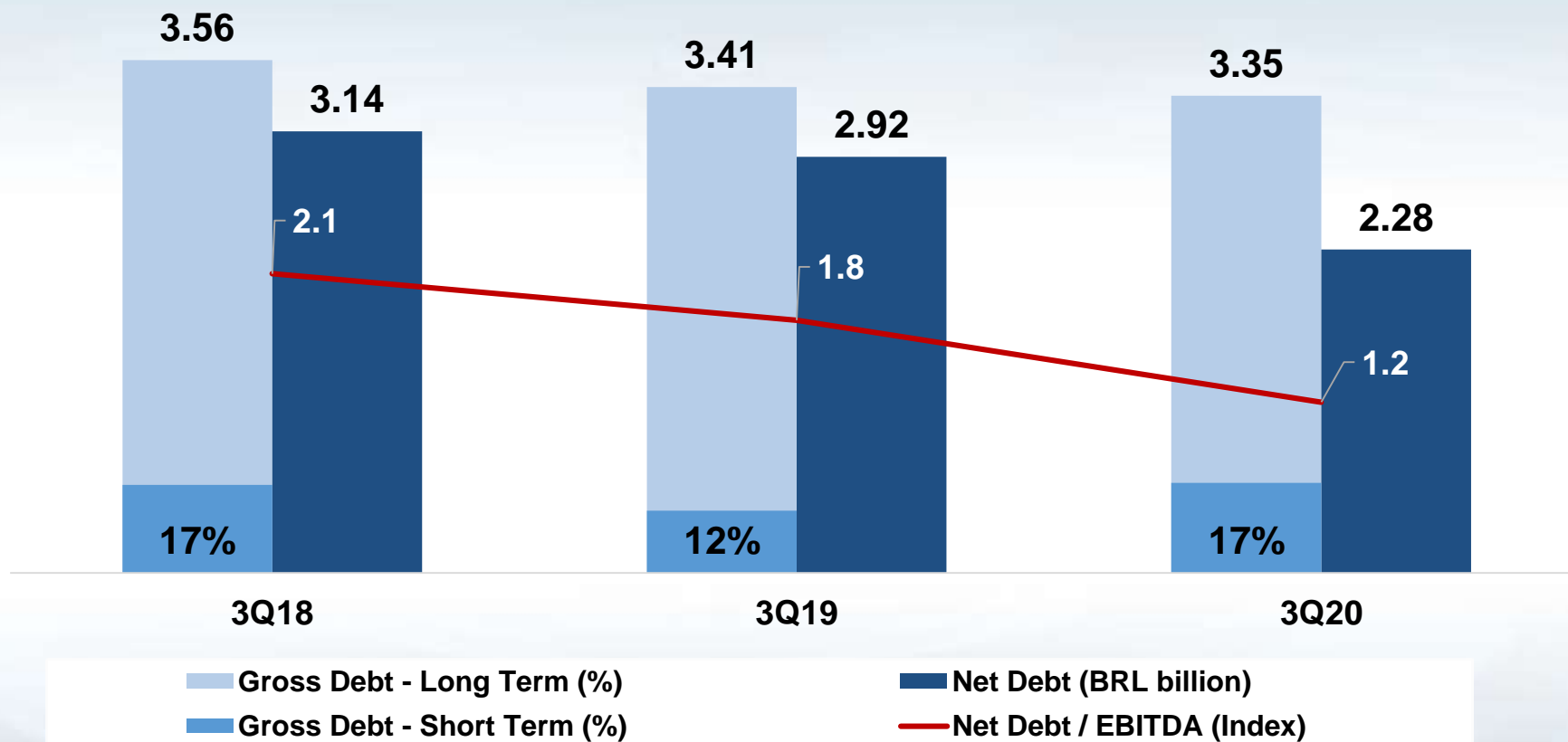
Year	COPASA	COPANOR
2021	1,250	37
2022	1,250	37
2023	1,250	37
2024	1,250	37



# DEBT

## Gross Debt, Net Debt and Leverage

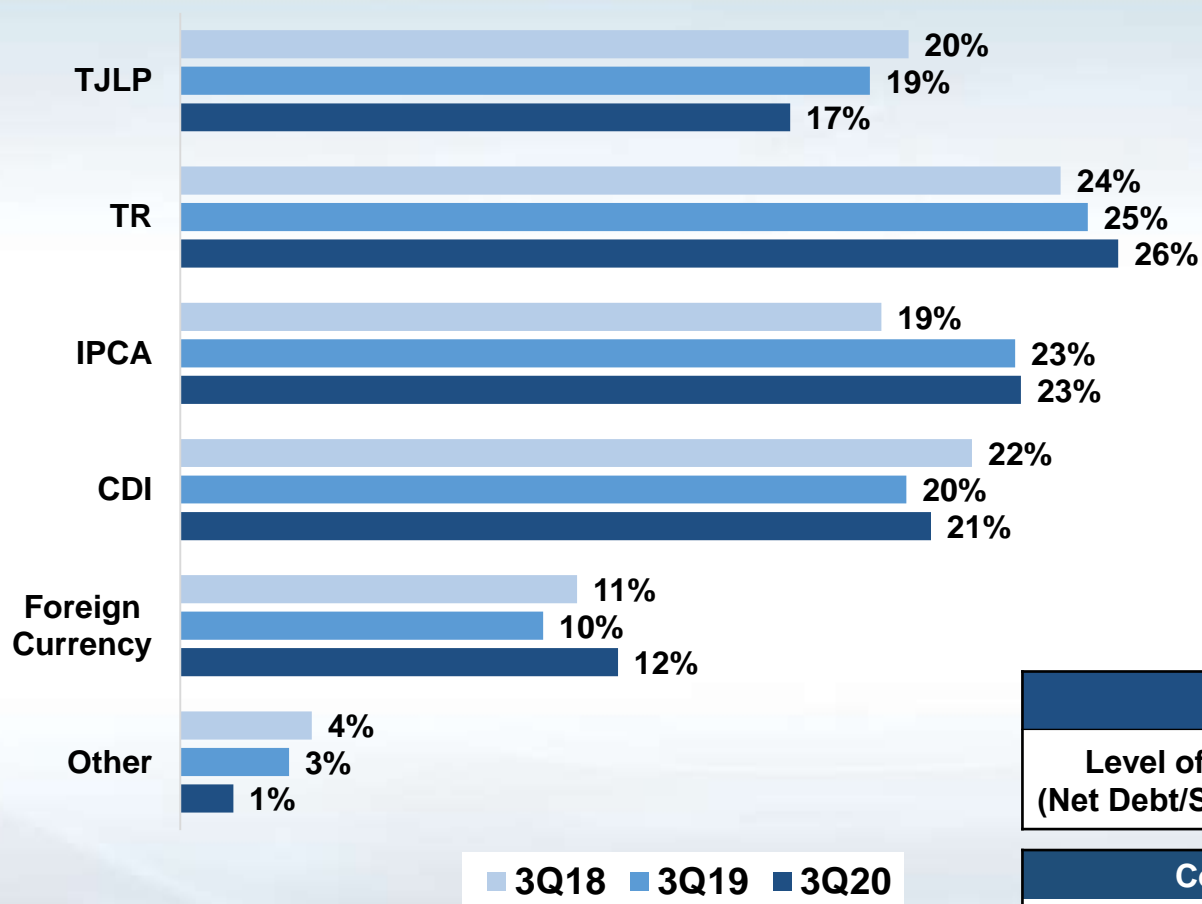
(BRL billion)



**Financial Contractual Covenants: COPASA fulfills its obligations in relation to restrictive clauses.**

# DEBT

## Debt by Index and Average Coupon



Average Coupon (p.y.)	
3Q18	6.8%
3Q19	6.6%
3Q20	5.5%

	3Q18	3Q19	3Q20
Level of Indebtedness (Net Debt/Shareholders' Eq.)	50.8%	44.2%	31.7%

Corporate Ratings– National Scale
• Fitch: AA(bra) – stable outlook
• Moody's: Aa3.br – stable outlook

# SHAREHOLDERS' COMPENSATION

## ✓ Dividend Policy:

**Regular Dividends:** between 25% and 50% of Net Income Adjusted, quarterly declarations.

**Extraordinary Dividends:** depending on Net Debt / EBITDA (regulatory leverage):

Below 2.0x	Between 2.0 and 2.2x	Above 2.2x
After conducting semiannual studies that indicate that a payment of "Extraordinary Dividends" will not jeopardize the financial health, the Investment Plan or current liquidity, the Board of Directors may propose the payment of "Extraordinary Dividends".	Payout will comply with the "Regular Dividends" criteria.	Mandatory minimum (25%).

## ✓ Regular Dividends for 2020:

25% of Net Income Adjusted as Interest on Equity

Reference	BoDM	Gross Amount (BRL million)	Amount per Share (BRL)	Payment Date
1Q20	20 Mar 2020	45.47	0.3597	19 May 2020
3Q20	18 Jun 2020	43.90	0.3473	17 Aug 2020
3Q20	17 Sep 2020	63.12	0.4994	to be defined

## ✓ Extraordinary Dividends:

**Shareholders' Meeting:** called for 19 November 2020.

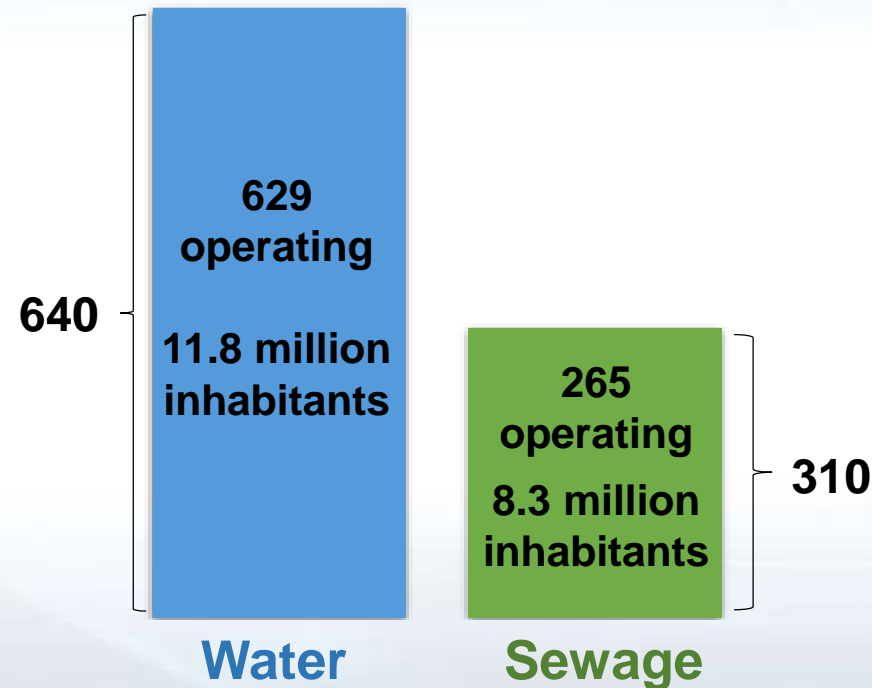
**Value:** BRL 820 million (BRL 6.48 per share).

**Payment:** until the end of the year (2020).



# CONCESSIONS

## Consolidated



▪ % of revenues from concessions to expire from Jan/2034: 78.8%

▪ Municipalities with concessions to expire until 2022:

- 4Q20 – 2 municipalities – 0.3% of revenues
- 2021 – 4 municipalities – 0.1% of revenues
- 2022 – 2 municipalities – 2.0% of revenues

▪ Expiration of 10 largest concessions: 51.2% of revenues

- Belo Horizonte – 2034
- Contagem – 2073
- Betim – 2042
- Montes Claros – 2048
- Ribeirão das Neves – 2034
- Ipatinga – 2022
- Divinópolis – 2041
- Varginha – 2047
- Santa Luzia – 2050
- Pouso Alegre – 2046

▪ Expired concessions (Sep/2020): 67 (3.0% of revenues)

# REGULATORY ENVIRONMENT

## ✓ 2020 Tariff Adjustment

- **Average Tariff Effect:** 3.04%, applied after 01 November 2020.

## ✓ 2<sup>nd</sup> Tariff Review

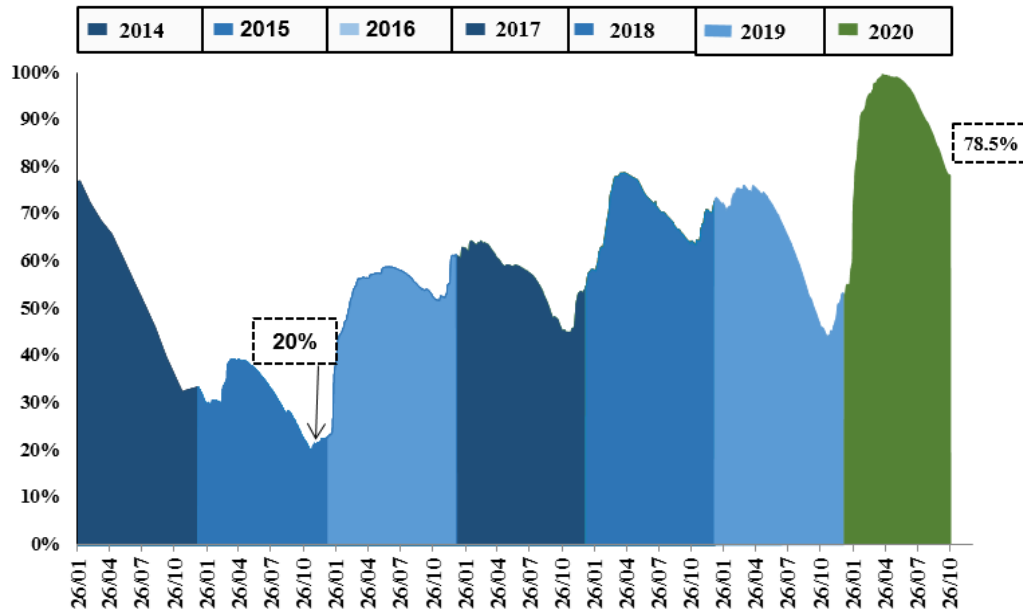
- **1<sup>st</sup> phase – Public Hearing and Technical Meetings:** Guidelines, general themes, schedule and agenda, among others (Results released on 10-Jul-2020).
- **2<sup>nd</sup> phase – Public Hearing and Technical Meetings:** Operating costs, capital costs, regulatory asset base, tariff incentives, tariff structure, among others (Started on 26-Oct-2020 and results scheduled for 11-Feb-2021).
- **3<sup>rd</sup> phase – Public Hearing:** Application methodology, annual tariff adjustment methodology (Start scheduled for 30-Apr-2021 and results for 30-Jun-2021).
  - ❑ **Final Results:** 02 July 2021
  - ❑ **Application of the new tariff:** 01 August 2021

# HYDROLOGICAL SITUATION

## Belo Horizonte Metropolitan Area (BHMA)

### Paraopeba System: Accrued Volume <sup>1</sup>

Paraopeba System: Aggregate Volume



Volume of each reservoir	26-Oct-2020
Rio Manso	76.5%
Vargem das Flores	68.8%
Serra Azul	86.3%

### das Velhas River System

#### Information about the system

Representativeness of BHMA's distributed volume	42%
Water collection grant	8.7 m <sup>3</sup> /s
Average flow (last 15 days prior to 26-Oct-2020)	16.6 m <sup>3</sup> /s
Average flow collected in the last 12 months	6.8 m <sup>3</sup> /s

1) Responsible for 47% of BHMA's distributed volume.

A water droplet is shown falling into a pool of water, creating a series of concentric ripples that spread outwards. The background is a solid blue color.

# Q&A Session



# DISCLAIMER

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