

Operator:

Good morning, ladies and gentlemen. Welcome to Copasa MG's conference call to discuss the results for the 3Q25.

This conference is being recorded, and the replay can be accessed on the Company's IR website, ri.copasa.com.br. The presentation is also available for download on the platform. We would like to inform you that the participants attending the conference call will be in listen-only mode during the presentation. We will then open the Q&A session, where further instructions will be provided.

We would like to inform you that the presentation is being recorded and translated simultaneously. The translation is available by clicking on the 'interpretation' button. For those listening to the conference call in English, there's an option to mute the original audio in Portuguese by clicking on 'mute original audio'.

Before proceeding, we would like to clarify that any forward-looking statements are based on the beliefs and assumptions of Copasa's management and current information available to the Company. These statements may involve risks and uncertainties as they relate to future events and therefore, depend on circumstances that may or may not occur. Investors, analysts and journalists must understand that events related to the macroeconomic environment, industry and other factors could cause results to differ materially from those expressed in their respective forward-looking statements.

I would now like to turn the floor over to Mr. Fernando Passalio, Copasa's CEO.

Fernando Passalio:

Good morning, ladies and gentlemen, investors, analysts and members of our team. I am here with the CFO and IRO and main executives of our management team. I would like to thank Cleyson Jacomini, Chief Client Communication and Sustainability Officer; Laura Petri, Chief Operations Officer; Pablo Ferraço, Chief Engineering and Environmental Officer and Michelle Resende, Chief Strategy and Regulatory Officer.

It's an honor to be here together not only to discuss the solid results for the 3Q, but also to discuss the transforming moment we are going through. The market has recognized our potential. And today, I would like to share our vision on how we are navigating in this scenario and building the future of our Company.

Recently, we watched the analysis of the main institutions that follow the sector, especially the reports of renowned institutions that watch what we do closely. We were very happy to see that there is a consensus in an optimistic view, and there's a clear recognition of our intrinsic value and our growth potential.

This positive perception is a reflection of the pillars that we have made solid with a lot of work and strategic planning across the years.

The first and most visible pillar is the advance of the controller in the process of destatization. The approval of PEC 24/2023 in the first round in the Legislative Assembly of Minas Gerais on October 24 was an important mark, with 4 more votes than what was required for the approval. And we see that there is a doubtful alignment in politics and approval of society to retrofit the Company and decrease, eliminate any bottleneck for the future and accelerate the universalization of the sanitation in our state.

This is not Copasa's project alone. It's a project for the future of the state of Minas Gerais, which will favor millions of people. We know that the schedule for 2026 is a challenge, but we remain optimistic.

On our side, we are prepared to cooperate with the controller shareholder as we are assigned to the project. Until then, we are planning the next steps to ensure that the process happens in a fast manner and especially in a very transparent manner.

The second pillar, as mentioned by the analysts, is the improvement in our regulatory environment. And to that purpose, the constructive, technical and constructive dialogue has been fundamental with the institutes. The new regulatory framework, the recognition of the CAPEX in our asset base and the indication that there is sharing of gains and efficiency are in line with the main practice of the market, and that is translated into more legal safety and as a consequence, more attractiveness to investors in relation to the investments we need to make.

We understand that there was a clear sign that the tariff review was a result of a lot of debate, and we came to an understanding that we have to have robustness in our balance sheet so that we can make advances in the universalization of the services provided to our millions of clients.

We understand that we still can improve some points. And to that purpose, we have made contributions in the last public consultation. However, this is a maturation process and mutual construction.

Our dialogue with the regulatory agency is technical and open, and we are sure that we are going to get to a balanced model that will remunerate in a fair way the investor, and would encourage the continuous search for further efficiency with direct benefits to consumers.

Lastly, we understand that the agenda on which we are working is allowing for opportunities, for expansion and value creation in the sanitation area in Brazil. We have a lot to invest to retrofit, modernize and grow, generating solid returns and contribute in a decisive way to universalize the service of the water and sewage in the state of Minas Gerais.

What we have been building since 2019 is a new Copasa, more agile, more efficient with more capacity of investment and ready to meet its mission with excellence. Our commitment is to generate value to our shareholders with the continuous improvement in our services to the people in Minas Gerais and sustainable growth to our employees and to the state at large. I would like to thank you for the confidence you have placed on us and the analysts who have

worked hard and are following what we do. We are confident on what we have done, and we are confident in the future that we have for Copasa.

And this is my initial comment, and I turn the floor to Mr. Adriano Moura to comment on the results of the 3Q, and we will be together with the other executives to answer any questions you might have. Thank you.

Adriano Rudek de Moura:

Thank you, Fernando. Good morning, everyone. I would like to thank you to attend our conference for the 3Q25. It's a great honor to be here sharing the good results for the quarter.

It was a very challenging quarter, but with important advancements in strategic fronts about which we are going to discuss later. We are going to start with the first slide about the highlights for the quarter. We continue implementing our daily investment plan, getting to near R\$2 billion, advance of 26% in relation to the same period of last year and more than 65% when compared to the same period of 2023.

We are making important investments in all the state of Minas, and we are very close to our target of 2025, about R\$2.5 billion. I would like to remind you that this is one of the main pillars of our sustainable growth plan, considering that each investment made in addition to improving the services provided and also meeting the demands of the population, it also improves the efficiency in different aspects, and it also increases the remuneration basis of assets.

In relation to dividends, in addition to the R\$345 million that were paid in the 1H25, we have planned the payment of R\$170 million that will be paid on November 11 as an advance of the interest on equity. We are following our dividend policy for 2025 with a payout of 50%, in addition to an interim dividend that would depend on the circumstances of the moment.

Another highlight I would like to share with you for the quarter is the contraction of FX hedge by means of a swap of IPCA+. We ended the quarter with €90 million and €32 million in addition, adding to R\$750 million. That's equivalent to €120 million. We have a remaining balance of about €135 million that when new fundings come in will be considered. But the idea is to make headway in the evaluation of what the best relation of cost benefits is, so that we can reduce this FX exposure, taking advantage of the development of the FX variation.

I would also like to draw your attention to the operating cash flow, reaching R\$701 million, 26% higher than the 3Q24. Another highlight is the losses reduction. We reached 37.3% in September, 110 bps less when compared to the previous year. Passalio has already mentioned about the third review that's making good headway and positive advances and the preliminary increase of 5.5% as of next year.

Another highlight we would like to share with you is the EBITDA that in spite of the revenue due to the low temperatures for the period, it was still in line with what we had in 2024. In the 9M, we accumulated R\$2.2 billion, 40.2% margin for the period.

And lastly, our leverage level, which is still very comfortable, standing at 2.1x, this was what we had in the closing date of September 30. We still have good room for good investments and good dividend payments.

Before I provide more details about the details of the quarter, I would like to provide an update on our advances of our main initiatives of value generation that we are running with participation of all Copasa members.

We would like to mention that this agenda does not depend on any destatization agenda, but what we are doing is preparing the Company for a new investment level considering the new challenges of the sanitation framework. Those initiatives have been presented along the year and divided into 3 strategic pillars basically.

In the pillar of process-driven organizational restructuring, we implemented the CSC, which is a Shared Service Center, consolidating more than 140 processes. This area involves more than 600 people.

We are very optimistic with the potential of opportunities that we have down the road with this way of standardizing and centralizing the services. We know that the impact will be gradual, but we are already identifying the improvements in the budget for next year.

As for our CAPEX planning, this is one of the pillars where we see a lot of progress. And the focus is to trade Copasa for the new demands of new and high investments with the discipline of capital allocation and efficiency in the contracts.

We want to ensure that all investments are addressed to strategic projects that can be in the remuneration basis and ensure somehow the reduction of OPEX.

As for operational efficiency, in the 3Q, we have started the project of zero-based budget with additional reduction of costs. So as of 2026, we will have a pure annual view considering efficiency improvement projects using this methodology. We are very optimistic with the results that we have reached so far. It's only 5 weeks, we have been in this process, and we already see the potential that we can reach.

Still talking about operational efficiency, another example that I would like to give, we are redesigning our service sourcing, and we are prioritizing some critical categories and using techniques of strategic sourcing, and that would include a review of specifications of the study of demands and optimizing service levels with the purpose of providing more transparency in the contracting activities based on performance, in such a way that, again, scale will provide better pricing and better services provided.

We are in the final phase of the strategic planning review, that's for 2026 to 2030. And we would like to highlight all the challenges we have with the prioritization of the efforts with the purpose of universalizing and improving the services considering the regulations. So this is an agenda that is going to advance a lot in the next quarter.

Moving on to the next slide, we have the main EBITDA variation comparing the 3Q25, and we talk about revenue and costs. As for revenue, the increase in the tariff was offset by the

negative impact of mix and volumes as a result of low temperatures, especially in June, July, where there was an 8% drop in relation to the last year in the same period. There was a recovery in August. It was about the same level when comparing year-on-year. And in September, we saw a better recovery with volume increasing by more than 3%. But on average, the reduction was 1.7% in terms of volume of water and 0.9% in sewage.

As for costs and expenses without depreciation, personnel costs, which is the highest cost we have, had an increase below inflation levels. We had a reduction of nearly 200 employees in the last 12 months, and that practically offset the increase in salary from the collective bargaining that was signed in November last year. We continue with a rigid policy of extra hours, showing a relevant drop in extra hours when we compare quarter-on-quarter.

As for outsourced services, we continue reviewing contracts and optimizing services. We have some one-off contracting to meet the needs for system services and nonrecurring expenses for consulting services.

At electric energy, we had a growth of 9.5%, impacted especially by the red flag tariff level. We are continuing our strategy to migrate to the free market and using solar energy more. In September, we ended the quarter at 25% in the captive market, 17% in the solar energy and 58% in free market.

In the line of others, we had some optimization in the tariff pass-through in the amount of R\$7 million by including new cities. However, this increase will have a positive impact in the tariff review.

In addition, we had an increase of R\$6 million in the lawsuits and compensations that were offset by nonrecurring revenues from auctions in the amount of R\$8 million. In the next slide, the main variations of net income among the quarters, a little drop in relation to the 3Q24. We had an increase in depreciation as expected as a result of the increases of CAPEX.

The financial result net, we had a relevant improvement of R\$17 million, nearly 34% in relation to the same period of 2024, especially as a result of the positive result in FX variation, R\$57 million on average that was reduced by the impact on the higher fees on financing that grew R\$43 million. And the effective rate improved from 22% to 19.6%, basically by the use of the fiscal benefit of the interest on equity.

In cash flow, we see the cash flow movement starting from the initial base up to the end of the quarter. I would like to highlight the solid operating cash generation in line with the robust level of CAPEX in the period. We have a net impact of R\$270 million related to financing activities that reflects the funding of debts, reduced by amortizations of the period, in addition to the dividends and the payment on the interest on equity, as we mentioned in the presentation.

Moving on, our projections for investment as of the third tariff cycle. As we can see in this graph, it's a strategic pillar for the Company. We estimate that on average, there will be a R\$3.5 billion per year as of the third cycle, practically the double of the second tariff cycle that ended in March of this year.

A good part of this growth is to meet the needs of the universalization of services, but also improvements in the services provide to consumer, water security, loss reduction. There's a lot of room for improvement yet, especially in the metropolitan region of Belo Horizonte. And retrofitting investments are also planned in the sewage treatment plants, and that would also reduce our OPEX.

As we previously mentioned in the highlights, we are meeting the physical schedule and the financial schedule as well that were planned for the year. In relation to the goals for the universalization, we have 99% of water coverage, much above our target for the universalization according to the new legal framework.

And we are also going to look at the universalization of sewage that has a lower coverage level. Net debt, we show our comfortable leverage rate of 2.1x, and that includes the allocation of capital and the payment of dividends.

And the trend is that this leverage level should grow across the years to meet the investment plan and also to maintain a competitive dividend policy. As we mentioned in the last call, this balance will be adjusted every year as new investments will be included in the regulatory base, and when we see the results of the reduction of expenses, so that we are going to have a leverage of near 3x in the next year; not as a guidance, but just to provide you a reference.

In terms of amortization, we have a very good level compatible with our cash generation level. We are going to continue focusing our long-term resources, looking at the lines of incentivized funding.

And in terms of exposure, nearly 70% of our debt today is linked to IPCA and DI. In FX, 18% is linked to Euros. And as I mentioned before, we have a hedge for the exposure, so that we are going to be less and less exposed across the year.

Moving on to the slide before the last, which showed the evolution of the main indicators for our operations. Some of them have already been previously mentioned, such as the improvement in the loss rate. Some initiatives are underway that will lead to continuous improvement in this dimension of loss, which is the replacement of the water meters. Today, we have a renewed target of 3.2 years when compared to 5.3 years that we had in December 2019.

So we are also using new technologies to eradicate leaks, and we accelerated 350 kilometers of network in the metropolitan region of Belo Horizonte, where we have the highest level of losses.

In terms of delinquency, there was a bit of increase to 3.01, still a very low rate when compared to the main players, especially in residential and social categories, even considering the effort of our collection teams. We are going to reinforce those efforts so that we can reduce this rate even further for the next months.

In September, the ratio of employees per connection remains at a stable level, considering a basis of 9,500 employees, not considering Copanor.

On slide 10, to end our presentation, we have some comments on the process of the third tariff review. And the cycle will start in January 2026. In general, this process continues making progress. We said 5.5% as a preliminary indication in the last public consultation, good contributions have been made both by Copasa and also by the market. And the original schedule is to complete the process in the beginning of December. And the application is going to start in January 2026.

With this, we end our presentations of our operational and financial results for the 3Q, and I turn the floor to the operator so that we can start the Q&A session.

Q&A Session

Carol, Safra (via webcast):

Can you talk about the cost journey? The Company mentioned that there is a possibility of implementing new efficiency measures to get the Company prepared for the new level.

Adriano Rudek de Moura:

As I said, this is a priority of our agenda. This is our top priority for efficiency, and it's one of the pillars that we are making good headway. This quarter, we started our zero-based budgeting that brings excellent references to the market, so that we can have a pure annual view with the best benchmarks and with the best initiatives in terms of cost reduction.

This project is still in the beginning, 5 weeks so far, and we have already seen excellent results that are going to be incorporated in our budget for 2026. As I mentioned, this is our top priority.

Carol:

Could you talk about the new BH contract?

Fernando Passalio:

I would like to start by saying that, in relation to the city hall of Belo Horizonte, we are having high-level talks with them and the negotiations are very good in technical terms. And this is what I can say. We can say that we have been working hard, and we keep an eye not only in the Belo Horizonte contract, but we also have some other concessions on our radar that may offer opportunities for us to evaluate, both by the Copasa and by the government.

Considering the sanitation legal framework, we have the possibility according to Article 14, we have new possibilities, and we have our eye also on this. So we are moving ahead in terms of opportunities that we have or that we are going to have in the future with the PL and the PEC in the Assembly.

Adriano Rudek de Moura:

We have several questions in relation to efficiency and reduction of PMSO. We are working on those agenda, as I have already mentioned. I would just like to reaffirm that this is one of our priorities, especially considering the budget as of 2026.

In relation to Belo Horizonte, I think Passalio has already made some comments on that.

João Pimentel, Citi:

Good morning. Thank you very much for taking my question. I would like to ask a question about asset base. If we look at the history of Copasa, historically, it has underinvested versus the peers. If we look at the investment level and the regulatory depreciation, it's underinvested in the last 7 or 8 years. First I would like an explanation for that.

And looking to the future, naturally, the Company will have an increase of CAPEX, very relevant considering the universalization process underway. But after the cycle of investment, what would you consider to be a normalized CAPEX, after this cycle of higher investment? Because it seems that Copasa has a catch-up to be made in terms of regulatory assets. When you compare it to Sabesp, for example, you see that the asset base is much below considering the size and the Company when compared to Sabesp. So what do you imagine that will happen after this universalization cycle? What would be CAPEX for maintenance or CAPEX for expansion after 2030, 2033, depending on the moment when the universalization will be reached. What do you think is the base to be recovered after the period of higher investment?

Adriano Rudek de Moura:

Thank you, João, for the question. It's a very relevant topic for us. But when we look into the future, this is what we have to say. In the past, we had some investment restrictions. But when we think about investment in the third cycle onwards, we have a very aggressive goal.

We have already provided guidance of investment in the amount of R\$17 billion up to 2029. This is practically the double of what we have been investing in relation to the past cycle. The last cycle stood below the regulatory depreciation.

So if we consider this level of R\$3 billion plus for the third cycle, that would be an increase of R\$2 billion per year, considering a depreciation of about R\$1 billion, regulatory depreciation. So this is a very aggressive growth for the next cycle, I would say. This is more than R\$10 billion if we consider the average of R\$2 billion per year.

So what we have done recently is that we underwent one adjustment for the Company. We qualified our Company. We trained our Company. We updated the processes, improved all the systems so that we could face this level of investment.

This is a very large growth of CAPEX we have shown that we stand at R\$2 billion more in our budget so far. Our target is to reach R\$2.5 billion, and that's already 20% higher than what we had last year, and nearly 70% more if we compare it to 2 years ago. So it's another level of investment, and we are going to continue implementing it.

Pablo is our Chief Engineering and Environmental Officer. I am going to pass the floor to him.

Pablo Ferraço:

In relation to the investments after the universalization, we have the vegetative growth of the populations. But there is also a focus of improving the operational efficiency. So this higher efficiency is aligned with continuous improvement, and we follow the same pace.

Of course, that will happen at a slower pace, but along the process, the Company may be searching for new investment opportunities, be them new agreements or agreements where the Company will operate as a result of the processes that are underway. So there's a well-structured plan up to 2033 for the universalization purpose, and after that, we are going to continue with higher efficiency in providing services.

To put you in perspective, this year alone, we are investing in loss reduction, the highest ever considering our historic track history. So we have been making the investments in replacement assets and also performance contracts. So all those investments that we have been making, and we understand there's a gap to be fulfilled, especially in the metropolitan region in terms of loss reduction.

But along the long-term agreements and their execution, we will maintain this level. And we understand that as new technologies come up, we are going to expand our efficiency in the operations.

Adriano Rudek de Moura:

João just to complement part of your question, in relation to post 2033, it's difficult to imagine a plan below the regulatory depreciation. If we do not have any clearer visibility, this would be the minimum target for our investments.

Participant (via webcast):

What do you expect to the Company after the privatization?

Fernando Passalio:

The privatization will allow Copasa to have more flexibility to invest. We will be able to innovate without the typical limitations of a government-owned company. So the operations will be retrofitted quicker, there will be an improvement in services. The management of resources will be better.

Copasa will be more effective. We will be more prepared to ensure quality water and sewage services to all the states and all the municipalities we operate now and for the future.

Adriano Rudek de Moura:

If there are no further questions, I would like to thank everyone for attending this conference call to discuss the results. I would like to say that we are very optimistic considering the results we have reached so far.

I would like to reaffirm our commitment to take Copasa to a new efficiency and competitive level, with consistent and sustainable results to all consumers, shareholders and investors.

Operator:

Copasa's conference call is now closed. We would like to thank you for your participation, and have a nice day.

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