

Earnings Release

2Q23

Rio Manso Reservoir



COPASA

Belo Horizonte, July 31st, 2023 - COPASA MG - Companhia de Saneamento de Minas Gerais - (B3: CSMG3) hereby announces today its results for the second quarter of 2023 (2Q23). 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\$1.57 billion** in 2Q23, up by **17,6%** over 2Q22 (**R\$1.34 billion**).
- Costs and expenses totaled **R\$1.22 billion** in 2Q23 (against **R\$1.00 billion** in 2Q22). Excluding the R\$115.1 million provisioned for the VSP, total costs and expenses increased by **10.1%**.
- The adjusted EBITDA totaled **R\$647.8 million** in 2Q23, up by **31.6%** over 2Q22 (**R\$492.2 million**). The margin was **40.4%** (**35.6%** in 2Q22).
- Net income was **R\$249.3 million** in 2Q23, up by **38.2%** over 2Q22, that was **R\$180.4 million**.
- Interest on Equity (IoE) declared in 2Q23 totaled **R\$128.5 million**.
- Net debt reached **R\$3.33 billion** in June 2023 and the Net Debt/EBITDA ratio was **1.5x**.
- Investments made by the Parent Company from January to June 2023, including capitalizations, totaled **R\$676.5 million**, increasing by **21.8%** from the same period in 2022.
- In June 2023, the number of consumer units for water reached **5.62 million** (**5.55 million** in June 2022) and consumer units for sewage reached **4.01 million** (**3.93 million** in June 2022) (consolidated data).
- In 2Q23, water volume measured reached **163.3 million m³**, while sewage volume came to **112.5 million m³** (up by **3.0%** and **2.8%**, respectively, over 2Q22) (consolidated data).
- The delinquency rate, 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, reached **3.11%** in June 2023 (**3.50%** in June 2022).
- The loss rate in COPASA MG's distribution was **249.7 liters per connection per day** in June 2023 (**257.6** in June 2022), down by **3.1%**.
- The Parent Company's index of "employees per thousand water and sewage connections" fell by **0.9%**, from **1.33** in June 2022 to **1.32** in June 2023.
- The capacity level of the reservoirs of the Paraopeba system is **91%**.

Conference Call

August 1st, 2023 (Tuesday)

11 a.m. (Brasilia) 10 a.m. (New York) 3 p.m. (London)

Webcast: [Click here](#)

Investor Relations

Telephone +55 (31) 3250-2015

ir@copasa.com.br

ir.copasa.com.br

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1. Operating Performance

1.1. Operational data

The main operational data of the parent company (COPASA MG) for 2Q23, 2Q22 and 2Q21 is as follows:

COPASA data (Parent Company)	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Water					
Connections (1,000 units)	4,544	4,496	1.1%	4,445	1.1%
Units (1,000 units)	5,500	5,439	1.1%	5,376	1.2%
Population Served (1,000 inhabitants)	11,626	11,596	0.3%	11,580	0.1%
Distributed Volume (1,000 m ³)	270,587	265,335	2.0%	263,449	0.7%
Measured Volume (1,000 m ³)	160,805	156,144	3.0%	154,437	1.1%
Network Extension (km)	62,623	61,522	1.8%	59,473	3.4%
Water Metering Index (%)	99.9	99.9	-	99.9	-
Loss Index ¹ (%)	38.9	40.6	-1,7 p.p.	40.1	0,5 p.p.
Loss Index ² (L/connectionsxday)	249.7	257.6	-3.1%	257.9	-0.1%
Sewage					
Connections (1,000 units)	3,102	3,040	2.1%	2,978	2.1%
Units (1,000 units)	3,951	3,871	2.1%	3,754	3.1%
Population Served (1,000 inhabitants)	8,486	8,380	1.3%	8,277	1.2%
Measured Volume (1,000 m ³)	111,314	108,311	2.8%	105,586	2.6%
Treated Volume (1,000 m ³)	85,776	73,925	16.0%	83,626	-11.6%
Network Extension (km)	31,696	31,033	2.1%	30,385	2.1%
Water and Sewage					
Consumption Days (quarter)	90.2	89.9	0.3%	91.4	-1.6%
Consumption Days (monthly average)	30.1	30.0	0.3%	30.5	-1.6%
Delinquency³ (%)	3.11%	3.50%	-0,4 p.p.	3.67%	-0,2 p.p.

(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.

(3) Corresponds to the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total amount invoiced in the last 12 months

The loss rate in COPASA MG's distribution, in liters per connection per day, fell by 3.1%, compared to 2Q22. This result is due to a set of measures adopted by the Company, with a highlight on the implementation of the Performance Contract for the recovery of the micro metered volume in socially vulnerable areas and substantial investments in the replacement of hydrometers.

The delinquency rate, which corresponds to the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total billed amount in the last 12 months, which was 3.50% in June 2022, reached 3.11% in June 2023, the lowest rate recorded in the last 6 (six) years. This result is due to the resumption and intensification of collection actions and campaigns to renegotiate debts.

The main operational data of the subsidiary COPANOR for 2Q23, 2Q22 and 2Q21 is as follows:

COPANOR Data	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Water					
Connections (1,000 units)	113	111	1.8%	108	2.2%
Units (1,000 units)	116	114	1.7%	112	2.0%
Population Served (1,000 inhabitants)	226	222	1.6%	219	1.5%
Distributed Volume (1,000 m³)	4,251	4,235	0.4%	3,667	15.5%
Measured Volume (1,000 m³)	2,525	2,421	4.3%	2,369	2.2%
Network Extension (km)	2,774	2,663	4.1%	2,663	-
Sewage					
Connections (1,000 units)	53	53	0.2%	51	3.7%
Units (1,000 units)	55	55	0.1%	53	3.5%
Population Served (1,000 inhabitants)	107	108	-0.2%	104	3.1%
Measured Volume (1,000 m³)	1,161	1,139	2.0%	1,105	3.1%
Network Extension (km)	1,580	1,513	4.4%	1,513	-

The main operational data of the parent company (COPASA MG) and the subsidiary (COPANOR) for 2Q23, 2Q22 and 2Q21 is as follows:

Consolidated Data (COPASA MG + COPANOR)	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Water					
Connections (1,000 units)	4,656	4,606	1.1%	4,554	1.2%
Units (1,000 units)	5,615	5,552	1.1%	5,488	1.2%
Population Served (1,000 inhabitants)	11,852	11,819	0.3%	11,799	0.2%
Distributed Volume (1,000 m³)	274,838	269,570	2.0%	267,116	0.9%
Measured Volume (1,000 m³)	163,330	158,565	3.0%	156,806	1.1%
Network Extension (km)	65,397	64,185	1.9%	62,136	3.3%
Sewage					
Connections (1,000 units)	3,156	3,093	2.0%	3,030	2.1%
Units (1,000 units)	4,006	3,926	2.0%	3,808	3.1%
Population Served (1,000 inhabitants)	8,594	8,488	1.2%	8,381	1.3%
Measured Volume (1,000 m³)	112,475	109,450	2.8%	106,691	2.6%
Network Extension (km)	33,276	32,546	2.2%	31,898	2.0%

1.2. 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)	2Q23	2Q22	2Q21	2Q23	2Q22	2Q21	2Q23	2Q22	2Q21
Residential	78.2%	77.8%	77.0%	73.6%	73.4%	74.4%	67.8%	67.9%	71.5%
Residential Social	11.3%	11.7%	12.6%	11.3%	11.8%	12.9%	5.5%	5.7%	5.9%
Commercial	9.0%	8.6%	8.5%	8.7%	8.1%	7.1%	14.8%	14.0%	12.5%
Industrial	0.6%	0.6%	0.6%	2.0%	2.1%	2.0%	3.9%	4.0%	3.9%
Public	0.9%	1.3%	1.3%	4.4%	4.6%	3.6%	8.0%	8.4%	6.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1.3. Staff Management

1.3.1. Employees and Employees per Connection

The number of employees in the Parent Company increased by 0.5% from June 2022, to 10,179 employees in June 2023.

Employees and Employees per Connection	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
COPASA					
Employees	10,179	10,125	0.5%	11,276	-10.2%
Employees/Connection ¹	1.32	1.33	-0.9%	1.51	-11.6%
COPANOR					
Employees	473	447	5.8%	476	-6.1%
Employees/Connection ¹	2.80	2.69	4.1%	2.95	-8.6%
COPASA + COPANOR					
Employees	10,652	10,572	0.8%	11,752	-10.0%
Employees/Connection ¹	1.35	1.35	0.0%	1.54	-12.1%

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

1.3.2. Voluntary Separation Program (VSP).

Pursuant to the [Notice to the Market disclosed on April 11th, 2023](#), the Company implemented the Voluntary Separation Program (VSP), as detailed below:

- **Purpose:** to reduce the Company's personnel expenses, adjust its cost curve and improve its operational efficiency, respecting legal aspects that create medium- and long-term value for the Company.
- **Adhesion period:** May 2023.
- **Target audience:** administrative and operational employees with at least 15 and 20 years of work at COPASA MG, respectively; employees specialized in reading water meters who have been working at any amount of time at COPASA MG; and employees retired by the INSS by time of contribution, age or special retirement (whose retirement was granted before the enactment of Constitutional Amendment 103/2019), who have been working at any amount of time at COPASA MG.
- **Form of termination:** dismissal on request.

Pursuant to the [Notice to the Market disclosed on June 6th, 2023](#), the referred Program had 736 adhesions, with a total estimated indemnity amount of R\$115.1 million, fully accounted for in 2Q23. The terminations will be scheduled to occur in up to 06 (six) months, as of July 2023.

2. 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	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Gross Revenue – Water	1,141,482	977,383	16.8%	909,609	7.5%
Gross Revenue – Sewage	590,668	496,309	19.0%	526,036	-5.7%
Gross Revenue – Solid Waste	1,757	406	332.8%	641	-36.7%
Gross Revenue – Water, Sewage and Solid Waste	1,733,907	1,474,098	17.6%	1,436,286	2.6%
PIS/COFINS	(160,473)	(136,424)	17.6%	(132,926)	2.6%
Net Revenue – Water, Sewage and Solid Waste	1,573,434	1,337,674	17.6%	1,303,360	2.6%

Net revenue from water, sewage and solid waste totaled R\$1.57 billion in 2Q23, as shown below:

Net Revenue	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Net Direct Revenue - Water	1,013,758	864,874	17.2%	805,285	7.4%
Net Direct Revenue - Sewage	532,473	448,207	18.8%	474,800	-5.6%
Net Direct Revenue - Water and Sewage	1,546,231	1,313,081	17.8%	1,280,085	2.6%
Net Indirect Revenue - Water	22,097	22,102	0.0%	20,141	9.7%
Net Indirect Revenue - Sewage	3,552	2,147	65.4%	2,571	-16.5%
Net Indirect Revenue - Water and Sewage	25,649	24,249	5.8%	22,712	6.8%
Net Revenue - Solid Waste	1,554	344	351.7%	563	-38.9%
Net Revenue - Water, Sewage and Solid Waste	1,573,434	1,337,674	17.6%	1,303,360	2.6%

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

- impacts of the tariff readjustment applied on 01.01.2023, with an average tariff effect of 15.7%, as authorized by Arsae-MG;
- an increase of 3.0% in water volumes and 2.8% in sewage volume .

2.2. Costs and Expenses

The costs of sales and services rendered, sales expenses, and administrative expenses totaled R\$1.22 billion in 2Q23, compared to the R\$1.0 billion reported in 2Q22, or an increase of 21.6%. Excluding the R\$115.1 million, related to the expected costs for the Voluntary Separation Program (VSP), which were fully accounted for in 2Q23, costs and expenses increased by 10.1%, as shown in the table below:

Costs and Expenses	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Manageable Costs	846,853	666,590	27.0%	645,222	3.3%
Personnel ¹	399,804	368,811	8.4%	382,631	-3.6%
Voluntary Separation Program – VSP ²	115,067	-	n.m.	-	n.m.
Outsourced Services	165,083	154,208	7.1%	118,170	30.5%
Rio Manso PPP	22,461	25,856	-13.1%	20,773	24.5%
Materials	19,227	19,796	-2.9%	16,600	19.3%
Provision for Doubtful Accounts (PDA)	51,220	38,286	33.8%	60,656	-36.9%
Tariff Transfers to Municipalities	62,237	48,329	28.8%	39,584	22.1%
Sundry Operational Costs	11,754	11,304	4.0%	6,808	66.0%
Non-Manageable Costs	165,652	158,931	4.2%	141,272	12.5%
Electricity	135,533	134,653	0.7%	124,793	7.9%
Telecommunication	4,679	5,340	-12.4%	2,702	97.6%
Treatment and Laboratory Materials	33,503	25,381	32.0%	20,400	24.4%
Fuels and Lubricants	9,395	10,769	-12.8%	7,418	45.2%
Tax Credits	(17,458)	(17,212)	1.4%	(14,041)	22.6%
Capital Costs	204,646	175,581	16.6%	169,774	3.4%
Depreciation and Amortization	204,646	175,581	16.6%	169,774	3.4%
Charge for Usage of Water Resources	1,009	1,062	-5.0%	415	155.9%
Total Costs and Expenses	1,218,160	1,002,164	21.6%	956,683	4.8%
Total Costs and Expenses (without VSP)	1,103,093	1,002,164	10.1%	956,683	4.8%
Total Costs and Expenses (without Depreciation and Amortization)	1,013,514	826,583	22.6%	786,909	5.0%

(1) Includes pension plan obligations.

(2) According to the breakdown of the VSP provided in item 1.3.2 of this Release.

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

2.2.1. Manageable Costs

2.2.1.1. Personnel

This line increased by 8.4%. The items with the most significant variations in the period were:

- impacts in salaries, vacation, and 13th salaries, among other benefits arising from the 2022 Collective Bargaining Agreement, whose base date is November and considered the INPC (6.46%) as a base;
- increase in provisions for Profit Sharing in 2Q23.

2.2.1.2. Outsourced Services

This line increased by 7.1%. The items with the most significant variations in the period were:

- expenses of R\$3.8 million in outsourced bill reading and delivery services; occurred in 2Q23;
- R\$2.3 million increase in maintenance, cuts and reconnection services; and

- increase of R\$2.2 million in expenses with IT services in 2Q23, due to the contracting of new software licenses and contractual readjustments.

2.2.1.3. Rio Manso PPP

Reduced by 13.1% in the comparative periods, mainly due to the following:

- recovery of PIS/COFINS credits referring to this service, which was recorded directly as a credit to this line as of 1Q23; and
- application of the water scarcity flag in 2Q22, which increased electricity expenses in that quarter.

2.2.1.4. Materials

This item fell by 2.9%, mainly due to lower expenses with vehicle parts, accessories, and components, as well as office material and educational activities.

2.2.1.5. Impairment of Receivables

This item is 33.8% higher than in 2Q23, mainly due to the following:

- reflections of the increase in net revenue; and
- reversal, in 2Q22, of approximately R\$13 million, resulting from the revision of our risk matrix, as detailed in item 2.2.1.5 of the [2Q22 Earnings Release](#).

2.2.1.6. Tariff Transfers to Municipalities

The 28.8% increase in this item was due to the growth in the tariff transfer values, given the 15.70% readjustment defined by Arsae-MG and to the increase in the number of municipal sanitation funds qualified to receive this transfer.

According to [Technical note GRT 01/2022](#), in the scope of the tariff adjustment applied on January 1st, 2023, 75 new municipal sanitation funds were included with the right to the transfers, totaling 294 qualified municipalities.

2.2.1.7. Sundry Operating Costs

The 4.0% increase in sundry costs was due to the increase in expenses with self-consumption of water and with transportation, trips and stays, in 2Q23 compared to 2Q22.

2.2.2. Non-Manageable Costs

2.2.2.1. Electricity

Electricity expenses are in line in the comparative periods.

2.2.2.2. Treatment and Laboratory Materials

The 32.0% increase in this line, comparing 2Q23 and 2Q22, was mainly a result of higher prices of chemicals used in water treatment.

2.2.2.3. Tax Credits

The tax credit balances are in line in the comparative periods.

2.2.3. Depreciation and Amortization

The 16.6% increase in the depreciation and amortization line in 2Q23 versus 2Q22 was mainly due to incorporations in intangible assets and PP&E.

2.3. Other Operating Revenues (Expenses)

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

Other Operating Revenues (Expenses)	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Other Operating Revenues	15,496	33,732	-54.1%	27,674	21.9%
Revenue from Technical Services	62	74	-16.2%	18	311.1%
Reversal of Non-Deductible Provision	7,544	16,440	-54.1%	6,019	173.1%
Recovery of Written-off Accounts	-	11,862	n.m.	11,574	2.5%
Other Revenues	7,890	5,356	47.3%	10,063	-46.8%
Other Operating Expenses	(41,517)	(49,004)	-15.3%	(50,089)	-2.2%
Provisions for lawsuits	(3,691)	(9,177)	-59.8%	(21,889)	-58.1%
Arsae-MG Fee	(14,204)	(13,265)	7.1%	(10,737)	23.5%
Expenses with environmental preservation	(11,350)	(5,069)	123.9%	(6,461)	-21.5%
Taxes and tributes	(3,707)	(3,587)	3.3%	(2,456)	46.1%
Actuarial liability	(1,655)	(4,687)	-64.7%	(3,780)	24.0%
Other Expenses	(6,910)	(13,219)	-47.7%	(4,766)	177.4%
Total	(26,021)	(15,272)	70.4%	(22,415)	-31.9%

2.3.1. Other Operating Income

The balance variations in these accounts is mainly due to the following factors:

- as of 1Q23, was mainly due to amounts under the Recovery of written-off accounts line, which are now credited directly under to the Impairment of Receivables line, which is now shown as its net amount, as mentioned in item 2.2.1.5 of the [1Q23 Earnings Release](#); and
- lower amount of tariff refunds, as determined by Arsae-MG, occurred in 2Q23 compared to 2Q22. It is worth noting that these amounts refunded to customers, which are part of the amount provisioned in 3Q21 (R\$126.8 million), were billed by deducting revenue, and adjusted by reversing in Other Operating Expenses (Reversal of Non-Deductible Provision), with null final effect on the result.

2.3.2. Other Operating Expenses

The change in the balance of this group of accounts between 2Q23 and 2Q22 is mainly due to the following factors:

- the decrease observed in the Reversal (Provision) line for Judicial Claims, in 2Q23, was due to a diluted reversal of lawsuit amounts, with highlight to labor lawsuit 102100-74.2008.5.03.0024, which refers to the termination of employment contracts under the extinct dismissal policy (as detailed in item 8.1 of the [4Q21 and 2021 Earnings Release](#)), given that agreements were signed on individual basis to comply with the final ruling on the matter; and
- increase in expenses related to environmental preservation, mainly due to new findings with the owners of activities carried out within the scope of the rural Pró-Mananciais Program, as well as new contracts for the many actions that are available.

2.4. Equity Pick-up (Subsidiary COPANOR)

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

Summarized Statement of COPANOR	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Net Revenue from Sales and/or Services	14,495	11,777	23.1%	9,561	23.2%
Construction Revenue	2,321	1,207	92.3%	2,470	n.m.
Other Operating Revenues	(470)	546	n.m.	649	-15.9%
Operating Costs and Expenses	(16,523)	(17,718)	-6.7%	(13,163)	34.6%
Construction Costs	(2,321)	(1,207)	92.3%	(2,470)	-51.1%
Other Operating Expenses	(1,455)	(339)	329.2%	(446)	-24.0%
Net Financial Revenues (Expenses)	1,199	1,347	-11.0%	486	177.2%
Net Income (Loss)	(2,754)	(4,387)	-37.2%	(2,913)	50.6%

2.5. Financial Result

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

Financial Revenues (Expenses)	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Financial Revenues	86,253	58,911	46.4%	57,091	3.2%
Monetary Variation	2,641	2,327	13.5%	929	150.5%
Foreign Exchange Variation	18,769	6,779	176.9%	17,369	-61.0%
Interest	11,641	12,365	-5.9%	11,292	9.5%
Real Gains from Financial Investments	34,078	24,156	41.1%	7,348	228.7%
Capitalization of Financial Assets/Other	19,124	13,284	44.0%	20,153	-34.1%
Financial Expenses	(107,993)	(138,937)	-22.3%	(54,022)	157.2%
Monetary Variation	(25,526)	(51,581)	-50.5%	(21,440)	140.6%
Foreign Exchange Variation	(24)	(14,559)	-99.8%	10,454	n.m.
Interest on Loans	(81,965)	(72,769)	12.6%	(42,938)	69.5%
Sundry	(478)	(28)	1607.1%	(98)	-71.4%
Financial Result	(21,740)	(80,026)	-72.8%	3,069	n.m.

The Net Financial Result improved from a negative R\$80.0 million in 2Q22 to a negative R\$21.7 million in 2Q23. Below are the main items for this behavior:

- higher positive foreign exchange variation and lower negative foreign exchange variation, due to the appreciation of the Real against the Euro in the period;
- higher real gain in financial investments, due to the rise in interest rates applicable to these investments and a higher average working capital balance in 2Q23 versus 2Q22; and
- reduction in monetary variations due to amortizations of debt instruments pegged to the IPCA index, as well as a lower IPCA index affecting a relevant portion of the Company's outstanding debt.

2.6. Taxes on Income

Taxes on Income	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Earnings before Taxes on Income	304,759	235,825	29.2%	324,418	-27.3%
Income and Social Contribution Taxes	(55,483)	(55,435)	0.1%	(87,289)	-36.5%

Earnings before Income Taxes increased by 29.2% over 2Q22. Income Tax and CSLL remained in line during the comparison periods, influenced by the difference in the amounts declared as Interest on Equity (IoE): R\$128.5 million (2Q23) versus R\$53.1 million (2Q22). As a result, the tax benefit for IoE was R\$43.7 million in 3Q23, against R\$18.1 million in 2Q22.

2.7. Net Income

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

Net Income and Earnings per Share	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Result before Financial Result and Taxes	326,499	315,851	3.4%	321,349	-1.7%
Net financial result	(21,740)	(80,026)	-72.8%	3,069	n.m.
Earnings before Taxes on Income	304,759	235,825	29.2%	324,418	-27.3%
Taxes on Income	(55,483)	(55,435)	0.1%	(87,289)	-36.5%
Net Income	249,276	180,390	38.2%	237,129	-23.9%
Net Earnings per Share (R\$)	0.66	0.48	38.2%	0.63	-23.9%

2.8. EBITDA and EBITDA Margin

EBITDA is a non-accounting measure adopted by COPASA MG, 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.

The table below shows the reconciliation of Net Income to EBITDA in the comparative periods. As highlighted in item 1.3.2 of this Release, the 2Q23 result was impacted by the Voluntary Separation Program (VSP). Excluding this non-recurring event, the Adjusted EBITDA was R\$647.8 million in 2Q23, compared to R\$492.2 million in 2Q22, as shown below:

EBITDA	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
Net Income for the Period	249,276	180,390	38.2%	237,129	-23.9%
(+) Taxes on Income	55,482	55,435	0.1%	87,289	-36.5%
(+) Financial Result	21,740	80,026	-72.8%	(3,069)	n.m.
(+) Depreciation and Amortization	204,646	175,581	16.6%	169,774	3.4%
(+) Taxes on Income, Financial Result and Depreciation/Amortization of COPANOR	1,593	808	97.2%	1,247	-35.2%
(=) EBITDA	532,737	492,240	8.2%	492,370	0.0%
EBITDA Margin	33.2%	35.6%	-2,4 p.p.	36.7%	-1,1 p.p.
Adjustments - Non-Recurring Item					
(+) Voluntary Separation Program (VSP)	115,067	-	n.m.	-	n.m.
(=) Adjusted EBITDA	647,804	492,240	31.6%	492,370	0.0%
Adjusted EBITDA Margin	40.4%	35.6%	4,8 p.p.	36.7%	-1,1 p.p.

3. Shareholder Compensation

3.1. Shareholder Compensation - 2023

For 2023, the Board of Directors' meeting held on February 24th, 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 Company distributed interest on equity two times in 2023, as detailed below:

Reference	Corporate Event and Date	Cut-off Date	Amount	Value per share (R\$)	Payment Date
1Q23	BoDM 03.17.2023	03.22.2023	131,583	0.34701814	05.16.2023
2Q23	BoDM 06.16.2023	06.21.2023	128,511	0.33891701	08.14.2025
Declared Total (Jan to Jun/2023)			260,093	0.68593515	

3.2. Dividend Policy Revision

The Extraordinary Shareholders' Meeting, held on April 28th, 2023, approved the change in the Company's Dividend Policy.

Regarding Regular Dividends, the form of distribution previously practiced was maintained, as follows:

- 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.

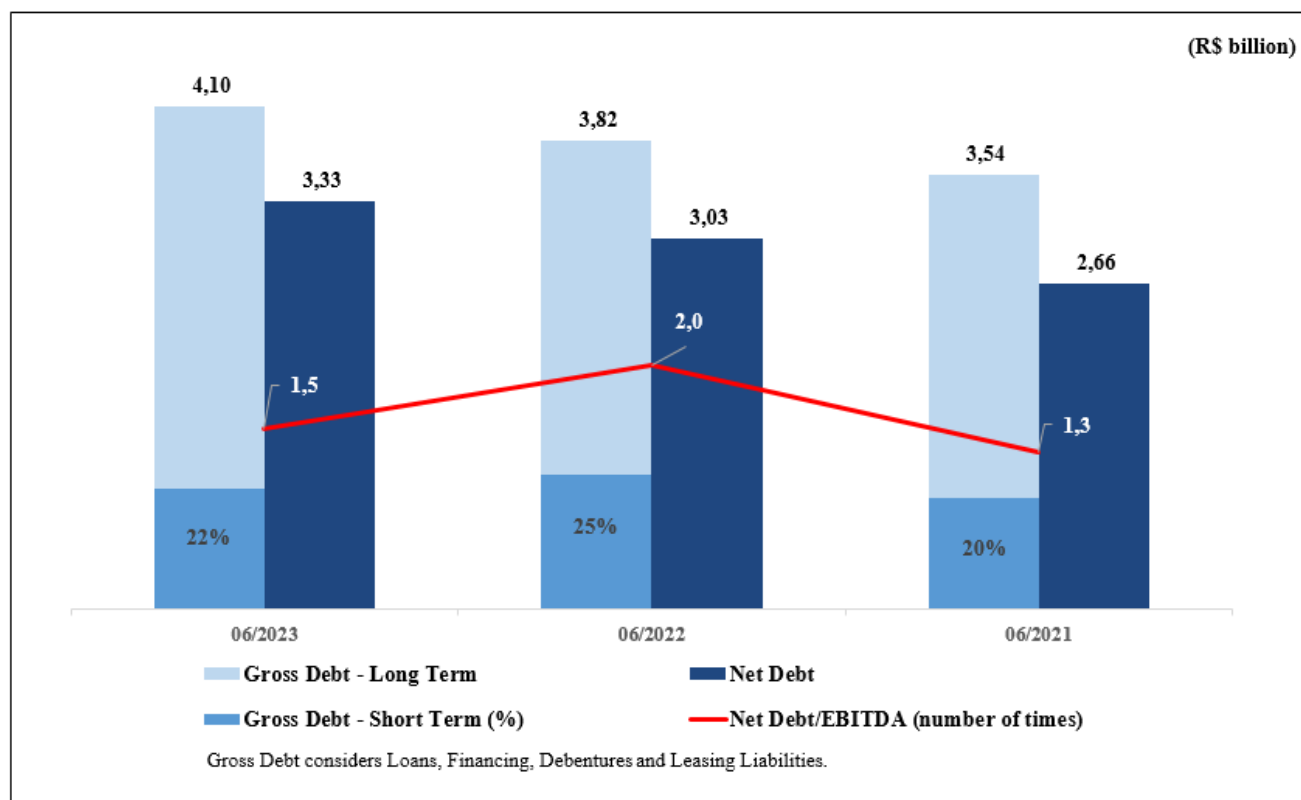
As for Extraordinary Dividends, they may be distributed as assessed by the Board of Directors, complying with:

- 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. Indebtedness and Rating

4.1. Gross Debt and Net Debt

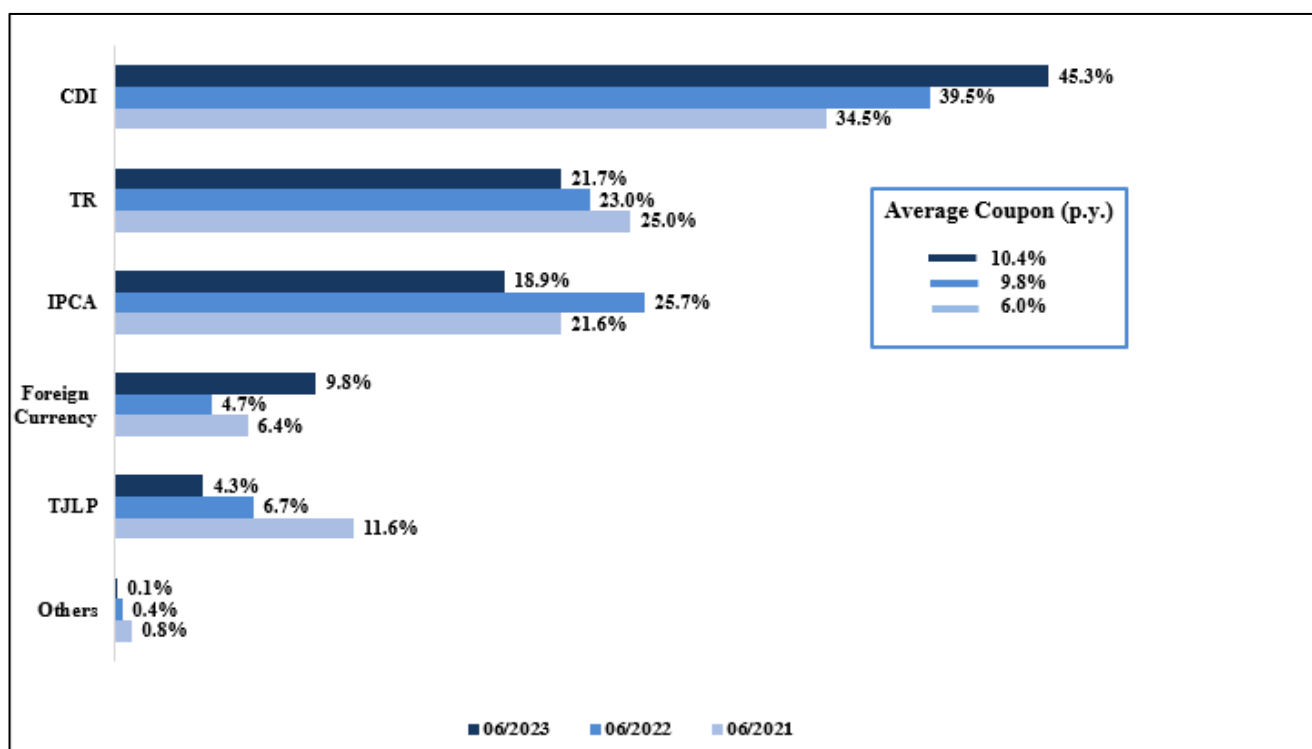
According to the chart below, net debt moved up from R\$3.03 billion in June 2022 to R\$3.33 billion in June 2023. The leverage ratio, as measured by the Net Debt/EBITDA ratio in the last 12 months, reached 1.5x in June 2023 (2.0x in June 2022).



Indebtedness in foreign currency accounted for 9.8% of total loans, financing and debentures in June 2023 and referred to the debt with the German bank KfW and the European Investment Bank, whose balances plus short-term interest totaled €29.1 million (equivalent to R\$153.0 million in June 2023) and €45.3 million (equivalent to R\$238.3 million in June 2023), respectively. No hedge mechanism was contracted for these transactions.

4.2. 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 June 2023, 2022 and 2021:



CDI accounted for 45% of COPASA MG's debt, and the increase was mainly attributed to fundraising through the 17th Debenture Issue in December 2022, totaling R\$750.0 million. The lower representativeness of the IPCA was mainly due to amortizations of several debenture issues carried out in the last 12 months.

The increase in debt in foreign currency, whose share moved up from 4.7% (June 2022) to 9.8% (June 2023), was due to the release, in February 2023, of €34.8 million (equivalent to R\$189.0 million) referring to the contract with the European Investment Bank.

4.3. 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 07th, 2022, Moody's published a [report](#), confirming a corporate rating of AAA.br for COPASA MG. 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 América Latina	AAA.br	Stable	10.07.2022	Report

5. Investment Program and Fundraising

5.1. 2022 Investment Program - 2023

For 2023, the Annual Shareholders' Meeting held on April 28, 2023, approved the investments expected for water, sewage, and corporate and operating development of the Parent Company, totaling R\$1,597 million, in addition to the capitalization of R\$160 million. Regarding COPANOR, expected investments total R\$49.3 million.

As shown in the table below, the amounts invested in the period from January to June 2023 (1S23) in the Parent Company totaled R\$676.5 million, up by 21.8% over 1S22. It is worth mentioning that in September 2022, the Company improved the criteria used to disclose investments, aiming at aligning accounting and regulatory criteria with the inclusion of the amounts referring to the capitalization of interest, personnel expenses, materials, and others, related to works and corporate and operating development. For comparison purposes, capitalization values for previous periods are also being disclosed.

Investments (R\$ million)	1S23	1S22	1S21	1S20
Water	260.5	277.8	138.0	63.1
Sewage	293.0	175.6	139.9	85.6
Enterprise and Operational Development	28.0	20.9	53.0	35.7
Subtotal	581.5	474.4	330.9	184.5
Capitalizations	95.0	80.9	37.0	96.0
Total - Parent Company (COPASA MG)	676.5	555.3	367.9	280.5
COPANOR (including capitalizations)	12.0	7.7	12.3	12.1
Total - COPASA MG and COPANOR	688.5	563.0	380.2	292.6

Below is the breakdown of the investments made:

5.1.1. Water Supply Systems

- implementation, expansion, and improvements of water supply systems of the municipalities of Alfenas, Belo Horizonte, Cambuquira, Capelinha, Caratinga, Conselheiro Lafaiete, Contagem, Divinópolis, Esmeraldas, Fronteira, Frutal, Lavras, Nova Lima, Nova Serrana, Patos de Minas, Perdigão, Timóteo, Riacho dos Machados, Ribeirão das Neves, Santa Bárbara, Santa Luzia, Santo Antônio do Monte, Vespasiano, among others;
- replacement of water assets in several municipalities where the Company operates;
- actions 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, Carmo do Rio Claro, Caratinga, Diamantina, Guaxupé, Ibirité, Patos de Minas, São Gotardo, Três Corações, Varginha, among others.

5.1.2. Sewage Systems

- implementation, expansion, and improvements in the sewage of the municipalities of Abaeté, Além Paraíba, Belo Horizonte, Betim, Bonfim, Campanha, Carmo da Cachoeira, Confins, Congonhas, Conselheiro Lafaiete, Contagem, Coronel Fabriciano, Cruzília, Diamantina, Divino, Divinópolis, Guaxupé, Igarapé, Inhapim, Ipatinga, Jacinto, Januária, Juatuba, Madre de Deus de Minas, 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, 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.

5.1.3. Business and Operational Development

- renovation of the computing infrastructure, with the implementation (in progress) of the SAP S/4HANA system, aiming at improving and streamlining customer service and internal processes;
- investments in programs for the renovation of operating units and energy efficiency; and
- investments in programs for research, monitoring, and protection of water resources.

5.2. Investment Program – 2024 to 2027

Below are the projected amounts of the Multi-Year Investment Program for the Parent Company for the 2024-2027 period, as approved by the Board of Directors on December 15th, 2022:

Projected Amount (R\$ million)	2024	2025	2026	2027
Water, Sewage and Enterprise Development	1,650	1,628	1,628	1,628
Capitalizations	185	294	371	382
Total	1,835	1,922	1,999	2,010

5.3. 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.

At the end of the second quarter of 2023, the Company had a balance of R\$1.07 billion in contracted funds not yet available, as table below. The debt will be recorded when these funds enter the Company.

Funding Lines	Balance to be Released (R\$ million)
BNDES	17.8
Caixa Econômica Federal	224.7
KfW ¹	297.5
BEI ¹	527.4
Total Balance to be Released	1,067.4

(1) Debt contracted in Euro, which had an exchange rate of R\$5.2626 against the Real on June 30, 2023

Pursuant to the [Material Fact disclosed on June 30th, 2023](#), the Board of Directors authorized the contracting of a long-term credit transaction through the 18th public issue of simple, unsecured, non-convertible debentures, in the amount of up to R\$900.0 million, whose proceeds will be used to execute part of the Company's Investment Program and to pay the Voluntary Separation Program (VSP).

6. Sanitation Framework

6.1. Decrees Issued by the Federal Executive Branch

On July 12, 2023, the federal government issued Decree 11.598/23 and Decree 11.599/23, revoking Decree 11.466/23 and Decree 11.467/23 and changing the following items:

- methodology and deadline for proving the economic and financial capacity of service providers; and
- prohibiting the possibility, allowed in the previous decrees, of a public or mixed-capital company to provide sanitation services without a prior competitive process in municipalities that are part of a metropolitan region, urban agglomeration or micro-region.

The Company highlights that the amendments do not interfere with the current legal status of its concession contract and program, nor in its corresponding water supply and sanitary sewage services. COPASA MG is monitoring all initiatives that may change the effective rules in the sector.

7. Service Concessions

As shown in the table below, in June 2023, COPASA MG (consolidated) had 640 concessions for water services and 309 concessions for sewage services, in which 632 water concessions and 270 sewage concessions were in operation. In the last 12 months, sewage operations began in the municipalities of Rio Pomba and Presidente Juscelino, which have a combined urban population of 17.7 thousand inhabitants.

Concessions ^{1,2}	06.30.2023			06.30.2022		
	Total	Parent Company	Copanor	Total	Parent Company	Copanor
Water						
Concession	640	591	49	640	591	49
In Operation	632	584	48	632	584	48
Sewage						
Concession ³	309	253	56	310	254	56
In Operation	270	229	41	268	227	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 24 municipalities and concessions with 2 municipalities whose contracts were legally declared null.

(3) The decrease was a result of the termination of the sewage agreement in the municipality of Datas, whose population is less than 4 thousand inhabitants. The concession was not operated.

The table below shows the Company's ten (10) main current concessions as of June 30th, 2023, which together account for approximately 50% of revenues of the Company's water and sewage net revenues, as well as their respective expiration periods:

Municipality	Expiration
Belo Horizonte	11/2032
Contagem	02/2073
Betim	12/2042
Montes Claros	07/2048
Ribeirão das Neves	05/2034
Divinópolis	06/2041
Santa Luzia	02/2050
Pouso Alegre	08/2046
Varginha	06/2047
Patos de Minas	12/2038

In June 2023, approximately 83% of the Company's water and sewage revenues came from concessions expiring after December 2031. On the same date, concessions from 24 municipalities were expired, in addition to contractual nullity for 2 other municipalities, both of which accounted for approximately 3.9% of net revenues from water and sewage.

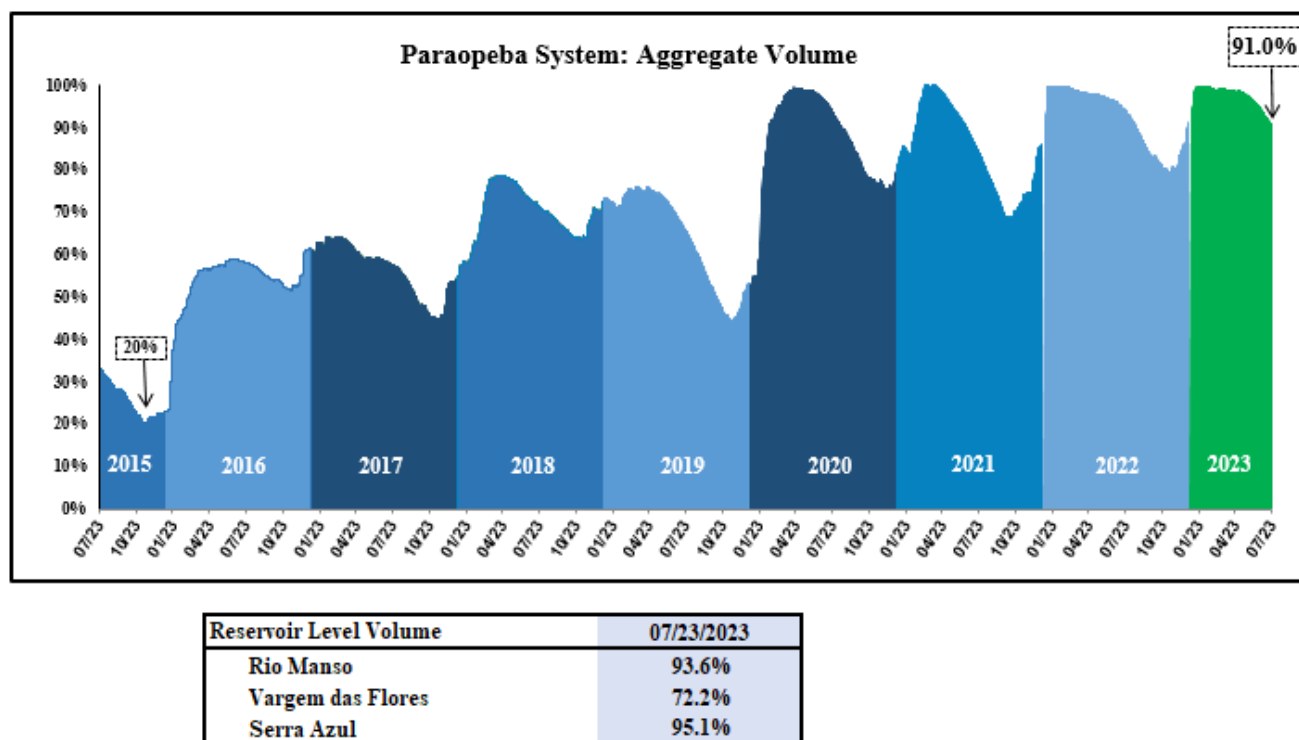
Under the principle of continuity for the provision of essential public services, these municipalities continue to be served and billed by the Company, both in municipalities with expired concessions and in municipalities where contractual nullity was decreed.

8. Water Situation

8.1. Belo Horizonte Metropolitan Area (BHMA)

8.1.1. 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 48% of BHMA's distributed volume. On July 23rd, 2023, the levels of these reservoirs were at 91% of their capacity, as shown below:



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 MG as one of the intervening parties, for the construction of a new water collection point on the Paraopeba River, upstream of the rupture point and the congruence of the Ferro Carvão stream and the Paraopeba River. 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.

Considering that the reservoirs are over 90% full, COPASA MG emphasizes that the regularity of water supply to the population of the Metropolitan Region of Belo Horizonte is ensured.

8.1.2. Rio das Velhas

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

Rio das Velhas System	
Percentage of BHMA's distributed volume	42%
Water collection grant	8.7 m³/s
Average flow of Rio das Velhas in the last 15 days prior to 07.23.2023	17.7 m³/s
Average flow used in 2022	7.2 m³/s

8.1.3. 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.

8.2. 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 July 23rd, 2023, 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 July 2022, the same location was also in a situation of rationing.

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.

9. 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.

9.1. Quarterly Income Statement

PARENT CO.	2Q23	2Q22	2Q23 vs. 2Q22	2Q21	2Q22 vs. 2Q21
OPERATING REVENUE FROM SERVICES					
Water services	1,035,855	886,976	16.8%	825,426	7.5%
Sewage services	536,025	450,354	19.0%	477,371	-5.7%
Solid waste revenues	1,554	344	351.7%	563	-38.9%
Construction revenues	209,551	182,989	14.5%	133,647	36.9%
Net Operating Revenue from Services	1,782,985	1,520,663	17.3%	1,437,007	5.8%
Cost of services rendered	(912,579)	(758,574)	20.3%	(703,272)	7.9%
Construction costs	(209,551)	(182,989)	14.5%	(133,647)	36.9%
Cost of Services Rendered	(1,122,130)	(941,563)	19.2%	(836,919)	12.5%
Gross Income	660,855	579,100	14.1%	600,088	-3.5%
Selling expenses	(84,511)	(57,668)	46.5%	(55,068)	4.7%
Expected credit losses for trade receivables	(51,220)	(38,286)	33.8%	(60,656)	-36.9%
General and administrative expenses	(169,850)	(147,636)	15.0%	(137,687)	7.2%
Other Operating Income	15,496	33,732	-54.1%	27,674	21.9%
Other Operating Expenses	(41,517)	(49,004)	-15.3%	(50,089)	-2.2%
Equity income	(2,754)	(4,387)	-37.2%	(2,913)	50.6%
Operating Income (Expenses)	(334,356)	(263,249)	27.0%	(278,739)	-5.6%
Income before Financial Result and Taxes	326,499	315,851	3.4%	321,349	-1.7%
Financial Income	86,253	58,911	46.4%	57,091	3.2%
Financial Expenses	(107,993)	(138,937)	-22.3%	(54,022)	157.2%
Financial Result	(21,740)	(80,026)	-72.8%	3,069	n.m.
Income before Taxes	304,759	235,825	29.2%	324,418	-27.3%
Provision for Income Tax	(39,208)	(38,415)	2.1%	(63,637)	-39.6%
Provision for Social Contribution on Net Income	(16,275)	(17,020)	-4.4%	(23,652)	-28.0%
Net Income for the Period	249,276	180,390	38.2%	237,129	-23.9%
Number of outstanding shares (thousands)	379,181	379,181	-	379,181	-
Earnings per Share (BRL)	0.66	0.48	38.2%	0.63	-23.9%

9.2. Balance Sheet – Assets

ASSETS - PARENT CO.	06/2023	06/2022	06/2023 vs. 06/2022	06/2021	06/2022 vs. 06/2021
CURRENT					
Cash and cash equivalents	30,408	20,126	51.1%	21,539	-6.6%
Securities	710,155	736,225	-3.5%	832,043	-11.5%
Trade accounts receivable	1,194,348	1,008,616	18.4%	1,063,297	-5.1%
Collateral for Financing	-	-	n.m.	8,334	n.m.
Inventories	119,583	108,124	10.6%	70,917	52.5%
Taxes recoverable	246,213	156,054	57.8%	18,381	749.0%
Technical cooperation agreement	41,023	39,382	4.2%	37,747	4.3%
Banks and agreement investments	2,429	3,303	-26.5%	13,387	-75.3%
Advances and sundry receivables	33,095	26,628	24.3%	26,814	-0.7%
Total Current Assets	2,377,254	2,098,458	13.3%	2,092,459	0.3%
NON-CURRENT					
Customer	37,732	33,265	13.4%	-	n.m.
Financing guarantee deposits	62,432	60,501	3.2%	63,305	-4.4%
Restricted investments	70,753	80,338	-11.9%	75,219	6.8%
Financial assets measured at fair value through other comprehensive income	620	26,153	-97.6%	86,940	-69.9%
Deferred income and social contribution taxes	311,087	339,907	-8.5%	346,469	-1.9%
Financial assets	886,329	779,608	13.7%	698,928	11.5%
Technical cooperation agreement long term	-	3,144	n.m.	4,658	-32.5%
Advances and sundry receivables	46,326	54,527	-15.0%	61,798	-11.8%
Contract assets	2,393,267	1,797,333	33.2%	1,021,579	75.9%
Right of use - commercial leasing	96,602	87,219	10.8%	76,208	14.4%
Investments	253,260	222,797	13.7%	186,331	19.6%
Intangible assets	5,529,230	5,467,580	1.1%	5,661,969	-3.4%
Property, plant and equipment	1,433,944	1,425,088	0.6%	1,511,523	-5.7%
Total Non-Current Assets	11,121,582	10,377,460	7.2%	9,794,927	5.9%
Total Assets	13,498,836	12,475,918	8.2%	11,887,386	5.0%

9.3. Balance Sheet – Liabilities

LIABILITIES - PARENT CO.	06/2023	06/2022	06/2023 vs. 06/2022	06/2021	06/2022 vs. 06/2021
CURRENT					
Contractors and suppliers	306,347	278,565	10.0%	215,676	29.2%
Income Tax and Social Contribution	152,908	58,065	163.3%	8,756	563.1%
Taxes, charges and contributions	89,781	71,548	25.5%	70,532	1.4%
Loans and financing	116,462	179,285	-35.0%	184,415	-2.8%
Debentures	737,606	729,125	1.2%	505,526	44.2%
Right of use - commercial leasing	40,259	30,332	32.7%	27,234	11.4%
Public-private partnership	50,733	37,038	37.0%	56,782	-34.8%
Employees' profit sharing	48,576	47,806	1.6%	119,189	-59.9%
Provision for vacations and 13th salary	181,776	168,096	8.1%	163,336	2.9%
Tax installments	-	6,623	n.m.	-	n.m.
Technical cooperation agreement	5,295	7,957	-33.5%	3,638	118.7%
Retirement benefit liabilities	9,697	9,300	4.3%	11,857	-21.6%
Interest on equity	120,650	49,950	141.5%	51,917	-3.8%
Sundry obligations	152,703	79,998	90.9%	141,332	-43.4%
Total Current Liabilities	2,012,793	1,753,688	14.8%	1,560,190	12.4%
NON-CURRENT					
Loans and financing	1,023,294	796,933	28.4%	913,961	-12.8%
Debentures	2,112,496	2,015,471	4.8%	1,859,647	8.4%
Right of use - commercial leasing	66,542	67,615	-1.6%	51,501	31.3%
Public-private partnership	180,593	211,940	-14.8%	227,106	-6.7%
Provision for litigation	382,904	369,331	3.7%	156,732	135.6%
Retirement benefit liabilities	32,714	108,739	-69.9%	231,384	-53.0%
Sundry obligations	104,229	131,339	-20.6%	86,532	51.8%
Technical cooperation agreement long term	1,868	-	n.m.	-	n.m.
Total Non-Current Liabilities	3,904,640	3,701,368	5.5%	3,526,863	4.9%
SHAREHOLDERS' EQUITY					
Paid-up capital stock	3,402,385	3,402,385	-	3,402,385	-
Treasury shares	(8,576)	(8,576)	-	(8,576)	-
Profit reserve	3,856,580	3,402,583	13.3%	3,147,591	8.1%
Equity valuation adjustments	4,110	(36,458)	n.m.	(78,014)	-53.3%
retained earnings	326,904	260,928	25%	336,947	-22.6%
Total Shareholders' Equity	7,581,403	7,020,862	8.0%	6,800,333	3.2%
Total Liabilities and Shareholders' Equity	13,498,836	12,475,918	8.2%	11,887,386	5.0%

9.4. Quarterly Cash Flow

Cash Flow	2Q23	2Q22	2Q21
Cash flow from operational activities:			
Net Income (Loss)	249,276	180,390	237,129
Adjustments to reconcile net income and net cash:			
Expected credit losses for trade receivables	51,220	38,286	60,656
Monetary and foreign exchange variation and charges, net	93	46,885	(7,799)
Interest income and expenses	23,586	67,620	26,630
Deferred income and social contribution taxes	5,094	(2,630)	(18,268)
Equity income	2,754	4,387	2,913
(Gain) loss on the write-off of intangibles and property, plant and equipment	71	12,748	3,940
Depreciation and amortization	204,646	175,581	169,774
Creation (reversal) of provisions	(8,371)	(1,300)	9,507
Provision for retirement benefits	14,343	16,393	16,617
Capitalization and gain (loss) for Financial assets	(14,825)	(13,779)	(11,463)
Others	(3,246)	(350)	(1,182)
Provision for inventories loss	(175)	781	1,021
Adjusted profit	524,466	525,012	489,475
Changes in assets:			
Accounts receivable from clients	(20,440)	(27,405)	(68,804)
Inventories	2,693	(14,787)	(6,114)
Taxes to be recovered	(59,916)	(17,978)	-
Securities investments / Linked financial investments	-	(1,134)	-
Other financial assets	-	270	-
Advancement of tariff transfer to municipalities	2,443	1,913	1,876
Technical cooperation agreement	497	1,386	102
Other	(1,769)	(3,167)	(1,624)
Changes in liabilities:			
Suppliers	17,234	38,980	38,170
Taxes, fees, contributions and social security and labor obligations	104,952	27,919	104,327
Provision for vacations and 13th salary	33,487	30,103	27,060
Employees' profit sharing	(27,525)	1,448	13,933
Technical Cooperational Agreement	83	(146)	46
Contingencies	(1,598)	78	(618)
Retirement benefit liabilities	(12,595)	(24,522)	(11,808)
Payroll payable - Collective Bargaining Agreement	-	(4,691)	-
Voluntary Separation Program - VSP	115,067	(4,628)	-
Others	(3,594)	(28,234)	28,896
Payment of actuarial liabilities	-	-	(1,359)
Cash from operations	673,485	500,417	613,558
Interest paid	(90,719)	(67,296)	(41,888)
Interest paid from the Public Private Partnership	(2,315)	(4,872)	-
Income Tax (IR) and Social Contribution (CSLL) payment	(67,488)	(17,890)	(121,447)
Net Cash from Operating Activities	512,963	410,359	450,223
Cash flow from investing activities:			
Public Private Partnership Payment	(10,770)	(4,449)	(15,288)
Amount received from the sale of property, plant and equipment	1,212	1,714	1,491
Purchase of Contract Assets	(253,881)	(258,486)	(169,408)
Purchase of Intangible Assets	(97,342)	(45,411)	(32,800)
Purchase of property, plant and equipment	(13,921)	(9,236)	(4,098)
Loan collateral deposits	412	430	5,765
Bank and financial investments of agreement	1,398	1,542	2,731
Net Cash used in Investing Activities	(372,892)	(313,896)	(211,607)
Cash flow from financing activities:			
Income from loans, financing and debentures	56,128	8,996	90,811
Amortization of loans, financing and debentures	(137,488)	(91,508)	(241,034)
Payment of Interest on Equity	(352,402)	(31,555)	(132,377)
Payment of leasing	(10,069)	(9,050)	(8,332)
Net Cash Used in Financing Activities	(443,831)	(123,117)	(290,932)
Net increase (decrease) in cash and cash equivalents	(303,760)	(26,654)	(52,316)
Cash and cash equivalents at beginning of the period	1,044,323	783,005	905,898
Cash and cash equivalents at end of the period	740,563	756,351	853,582

9.5. 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	722,726	18.0%
Finame	2.5% to 8.7%	03.28.2011	01.15.2025	5,189	0.1%
BNDES Loan	TJLP + 1.55% to 1.73%	01.15.2008	05.15.2025	23,162	0.6%
Caixa Debentures - 5th Issue	TR + 9.00%	09.20.2011	09.01.2031	145,192	3.6%
BNDES Debentures - 8th Issue					
1st Series	TJLP + 1.87%	06.15.2015	06.15.2028	41,429	1.0%
2nd Series	IPCA + 8.18%	06.15.2015	06.15.2028	25,435	0.6%
BNDES Debentures - 11th Issue					
1st Series	TJLP + 2.62%	01.15.2017	01.15.2031	107,868	2.7%
2nd Series	IPCA + 8.85%	01.15.2017	01.15.2031	61,660	1.5%
Market Debentures – 12th Issue					
1st Series	IPCA + 5.0642%	02.08.2018	01.15.2024	86,363	2.2%
2nd Series	IPCA + 5.2737%	02.08.2018	01.15.2026	83,671	2.1%
Market Debentures – 13th Issue					
2nd Series	110% of CDI	07.15.2018	07.15.2023	143,795	3.6%
3rd Series	IPCA + 6.50%	07.15.2018	07.15.2025	76,245	1.9%
Market Debentures – 14th Issue					
1st Series	106.15% of CDI	06.15.2019	06.15.2024	19,097	0.5%
2nd Series	IPCA + 4.30%	06.15.2019	06.15.2026	136,876	3.4%
Market Debentures – 15th Issue					
1st Series	CDI + 1.75%	12.16.2020	12.16.2025	386,840	9.7%
Market Debentures – 16th Issue					
1st Series	IPCA + 5.2306%	09.15.2021	09.15.2031	286,222	7.1%
2nd Series	CDI + 1.30%	09.15.2021	09.15.2026	509,315	12.7%
Market Debentures – 17th Issue					
Single Series	CDI + 1.30%	12.16.2022	12.16.2029	754,204	18.8%
<u>In Foreign Currency:</u>					
KfW (11/2011) ²	Euro + 2.07%	11.29.2011	12.20.2023	29,256	0.7%
KfW (12/2018) ²	Euro + 1.41%	12.13.2018	05.15.2034	123,708	3.1%
BEI ²	Euro +Euribor + 0.55%	12.13.2019	09.20.2033	238,339	5.9%
Issuance Costs of Securities				(16,732)	
(=) Total Loans, Financing and Debentures				3,989,858	
(+) Leasing Liabilities				106,825	
(=) Total Gross Debt (Short + Long Term)				4,096,683	
(-) Cash and Cash Equivalents				(766,927)	
(=) Net Debt				3,329,756	

(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.

About COPASA MG

Companhia de Saneamento de Minas Gerais – COPASA MG is a mixed capital company, controlled by the Minas Gerais State, whose stock has been traded since February 2006 in Novo Mercado, the highest corporate governance segment of B3 – Brasil, Bolsa, Balcão, under the ticker CSMG3. The Company's activities are to plan, execute, expand, remodel and operate public sanitation services, involving water supply, sewage and solid waste services. Together with its subsidiary COPANOR, COPASA MG has concessions in about 75% of the municipalities of the Minas Gerais State, supplying water to approximately 11.9 million people, of which 8.6 million people are also served with sewage services.

Investor Relations

Financial and Investor Relations Director

Carlos Augusto Botrel Berto

IR Manager

Osvaldo Raimundo Rodrigues

IR Analysts

Carla Radicchi

Carolina Araújo de Moraes Cervino

Mateus Vieira Souto

Rogério de Souza Silva Pinto

E-mail: ir@copasa.com.br

Site: ir.copasa.com.br

Telephones for investor assistance:

+55 (31)3250-1063/1065/1386/1602/1643/1861

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