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Fabio (Operator):

Good morning everyone and welcome to our teleconference for COPASA, for the results of the second quarter of 2021, with Dr. Carlos Augusto, who is the financial director and investors relations from COPASA.

We inform you that we are going to record the audio of this teleconference, and everyone will be able to access that. Then we will begin with our Q&A session, and we will give you further instructions then. If you need any assistance throughout the teleconference, please let us know by pressing *9. This is also on the webcast page ir.copasa.com.br. You can watch the webcast over there and you can also download the presentation.

Before we continue, I just want to say that any declarations that might be done, any affirmations during the teleconference about projections or any goals might have financially at COPASA are just expectations by the board of directors of the company and also expectations by the board of directors of the company and also any other information that is available now a days. It has to do with risks and uncertainties of course because we are talking about future things that may or may not happen. Any changes in legislation and other operational sectors that might affect these things. And in generate results that differ from those that are our own expectations or our documents.

I will turn it over to the financial director now, who will begin the presentation. Carlos, you may begin.

Carlos Augusto Botrel Berto (CFO):

Thank you, Fabio. Good morning. Thank you thank you everyone for being here today in our conference I am here surrounded by our now Director Cristiane Schwanka for [Relationship and] Market and also Operations Director Guilherme Frasson for this conference.

Let's begin with a presentation of the results of the second quarter of 2021. I would like to show you some of the highlights of the company to begin. Our net revenue grew to over 1.3 billion reais in these periods. We see the other operational revenues and expenses against 2020, so we have a 1% change in costs and expenses against the same period of time. Now going back to other operational revenues and costs and expenses we see that there is a change of 17.8%. EBITDA grew 30% when we compare both periods of time. The margin for this quarter went up to 36.7% as we have 31% in the previous second quarter of 2020. The financial result as you can see here, and the net income have a few alterations. The net income we observed in this period had an increase of 62% against the same period of time in 2020.

Now on slide number 3, I just wanted to show you a few details on the main alterations. I mean, when we look at water sewage and solid waste at the second quarter of 2021 will see an increase of around 9.9% against the same period of time in the previous year. In terms of revenue, we have an increase of around 5% in measured volume for water and 5.3% for sewage. We see that there is an important increase of [consumer units] here. It's important to say that we have an impact because of the tariff adjustment which is in average 3.04% and that was applied in

November 2020.

On slide four we also see the manageable cost and went up to around 611 reais and in the second quarter of 2020 it was 669, now it's 645. I'm going to show you why that changed. In terms of staff, we see that it went up 9% because of some provisions that we needed to do from a labor perspective. We also see a change in services, there was also an increase in terms of provision for our employees [profit sharing] that were to 15 million and from 9 million, in the second quarter of 2021 against the second quarter of 2020. We also see a change in 6 million reais in health care programs.

In terms of the outsourced services also I just wanted to mention that we had a 15.4% increase mainly due to some services, water trucks, water containers, also the addressment on the tariff, and also the implementation of SAP for HANA. We also had some costs with advertisement, which was also important. We also see here there are a few more factors in terms of material.

[About Provisions for Doubtful Accounts] I just wanted to remind you that in 2021 we had a non-recurring event due to a matrix of provision that we started using that helped us with some geographical aspects, we started to implement that improvement and it had an interesting impact that started back in 2020 and we're seeing the impacts now as well.

We also had the tariff transfers to municipalities as you can see here on the slide and that was actually authorized based on the policy of tariff adjustment and that is based on the annual adjustment that we usually have. So, any changes are also going to reflect on future changes, on future [tariff] adjustments.

Now on slide five I wanted to share the non-manageable costs and some other costs. We see electricity, telecommunication, technical skills and tax credit. Here are the main variations. In terms of electricity, we see an increase of 18.6% in the second quarter of 2021, especially due to some tariff adjustments that we observed compared to the -1% in the second quarter of 2020 [against 2Q19]. There was also a higher operational demand and a change in the consumption. Now in terms of material for treatment, we see that there was an increase in the costs, especially due to the utilization of chemicals. Here we see an increase of around 17.4%.

Now on slide six we see some other revenues and expenses, equity income and financial results. The broader operational revenues we see that it went to around 27.7 million reais. On other operational expenses we had a decrease, actually an expense of around 50 million reais due to some processes, due to some judicial matters. The equity income as you can see here 2.9.

And finally, the financial result 3.1 million reais in the second quarter of 2021. So that was a positive result in this current period of time. This result, well, it has to do maybe with the currency exchange, which had also a variation in the second quarter of 2021, we had this positive result in the currency whereas in the second quarter of 2021 there was a devaluation of around 11%.

Now on slide seven, I just wanted to show you the EBITDA, the margins, and the net income. EBITDA had an increase of 30.1%, went up to around 492 million reais, and the margin was 36.7 whereas before that we had 31%. Now the net income, it went up 62% in terms of the volume against the second quarter of 2020.

On slide eight we have the Capex, the finished and projected investments. In 2021 we are looking at 331 million reais being invested by the company, we see 138 for water, 140 for sewage, 53 for others. And in December 2020 and for the next four years we're going to have the program where annual investments of approximately 1.2 billion reais in the future.

Now, on slide nine we are looking at debt, this is what we had in June 2019, 2020, and 2021. We see the debt went from 2.4 to 2.61 billion reais. We have the gross debt in a long term and short term and also net debt.

On slide ten this is a little bit more on the indexes and the average coupon that we have for that. So, we have CDI, TR, IPCA, TJLP, different aspects that we're looking at here against the second quarter of 2020 and also, we have the comparison with the second quarter of 2019.

We have (unint) [00:12:00] as well and an impact that we had due to the foreign currency, the currency exchange. As we mentioned before, we had 11% variation that went from 11% to 6% now because of the change in the dollar/real ratio.

Now looking at the average coupon we have here in the second quarter of 2021 6%, a tiny variation I would say, against the second quarter of 2020. The leverage level went from 34.4% in June 2020 to 38.4% in June 2021. It's also important to say now that we have seen an increase in the corporate ratings, it went from AA to AA+ and we are informed that it's a stable outlook, and to Moody's we also have this information of stable outlook.

Now on the next slide we're looking at the shareholders compensation, there was a meeting in February, according to the dividend policy, the regular dividends must be between 25 and 50 of the adjusted net income, quarterly declarations. And we know that the 55 million reais [previously declared] for this quarter are going to be paid in the future. This is basically what was decided by the board of directors meeting, that is a gross amount and the payment date.

Now on concessions on slide 12, COPASA and COPANOR have 631 operating [concessions], 365 are sewage, 631 are water, we see here that in the quarter the company is serving around 11 million people in water and went to around 8 million inhabitants in terms of sewage.

So, we have here the situation of concessions [maturity after January 2034 representing about 78% of revenues]. We also see the 10 main concessions of COPASA which 51% approximately of the total revenue. We are looking at 3% of the revenue coming from 69 expired concessions in December 2020.

Now the hydrological situation in Belo Horizonte metropolitan area on slide 13. We have here the Paraopeba system and also the Rio das Velhas system, we can see here that Rio das Velhas actually represents around 44% of the distributed volume, we're looking at the average flow last 15 days prior to August 1st 2021 that was 10 cubic meters and we also have the average flow collected in the last 12 months.

As we informed on the previous release, we believe that this [Paraopeba works, new collection point] operation will [be finished, collecting] the five cubic meters per second, in the next quarter. Well, that was the last slide for me. I will turn it over to the operator to begin the Q&A session. Thank you.

Fabio (Operator):

Thank you for the presentation. We are going to begin our Q&A session now for our investors and then, later, we'll also extend this to the journalists. If you have a question you have to press * 9 and then you will be on cue to ask your question. Please make sure that the sound quality is (unint) [00:16:58] when you are asking your questions. You can also send the question through the webcast. All you have to do is simply type and send your question on the webcast site.

Now the first question is from Luiza from Itaú BBA.

Luiza (Itaú BBA):

Hello. Good morning. Thank you for your presentation. My first question has to do with dividends, and I wanted to know the low figures and, considering the policies of the company, I wanted to understand what you're thinking about the extraordinary dividend's payment. When do you think we may expect that to happen and also about the regulatory framework for the valid contract? How do you see the financial and operational ability of the company? Do you think the company is going to be able to comply with everything that was agreed upon?

Carlos Augusto Botrel Berto (CFO):

Thank you for the question. About the first one about dividends, well according to the policy of the company considering that indeed it is... we have low figure in terms of leverage. The financial board of the company is going to be looking at that and probably drafting a plan for the payment of dividends in 2021, still in 2021. So, there's going to be a plan for that payment [or not]. Probably around October 2021. That's what we're looking at it right now. That's for the first question about the dividends.

Now about the other question, about the financial capabilities, I would say, of the company and the regulatory framework, you probably know about the decrease, right? You probably know about the bill of law that was published in May 2021, it establishes a methodology to show the financial inability of companies, or the situation of companies, and the idea is to comply with all those financial criteria. Of course, COPASA complies with all those aspects and that is the first stage.

And about the second stage which is the technical and operational diagnosis, we have some legal studies for contracts, we also have some other financial models that we are looking at. I would say that this is an ongoing process. We have three very important consulting companies that are specialized, we have the Deloitte for project management of our portfolio, we also have another office [Manesco for legal aspects] and also EY for some other viability studies. So, I would say that we have a good outlook in that regard.

About the regulatory framework I'm not sure if I forgot any of those of your questions.

Luiza (Itaú BBA):

No. That is great. Thank you for answering and I just wanted to ask you one more thing now about the administration. I just wanted to know what's the debate now between the state and municipalities? Are you taking part in that new process that they have and how [on regional blocks to be defined by State Governments]?

Cristiane Schwanka (Chief Relationship and Market Officer):

Hello Luiza. This is Cristiane Schwanka. I'm the market director at COPASA. Well, about the concession's portfolio of the company, that is under my unit so I will answer this question. You see, this regionalization process or project in Minas Gerais had around 30, actually 23 blocks of municipalities. That hasn't been approved in Minas Gerais yet, so COPASA is still acting in a proactive manner in the organization of concessions and renovations as well, renewals, actually, of the new framework and all of the valid contracts.

For a while now since the beginning of the year we've been looking at the new projects. We have had as we said before the help of some consulting companies to look at all of the details, and of course we're going to comply with the regulatory framework. So right now, nothing changes, we're still looking at the concessions portfolio, negotiating everything.

Luiza (Itaú BBA):

Excellent. Thank you.

Fabio (Operator):

Well, the next question is from Guilherme Lima, from Santander.

Guilherme Lima (Santander):

Hello. Good morning. I have also a few questions. First of all, about Capex. If we considered the comparison 2020 and 2021, we see that it is a little bit below what you had before. So, you think that's going to accelerate now or is there going to be maybe a review of that to lower their figures?

And also, about the credit for the company for the basis of Paraopeba and Rio das Velhas, you know, the agreement with Vale, how is that operation going to happen? How are you developing that? Thank you.

Carlos Augusto Botrel Berto (CFO):

Thank you Guilherme for your question. About the first one I would say that we know that sanitation is quite a resilient factor but of course it suffers as well with the pandemic. There are now a few changes due to the pandemic.

In the first quarter we had a few different deadlines in terms of material delivery. There was a change in the bidding process as well, that became integrated so that also changes the deadlines, but in accordance with the technical sector which is... whose director is Ricardo Simões. We're going to see, of course, an important improvement after July. That's what I can say in terms of Capex.

Now about the credit I think what I can say here is that these resources are going to be destined to works that will potentialize Paraopeba and Rio das Velhas project. It is 2.05 billion, that's the value but we haven't really found how that [capitalization process] is going to work at the company.

Guilherme Lima (Santander):

Okay. Thank you for answering my question.

Fabio (Operator):

Now we have a question from Carolina Carneiro, from Credit Suisse.

Carolina Carneiro (Credit Suisse):

Hello. Good morning. Thank you for the presentation. I also have two questions. First one is the following, during a teleconference you were showing that the costs and the PCELD [delinquency rate] but we have this quarter, against last year, even though there was an improvement, a clear improvement because the second quarter of 2020 was very complicated because of covid-19. This specific quarter now showed a percentage in revenue that is a little bit superior against the first quarter. So, if you're looking at the percentage in history, I just wanted to know if there was anything actual for this second quarter, anything that created a pressure? Can we actually expect also an elevation, an increase in the next few quarters?

And going back to what Guilherme said about credit for the Paraopeba and Rio das Velhas, I just want to understand is there maybe an expectation about that and how is that going to look like vis a vis the assets? I mean the credit will come from third parties, so I just want to understand a little bit more of that.

Carlos Augusto Botrel Berto (CFO):

No problem. I can answer that. Let's start with the last question about the credit. Well again we still haven't defined how that's going to happen. I'm not able to say if that's going to have to do with the assets or what kind of impact that's going to happen on the company. That's still to be defined.

About the PCELD [delinquency rate] that you mentioned, if you compare the [seconds] quarters, 2020 and 2021, indeed we had another recurring effect from the new methodology around 77 million, but right now we don't see any effect except for the social tariff where we can actually change anything. But if you look at failure to pay, I

would say that failure to pay really dropped significantly. So you look pre-pandemic and post pandemic I would say a 4.3% to 3.67%, so there is a change and we see this consistent movement, not much change basically in terms of PCELD. We're going to see in the future probably if this change we're going to reverse that because of what's going to happen with the unit directed by Cristiane Schwanka, what they're doing in terms of billing and all those changes they are implementing.

Carolina Carneiro (Credit Suisse):

Okay. Thank you very much.

Fabio (Operator):

If you have a question, please press *9. We're going to wait a few minutes, so we have more questions. We're listening to questions sent through the webcast.

Once again, we are listening to new questions sent through the webcast, just one moment we will begin with those questions. We're about to continue.

Carlos Augusto Botrel Berto (CFO):

So, the question that we have received, we have one from Ricardo Yochi Nakamura and the questions is: *I wanted to know if COPASA will be able to deal with the requirements of the new regulatory framework? How is that going to happen?*

Well Ricardo, first of all, I would say that as you know, COPASA is very well positioned right now and it's completely capable of dealing with the new regulatory framework for sanitation. I would say this is an agenda. We're focusing on making the company more and more efficient every day. And about the last question, well, it's not what we're focusing on right now. I hope I have answered your question.

Now the next question here is by Elisandra Castro, and she says: Hello, I wanted to know about the last decision of Arsae-MG how is that going to work, what are the conditions for payment?

Cristiane Schwanka (Chief Relationship and Market Officer):

Hello Elisandra. Good morning. This is Cristiane Schwanka. I work as the market director. I believe that you're talking about the demand of Arsae-MG for Belo Horizonte and for the inhabitants in Contagem. You're probably talking about the possible mandatory payment for sanitation services. If that's what you're talking about, I have a request of 246 million reais, that's actually something that was communicated to the market for all the investors to know about it.

We recently last week, just last week, knew that our administrative process did not go through a we're still looking

at what specific points show that the recurrent is going to be or the reimbursement is going to be mandatory. In terms of deadlines, the rule is usually given that back, returning that amount, and that very invoice. I mean, when we're billing, we wouldn't be talking about something that would happen in a one lump sum, we're talking about that amount being distributed over different invoices, different bills actually, and then that's going to be returned to the customers.

That's something that has been discussed with the regulatory agency now because there are many factors that don't really have to do with COPASA. There are the electric cables that were [robbed] or something that were ruptured during the rainfall season, so we're still looking at how that is going to be returned.

Carlos Augusto Botrel Berto (CFO):

We have another question from Luciano Sentino. *Hello. We see that debt has decreased, ok, [Profit reserve is higher than Paid-up capital stock]. Now according to bylaws when that happens one of the possibilities would be the extraordinary dividends, should we expect that? He is asking.*

Well, I think I've actually answered that before, but I'm going to repeat what I said. The company has dividends, and the executive directors are going to take that to the board, I mean, they're going to take a proposition for the payment of extraordinary dividends or also the review of the regular dividends. And they have up to October 2021 to approve that plan or not. If extraordinary dividends are to be paid then that is going to come from the [profit] reserve.

We have another question here from Alvaro Paiva. *I wanted to know about the reimbursement for customers and also sewage system in Patos de Minas.*

Cristiane Schwanka (Chief Relationship and Market Officer):

Hello Alvaro. As you know there is a CPI as we call it here in Brazil, an institute or institution, that is actually going to define that, is the main agency. Until that happens, we cannot say anything until they finish their investigation, we cannot say anything about that matter.

Carlos Augusto Botrel Berto (CFO):

Well now we have a question from Luis: *the dividends, the quarterly dividends plan, Is it going to be maintained in the long run?*

We have a policy that talks about payment of JCP [Interest on Equity] every quarter unless that policy changes in the future. Again, we're basically maintaining it, you know we're going to continue to observe that because it is in accordance with our current policy.

Carlos Augusto Botrel Berto (CFO):

We have another question here from Philippe. *Hello. Good morning. I wanted to know that the expire of the concession in Ipatinga, how much that represents in terms of results? And about the expired concession, will you continue to execute the services and revenues in those cases, are you going to renew those contracts?*

Cristiane Schwanka (Chief Relationship and Market Officer):

Hello Phillippe. This is Cristiane Schwanka, market director. As Carlos Augusto mentioned before, we highlighted that the concessions that will expire after 2034 represents 78% of our revenue. So, even though we are concerned about Ipatinga because it is an important municipality, and an important city for us in our portfolio, please remain calm. I mean, as I said before, in a previous question the company continues with negotiations with all those cities to adapt all of the concession contracts, to adapt everything to the new sanitation framework.

And Ipatinga is one of those cities. And about the expired confessions, well, the legislation determines that we continue to operate in all the systems and this situation here with the expired contracts only has this possibility according to the legislation, because we also have this asset to be [indemnified] if it happens to be the case.

Fabio (Operator):

We're receiving a few more questions through the webcast. We'll be back soon.

Again, we're listening to a few more questions through the webcast.

Carlos Augusto Botrel Berto (CFO):

We have a question here: *about the perspective of COPASA to participating in concessions outside of Minas Gerais? We have the example of CEDAE which is a public private partnership.*

Cristiane Schwanka (Chief Relationship and Market Officer):

Well, COPASA is looking at the opportunities of concessions in Minas Gerais, for each opportunity we access the possibility of participation or not, we discuss that with the governance team and the administrative or the management team. And then, depending on the case, we present a plan or not. Every opportunity is discussed with the governance team to actually make a final decision.

Fabio (Operator):

Thank you. We are now ending the Q&A session. I will turn it over to the financial director Carlos Berto for some final comments.

Carlos Augusto Botrel Berto (CFO):

I would like to thank everyone for participating. We're always at your disposal. Should you have any questions our investor relations is, of course, at your disposal with Osvaldo, we know very well. I think just as a final message I wanted to mention the resilience that we have, especially during the pandemic, that became very important, and we have been working to reduce non-payment [delinquency] and also to implement PDVI in the second semester. That is going to potentialize the revenue of the company.

Thank you very much. Have an excellent day.

Fabio (Operator):

Thank you very much. This is the end of our conference for the second quarter of 2021. You may disconnect now. Thank you. Have a great day.

[End 00:48:16]

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