

Earnings Release

4Q20 and 2020

Rio Manso Reservoir

COPASA

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COPASA MG (CSMG3)

Closing Prices in February 26, 2021: R\$14.43

Number of shares: 380.3 million

Market value: R\$5.49 billion

Belo Horizonte, March 1, 2021 - COPASA MG - Companhia de Saneamento de Minas Gerais - (B3: CSMG3) hereby announces today its results for the fourth quarter of 2020 (4Q20) and the full year of 2020. 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).

| FINANCIAL HIGHLIGHTS | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 2020 | 2019 | 2020 vs. 2019 |
|---|-----------|-----------|---------------|-----------|-----------|---------------|
| Net revenues of water, sewage and solid waste | 1,344,685 | 1,292,025 | 4.1% | 5,015,077 | 4,685,283 | 7.0% |
| Costs of services rendered, selling and administrative expenses | 958,864 | 898,460 | 6.7% | 3,695,323 | 3,403,078 | 8.6% |
| Other Net Income (Expenses) | (6,287) | (33,118) | -81.0% | (25,919) | (113,234) | -77.1% |
| Result before Financial Result and Taxes | 381,775 | 357,074 | 6.9% | 1,281,248 | 1,156,199 | 10.8% |
| Financial Result | (25,396) | (22,417) | 13.3% | (175,973) | (133,895) | 31.4% |
| EBITDA | 547,390 | 511,507 | 7.0% | 1,926,566 | 1,758,469 | 9.6% |
| EBITDA Margin | 38.8% | 38.5% | 0.3p.p | 36.8% | 36.4% | 0.4p.p |
| Net Income | 268,754 | 255,287 | 5.3% | 816,477 | 754,374 | 8.2% |
| Net Debt | 2,999,433 | 2,818,935 | 6.4% | 2,999,433 | 2,818,935 | 6.4% |
| Net Debt/EBITDA | 1.6 | 1.6 | n.m. | 1.6 | 1.6 | n.m. |

| OPERATIONAL HIGHLIGHTS | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 2020 | 2019 | 2020 vs. 2019 |
|-------------------------------|---------|---------|---------------|-----------|-----------|---------------|
| Water | | | | | | |
| Units (1,000 units) | 5,458 | 5,310 | 2.8% | 5,458 | 5,310 | 2.8% |
| Distributed Volume (1,000 m³) | 263,729 | 255,331 | 3.3% | 1,034,704 | 1,016,917 | 1.7% |
| Measured Volume (1,000 m³) | 158,601 | 155,266 | 2.1% | 611,118 | 604,241 | 1.1% |
| Network Extension (km) | 56,859 | 55,837 | 1.8% | 56,859 | 55,837 | 1.8% |
| Sewage | | | | | | |
| Units (1,000 units) | 3,764 | 3,676 | 2.4% | 3,764 | 3,676 | 2.4% |
| Measured Volume (1,000 m³) | 107,107 | 105,518 | 1.5% | 414,326 | 410,222 | 1.0% |
| Treated Volume (1,000 m³) | 77,214 | 75,327 | 2.5% | 314,169 | 303,350 | 3.6% |
| Network Extension (km) | 29,189 | 28,166 | 3.6% | 29,189 | 28,166 | 3.6% |

(1) Data refers to the sum of COPASA and COPANOR, except for Treated Volume, which refers to the Parent Company only.

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1. Highlights

1.1. Investment Program

1.1.1. 2020 Investments

In 2020, considering COPASA MG and COPANOR together, R\$481 million were invested, as shown in the table below. This performance was impacted by the intense rainfall observed in the state of Minas Gerais in the first 2 (two) months of the year and, subsequently, by the restrictions imposed by the COVID-19 pandemic. There was also the impact of the high level of competitiveness of the bidding, which generated substantial discounts in the contracting of the works in relation to the budgeted values.

| Investments (R\$ million) | 2020 |
|--------------------------------------|------------|
| Water | 147 |
| Sewage | 213 |
| Other | 99 |
| Parent Company (COPASA MG) | 459 |
| COPANOR | 22 |
| Total – COPASA MG and COPANOR | 481 |

1.1.1.1. Water Supply Systems

- expansion of the production capacity in the Water Supply Systems in the municipalities of Camanducaia, Divisa Alegre, Igarapé, Lagoa Santa, Montes Claros and Nova Serrana;
- expansion of the Water Supply Systems in the municipalities of Juatuba, Montes Claros, Nova Resende, Sabará and Varginha;
- expansion of the service capacity in the municipalities of Esmeraldas, Ibirité, Januária, Materlândia, Pedra Azul and Pompéu;
- improvements and optimization in the Water Supply Systems in the municipalities of Betim, Caxambu, Conceição do Mato Dentro, Divino das Laranjeiras, Lavras, Leopoldina, Medina, Paracatu, Santa Luzia and Timóteo;
- implementation of the Waste Treatment Unit of the Water Treatment Station (ETA) in the municipalities of Divinópolis and Teófilo Otoni;
- acquisition of macro and micrometers, aiming at the efficiency of hydrometric measurement and the reduction of losses; and
- implementation of distribution networks and water connections in buildings in several municipalities in the Minas Gerais State.

1.1.1.2. Sewage Systems

- expansion of the Sewage Systems in the municipalities of Brumadinho, Contagem, Estrela do Sul, Fronteira, Ibirité, Ipatinga, Juatuba, Mateus Leme, Medina, Ribeirão das Neves, Sabará, Santa Luzia, Sarzedo and Três Corações;
- implementation of the Sewage System in the municipalities of Abaeté, Além Paraíba, Caratinga, Divino, Felixlândia, Inhapim, Itamarandiba, Santana do Paraíso, São João Nepomuceno, Serra Azul de Minas, Ubá and Visconde do Rio Branco;

- improvements and optimization of the Sewage Systems in the municipalities of Conselheiro Lafaiete, Divinópolis and Resende Costa;
- performance of works in the Sewage Treatment System in the municipalities of Coronel Fabriciano, Ibirité, Mateus Leme, Paracatu, Patos de Minas, Perdões e São Gotardo; and
- implementation of sewage collection networks and connections in buildings in several municipalities in the Minas Gerais State.

1.1.2. Investment Program – 2021 to 2025

According to [Material Fact](#) disclosed on December 23, 2020, the Board of Directors, in a meeting held on December 17, 2020, approved the projected values of the Multiannual Investment Program, referring to the Parent Company, for the period from 2021 to 2025, as detailed in the table below:

| 2021 - 2025 - Parent Company's Multi-Year Investment Program | |
|--|----------------------|
| Year | Amount (R\$ million) |
| 2021 | 1,307* |
| 2022 | 1,365 |
| 2023 | 1,275 |
| 2024 | 1,275 |
| 2025 | 1,250 |

* Amount amended at the BoD meeting held on January 28, 2021, from R\$1,250 million to R\$1,307 million.

Regarding COPANOR's investment plan, the subsidiary's management deliberated that the amount foreseen for the year 2021 is R\$47.2 million.

1.2. Funding

The [ESM held on November 19, 2020](#) approved the contracting of a long-term credit operation, through the 15th public issue of simple debentures, not convertible into shares, of the unsecured type, under a firm guarantee regime, single series, for public distribution, in the amount of R\$500.0 million. These resources will be used to implement part of the Company's Investment Program, and the liquidation of the operation was carried out on December 18, 2020. The information regarding this issue is summarized below:

- a) Amount: R\$500.0 million.
- b) Cost: CDI + 1.75%.
- c) Quantity: 500,000 debentures
- d) Issue Nominal Amount: R\$1,000.00.
- e) Maturity: Five (5) years.
- f) Amortization: after 02 (two) years of grace.
- g) Interest payment: quarterly, starting after the liquidation of the operation.

At the end of 2020, the Company had a balance of R\$1.84 billion in contracted funds not yet fully released, of which R\$42.84 million from the BNDES, R\$361.07 million from the FGTS, €80 million (equivalent to R\$510.39 million) from KfW and €145 million (equivalent to R\$925.09 million) from the European Investment Bank (BEI). The debt will be recorded when these resources enter the Company.

1.3. Regulatory Framework

1.3.1. Tariff Review

According to the [Notice to the Market](#) disclosed on May 15, 2020, the Minas Gerais State Water and Sewage Services Regulatory Agency (ARSAE-MG) announced on its website www.arsae.mg.gov.br that it would open a public consultation to discuss the 2nd Tariff Review of COPASA MG, effective as of August 1, 2021, when a new four-year cycle will begin.

The consultation process for this 2nd Tariff Review will be carried out in 3 (three) phases, and the publication of the Resolution with the final result of the review is expected to occur until July 2, 2021, as follows:

1st Phase: This phase involved discussions about guidelines, general approach, schedule, and agenda, among other points. The result of this stage was released on July 10, 2020, and the final documents are available at [Consulta Pública nº 18/2020 - 1ª fase da 2ª Revisão Tarifária Periódica da COPASA MG](#).

2nd phase: initiated on October 26, 2020 with the disclosure of preliminary documents relating to the Public Hearings, which cover topics such as tariff reconstruction, remuneration and amortization of investments, special programs, tariff incentives over the next tariff cycle, among other points. As per the notice published in the Diário Oficial of Minas Gerais, February 10, 2021 edition, the deadline for publishing the consolidated report was extended to March 22, 2021.

3rd phase: scheduled to start on April 1, 2021 and to be concluded on June 30, 2021, this phase comprises the application of the methodologies, as well as the definition of the methodology for the annual tariff adjustments.

Conclusion of the process: the expected date for the publication of the Final Resolution is July 2, 2021 and for the application of the new tariffs is August 1, 2021.

1.3.2. 2020 Tariff Adjustment

On June 23, 2020, ARSAE-MG published [ARSAE-MG Resolution 141/2020](#) on the Minas Gerais Official Gazette, disclosing the application of the 3.04% average tariff adjustment to water supply and sewage services provided by COPASA MG. However, its application was postponed for ninety (90) days beginning on August 1, 2020, i.e. it will be applicable as from November 1, 2020.

COPASA MG requested a revision to the calculation of the tariff adjustment for 2020 in order to include the electricity tariff adjustment index approved by ANEEL for Concessionaire Cemig on June 25, 2020, as informed in the Notices to the Market disclosed on [June 25, 2020](#) and [June 26, 2020](#).

ARSAE-MG rejected the Company's claim; however, it guaranteed that a financial compensation would be granted in the next Tariff Revision, according to the Notice to the Market disclosed on [July 3, 2020](#).

The most relevant points regarding the average adjustment of 3.04% are:

- **X Factor:** comprising three (3) indicators:

- i) **Productivity Factor (FP):** +0.85% on revenues;

- ii) **Quality Factor (FQ):** +0.899% on all revenue items referring to the expansion of the scope and quality of the sewage services;

- iii) **Incentive Factor for Loss Control (IP):** -0.448% on all revenue items. It includes the Penalty for Lack of Micro and Macro Measurement (PFM) indicator and the Incentive Factor for Reducing and Eliminating Losses.

- **Compensation of Non-Manageable Items:** it refers to the monthly compensation of differences (August 2019 to July 2020), adjusted by the accumulated Selic rate in the period, between the estimated and actual price

variation of non-manageable items (electricity, treatment chemicals, fuels and lubricants, telecommunications, taxes and others), in the total amount of R\$39.9 million.

- **Change in the Tariff Structure of Sewage Services:** in continuity to the adjustments in tariffs for Dynamic Sewage with Collection and Treatment (EDT) and Dynamic Sewage with Collection (EDC), in the current revision, the EDT tariff now corresponds to 100% of the water tariff, while the EDC tariff now represents 25% of the water tariffs.
- **Transfers to Municipal Sanitation Funds:** from the issue of [ARSAE-MG Resolution 110/2018](#), mechanisms for recognizing tariff transfers to the basic sanitation funds were established, with a ceiling of 4% of net revenue for all municipalities served by the Company, to be used in actions and projects set forth in the municipality's Municipal Basic Sanitation Plan (PMSB). In the 2020 readjustment, 134 municipalities met the requirements defined to qualify their respective municipal funds to receive the transfers, totaling R\$117.5 million for the 12-month period. In the previous adjustment, the annual transfer approved by ARSAE-MG totaled R\$75.1 million and included 60 municipalities.
- **Compensation of the Social Tariff:** difference between estimated and actual revenues from billed volumes and connected units in the Social and Residential categories. Due to changes in the customer registration information in the social residential category, arising from the review in the CadÚnico database nationwide, some customers migrated from the social residential tariff to the residential tariff. This change resulted in an additional revenue of R\$72.6 million, from August 2019 to July 2020, offset in 2020 tariff adjustment.

1.3.3. Public Hearing 31/2020 - Criteria to apply the Social Tariff

On October 7, 2020, ARSAE-MG disclosed on its website www.arsae.mg.gov.br, [Public Hearing 31/2020](#), with a view to improve the criteria to apply the water and sewage Social Tariff granted to low-income families.

Currently, in order to benefit from the Social Residential Tariff, users must meet the criteria specified in the Single Registry for Social Programs of the Federal Government, and the benefit granted to families with monthly per capita income less than or equal to half ($\frac{1}{2}$) Brazilian minimum wage allows reductions of up to 55% in water and sewage bills, compared to residential users, according to consumption.

The draft of the [Resolution](#) for the aforementioned Public Hearing proposes that the benefit be broken into two (2) categories (Social Level I and Social Level II). The Social Level I category would include users who are in poverty and extreme poverty (currently with per capita income up to R\$178). Social Level II category would include users with low income, as classified by CadÚnico (per capita income from R\$178 to half minimum wage).

Considering that this adjustment must be neutral in relation to the Company's revenue, the increase in the subsidy implies tariff impacts for the other categories.

The result of this Public Hearing is expected to be released by March 13, 2021.

1.3.4. Water reading during the pandemic

According to the [Notice to the Market](#) on February 11, 2021, COPASA MG received, on February 10, 2021, an Economic Inspection Report No. 031/2021 from ARSAE-MG, informing about the establishment of an Administrative Proceeding. The Agency claims inconsistencies in some invoices issued during the pandemic period. The Company informs that the measurement of the volume by the average consumption is authorized by the regulatory rule and that it will decide on the referred administrative procedure within the regulatory deadline.

1.4. Coronavirus

As disclosed in the [1Q20](#), [2Q20](#) and [3Q20](#) Earnings Releases, as from March 2020, the Company adopted an emergency initiative with the creation of the Multidisciplinary Committee - Prevention to Covid-19, aiming to preserve the integrity and health of its employees. The Company also adopted initiatives to ensure the provision of services and minimize the impacts for the population, preventive measures related to the relationship with the public, including the closing of service branches, as well as measures to preserve its cash flow.

As of October 1st, COPASA MG re-established its commercial practices regarding payment terms and returned with the suspension of water supply in cases of default, except for customers in the Social Residential category.

Gradually, the service at the branches will be resumed as of October 2020, with prior scheduling and observing the measures foreseen to control the pandemic. The employees also gradually returned to their workstations observing the orientations of the Ministry of Health, as well as the legal determinations at the federal, state, and municipal levels.

Regarding the measures to postpone the payment of taxes, adopted by the Company, as authorized by the federal tax authorities, the Company resumed payments as from July 2020. As for the suspension of debt payments with the BNDES, payments of loans and debentures were resumed in October and November 2020, respectively. The installments suspended were capitalized and included in the debtor balance, and will be settled by the final maturity of the respect debts.

1.5. Shareholders' Compensation

1.5.1. Dividend Policy (Revised by the Extraordinary Shareholders' Meeting held on May 7, 2018)

1.5.1.1. Regular Dividends

The Board of Directors shall define, by March 31 of each year, the percentage of the Adjusted Net Income to be distributed, observing the minimum and maximum statutory limits of 25% and 50%, respectively. This amount shall be disclosed on a quarterly basis with payment in up to 60 days from the approval date, except for the amounts referring to the fourth quarter, which will be defined at the Annual Shareholders' Meetings (ASM).

1.5.1.2. Extraordinary Dividends

In conjunction with the disclosure of the Annual Financial Statements (DFs) and the Interim Financial Information (ITR) for the second quarter of each year, and in accordance with the [Company's Dividend Policy](#) Management shall proceed and disclose the "Calculation of the Regulatory Framework", already considering the payment of Regular Dividends, in order to evaluate if it is within the margin considered efficient (Efficient Regulatory Leverage Range), and if this index is:

a) Above the margin: the Board of Directors will define that the percentage of the Adjusted Net Income to be distributed will be the minimum mandatory amount.

b) Within the margin: payout will be based on the criteria and limits defined for the distribution of Regular Dividends.

c) Below the margin: the Board of Directors may declare Extraordinary Dividends up to three (3) months after the disclosure of the DFs and the ITR of the second quarter of each year, which will consist of an additional remuneration that is sufficient so that the lower level of such margin is reached. This amount will be declared after the conclusion of studies that indicate that any payment of Extraordinary Dividends will not jeopardize the Company's financial health, its Investment Plan or current liquidity.

The calculation of the Regulatory Framework for the current regulatory cycle corresponds to the Net Debt/EBITDA ratio (Net Debt divided by the accumulated EBITDA of the 12 months prior to the calculation period), which should reach 2.10x, with a margin of 0.10x up or down.

1.5.2. Shareholders' Remuneration - 2020

1.5.2.1. Regular Dividends

The Board of Directors' Meeting [held on March 19, 2020](#) approved that the distribution of dividends for 2020 will correspond to 25% of the Adjusted Net Income, paid as Interest on Equity (IOE).

The information on the amounts declared in fiscal 2020 as follows:

| Reference | Corporate Event | Record Date | Total Value (R\$/million) | Value per Share (R\$) | Payment Date |
|-------------------|-----------------|-------------|---------------------------|-----------------------|----------------------------|
| 1Q20 | BoD 03.20.2020 | 03.25.2020 | 45.5 | 0.3597 | 05.19.2020 |
| 2Q20 | BoD 06.18.2020 | 06.23.2020 | 43.9 | 0.3473 | 08.17.2020 |
| 3Q20 | BoD 09.17.2020 | 09.22.2020 | 63.1 | 0.4994 | 11.16.2020 |
| 4Q20 | BoD 02.25.2021 | 03.02.2021 | 75.5 | 0.1992 | (1) |
| Total 2020 | | | 228.0 | | |

1) Date to be defined at the 2021 Annual Shareholders' Meeting.

1.5.3. Extraordinary Dividends

As provided for in the Dividend Policy approved by the Extraordinary General Meeting (EGM) held on May 7, 2018, considering the current leverage of the Company, and after carrying out studies indicating that any payment of Extraordinary Dividends will not jeopardize the Company's financial health, Investment Plan or current liquidity, the Board of Directors at the meeting held on October 29, 2020 recommended, and the EGM approved, at the meeting held on November 19, 2020, the distribution of extraordinary dividends in the amount of R\$820.0 million, using part of the Profit Retention Reserve account in the [balance sheet for the year ended December 31, 2019](#).

The Record Date (Cutting Date) considered for the identification of shareholders entitled to receive this benefit was November 19, 2020. The value per share corresponded to R\$6.48, and the payment occurred on December 10, 2020, according to the [Notice to the Market published on December 3, 2020](#).

1.5.4. Shareholders' Remuneration – 2021

For the fiscal year 2021, the Board of Directors decided, at a meeting held on February 25, 2021, that the distribution of dividends will correspond to 25% of Net Income, as Interest on Equity and/or dividends.

1.6. Stock Split

The EGM held on November 19, 2020 approved the split of the totality of the Company's common shares, in the proportion of 1 (one) to 3 (three), without changing the value of the Share Capital, aiming to provide a better price level for the shares traded in the stock exchange, in order to make them more accessible to investors and, consequently, provide greater liquidity.

2. Operating Data

2.1. Concessions

In 2020, the Company renewed concessions for water supply and sewage services with four (4) municipalities, which have a total estimated urban population of approximately 212,000 people, as detailed below:

- **Santa Luzia e São Gonçalo do Abaeté:** renewal of the concession for water supply and sewage services.
- **Joaquim Felício e Nacip Raydan:** renewal of the concession for water supply.

In December 2020, the Company had the concession to supply water in 640 municipalities and sewage services in 310 municipalities, as shown below:

| Concessions ^{1,2} | December 31, 2020 | | | December 31, 2019 | | |
|----------------------------|-------------------|----------------|---------|-------------------|----------------|---------|
| | Total | Parent Company | Copanor | Total | Parent Company | Copanor |
| Water | | | | | | |
| Concession | 640 | 591 | 49 | 641 | 592 | 49 |
| In Operation | 630 | 582 | 48 | 629 | 581 | 48 |
| Sewage | | | | | | |
| Concessions | 310 | 254 | 56 | 311 | 255 | 56 |
| In Operation | 265 | 224 | 41 | 263 | 223 | 40 |

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) The concession with the municipality of Tocos do Moji, with an urban population of approximately one thousand (1,000) people, was cancelled. The concession was not operated.

The chart below shows the Company's ten largest concessions, which together accounted for approximately 51.5% of the Company's net revenue from water supply and sewage services (December 2020), as well as their respective expiration years:

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

In December 2020, 77.5% of the Company's revenue from water supply and sewage services came from concessions whose maturities occur after January 2034. On the same date, concessions with 69 municipalities, accounting for approximately 3.2% of revenue from water supply and sewage services, were expired. In accordance with the principle of continuity for the provision of essential public services, these municipalities continue to be served and billed by the Company.

2.2. Operating Data

The main operating data referring to the end of the respective fiscal years, as well as COPASA MG's (Parent Company) quarterly volume, are shown below:

| COPASA data (Parent Company) | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|---------|---------|---------------------|---------|---------------------|
| Water | | | | | |
| Connections (1,000 units) | 4,421 | 4,299 | 2.8% | 4,231 | 1.6% |
| Units (1,000 units) | 5,347 | 5,205 | 2.7% | 5,127 | 1.5% |
| Population Served (1,000 inhabitants) | 11,584 | 11,396 | 1.7% | 11,365 | 0.3% |
| Distributed Volume (1,000 m ³) | 259,930 | 250,865 | 3.6% | 243,628 | 3.0% |
| Measured Volume (1,000 m ³) | 156,169 | 152,838 | 2.2% | 145,993 | 4.7% |
| Network Extension (km) | 54,638 | 53,673 | 1.8% | 52,742 | 1.8% |
| Water Metering Index (%) | 99.8 | 99.8 | - | 99.7 | 0.1p.p |
| Loss Index ¹ (%) | 40.5 | 40.1 | 0.4p.p | 40.0 | 0.1p.p |
| Sewage | | | | | |
| Connections (1,000 units) | 2,942 | 2,873 | 2.4% | 2,822 | 1.8% |
| Units (1,000 units) | 3,711 | 3,627 | 2.3% | 3,565 | 1.7% |
| Population Served (1,000 inhabitants) | 8,230 | 8,112 | 1.4% | 8,052 | 0.7% |
| Measured Volume (1,000 m ³) | 106,033 | 104,499 | 1.5% | 99,373 | 5.2% |
| Treated Volume (1,000 m ³) | 77,214 | 75,327 | 2.5% | 76,192 | -1.1% |
| Network Extension (km) | 27,691 | 26,702 | 3.7% | 26,650 | 0.2% |
| Water and Sewage | | | | | |
| Consumption Days (quarter) | 89.4 | 91.0 | -1.8% | 91.8 | -0.8% |
| Consumption Days (monthly average) | 29.8 | 30.3 | -1.8% | 30.6 | -0.8% |

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

The main operating data referring to the end of the respective fiscal years, as well as COPANOR quarterly volume, are shown below:

| COPANOR Data | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|-------|-------|---------------------|-------|---------------------|
| Water | | | | | |
| Connections (1,000 units) | 108 | 102 | 5.6% | 98 | 3.9% |
| Units (1,000 units) | 111 | 106 | 5.4% | 102 | 3.7% |
| Population Served (1,000 inhabitants) | 220 | 212 | 3.7% | 205 | 3.3% |
| Distributed Volume (1,000 m ³) | 3,799 | 4,466 | -14.9% | 4,070 | 9.7% |
| Measured Volume (1,000 m ³) | 2,433 | 2,428 | 0.2% | 2,162 | 12.3% |
| Network Extension (km) | 2,220 | 2,165 | 2.6% | 2,164 | 0.0% |
| Sewage | | | | | |
| Connections (1,000 units) | 50 | 48 | 5.7% | 46 | 4.0% |
| Units (1,000 units) | 52 | 50 | 5.5% | 47 | 5.7% |
| Population Served (1,000 inhabitants) | 102 | 98 | 4.3% | 94 | 3.9% |
| Measured Volume (1,000 m ³ - quarter) | 1,074 | 1,018 | 5.5% | 978 | 4.1% |
| Network Extension (km) | 1,498 | 1,464 | 2.3% | 1,454 | 0.7% |

The main operating data referring to the end of the respective fiscal years, as well as the consolidated quarterly volume (COPASA MG and COPANOR), are shown below:

| Consolidated Data (COPASA MG + COPANOR) | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|---------|---------|---------------------|---------|---------------------|
| Water | | | | | |
| Connections (1,000 units) | 4,529 | 4,401 | 2.9% | 4,329 | 1.6% |
| Units (1,000 units) | 5,458 | 5,310 | 2.8% | 5,229 | 1.6% |
| Population Served (1,000 inhabitants) | 11,804 | 11,608 | 1.7% | 11,570 | 0.3% |
| Distributed Volume (1,000 m³) | 263,729 | 255,331 | 3.3% | 247,698 | 3.1% |
| Measured Volume (1,000 m³) | 158,601 | 155,266 | 2.1% | 148,154 | 4.8% |
| Network Extension (km) | 56,859 | 55,837 | 1.8% | 54,906 | 1.7% |
| Sewage | | | | | |
| Connections (1,000 units) | 2,992 | 2,921 | 2.4% | 2,868 | 1.9% |
| Units (1,000 units) | 3,764 | 3,676 | 2.4% | 3,612 | 1.8% |
| Population Served (1,000 inhabitants) | 8,332 | 8,211 | 1.5% | 8,147 | 0.8% |
| Measured Volume (1,000 m³) | 107,107 | 105,518 | 1.5% | 100,350 | 5.1% |
| Network Extension (km) | 29,189 | 28,166 | 3.6% | 28,103 | 0.2% |

The following are the volumes for fiscal years 2020, 2019, and 2018:

| Distributed and Measured Volume | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|---------------------------------|-----------|-----------|---------------------|---------|---------------------|
| COPASA MG | | | | | |
| Water | | | | | |
| Distributed Volume (1,000 m³) | 1,019,232 | 1,000,790 | 1.8% | 968,720 | 3.31% |
| Measured Volume (1,000 m³) | 601,966 | 594,864 | 1.2% | 577,064 | 3.08% |
| Sewage | | | | | |
| Measured Volume (1,000 m³) | 410,288 | 406,337 | 1.0% | 388,728 | 4.53% |
| Treated Volume (1,000 m³) | 314,169 | 303,350 | 3.6% | 286,492 | 5.88% |
| COPANOR | | | | | |
| Water | | | | | |
| Distributed Volume (1,000 m³) | 15,472 | 16,127 | -4.1% | 14,786 | 9.07% |
| Measured Volume (1,000 m³) | 9,151 | 9,377 | -2.4% | 8,397 | 11.67% |
| Sewage | | | | | |
| Measured Volume (1,000 m³) | 4,038 | 3,885 | 3.9% | 3,781 | 2.74% |
| COPASA MG + COPANOR | | | | | |
| Water | | | | | |
| Distributed Volume (1,000 m³) | 1,034,704 | 1,016,917 | 1.7% | 983,506 | 3.40% |
| Measured Volume (1,000 m³) | 611,118 | 604,241 | 1.1% | 585,461 | 3.21% |
| Sewage | | | | | |
| Measured Volume (1,000 m³) | 414,326 | 410,222 | 1.0% | 392,510 | 4.5% |

2.3. Employees and Employees per Connection

The number of employees and the indicator of employees per thousand connections of water and sewage are presented below:

| Employees and Employees per Connection | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|--------|--------|---------------------|--------|---------------------|
| COPASA MG | | | | | |
| Employees | 11,393 | 11,525 | -1.1% | 11,547 | -0.2% |
| Employees/Connection ¹ | 1.55 | 1.61 | -3.7% | 1.64 | -1.8% |
| COPANOR | | | | | |
| Employees | 466 | 468 | -0.4% | 454 | 3.1% |
| Employees/Connection ¹ | 2.95 | 3.12 | -5.7% | 3.15 | -0.8% |
| COPASA MG + COPANOR | | | | | |
| Employees | 11,859 | 11,993 | -1.1% | 12,001 | -0.1% |
| Employees/Connection ¹ | 1.58 | 1.64 | -3.7% | 1.67 | -1.8% |

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

2.4. Customer Base

2.4.1. Quarterly Information

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 (%) | | | Measured Volume per Category (%) | | | Billing per Category (%) | | |
|---|------------------------|---------------|---------------|-------------------------------------|---------------|---------------|--------------------------|---------------|---------------|
| | 4Q20 | 4Q19 | 4Q18 | 4Q20 | 4Q19 | 4Q18 | 4Q20 | 4Q19 | 4Q18 |
| Water and Sewage (Quarterly Average) | | | | | | | | | |
| Residential | 78.1% | 79.2% | 75.5% | 75.3% | 74.2% | 70.7% | 71.7% | 68.7% | 66.3% |
| Residential Social | 11.3% | 10.3% | 14.0% | 11.6% | 10.1% | 13.6% | 5.3% | 4.4% | 5.9% |
| Commercial | 8.6% | 8.6% | 8.6% | 7.5% | 8.6% | 8.5% | 12.9% | 14.4% | 14.6% |
| Industrial | 0.7% | 0.6% | 0.6% | 2.0% | 2.1% | 2.1% | 3.8% | 3.8% | 4.0% |
| Public | 1.3% | 1.3% | 1.3% | 3.6% | 5.0% | 5.1% | 6.3% | 8.7% | 9.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

2.4.2. Annual Information

The annual 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:

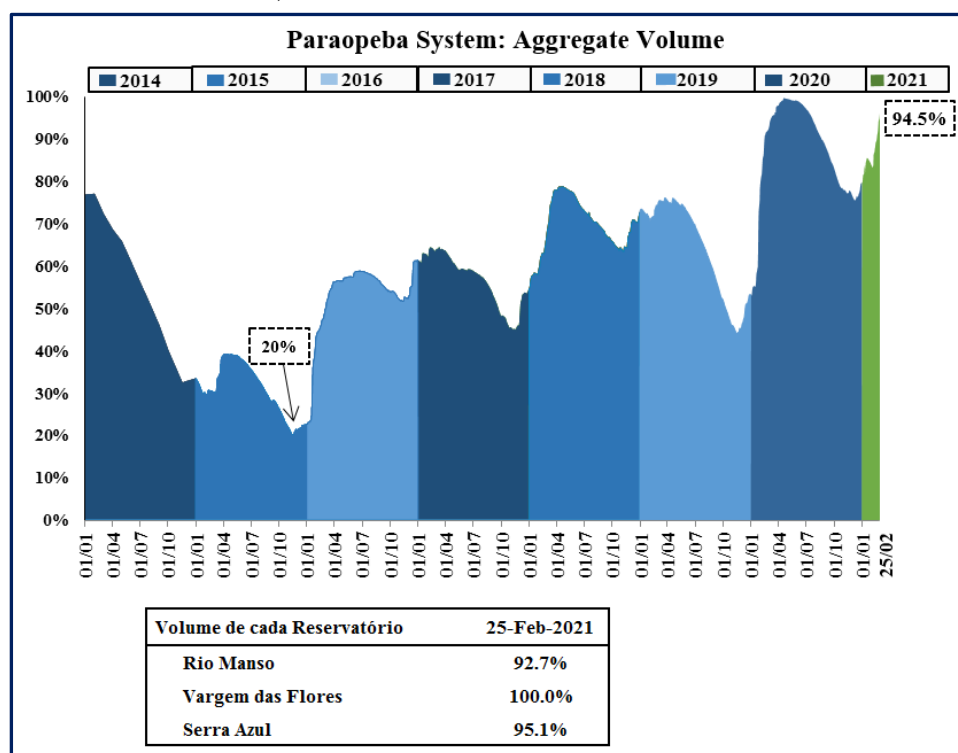
| Consolidated Data (COPASA MG + COPANOR) | Units per Category (%) | | | Measured Volume per Category (%) | | | Billing per Category (%) | | |
|--|------------------------|---------------|---------------|-------------------------------------|---------------|---------------|--------------------------|---------------|---------------|
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| Water and Sewage (Annual Average) | | | | | | | | | |
| Residential | 78.7% | 76.7% | 75.5% | 75.5% | 72.0% | 70.9% | 71.6% | 67.3% | 66.1% |
| Residential Social | 10.8% | 12.8% | 14.0% | 11.1% | 12.5% | 13.5% | 5.0% | 5.5% | 6.3% |
| Commercial | 8.6% | 8.6% | 8.6% | 7.5% | 8.5% | 8.5% | 12.9% | 14.5% | 14.4% |
| Industrial | 0.6% | 0.6% | 0.6% | 2.0% | 2.1% | 2.1% | 3.7% | 3.9% | 4.1% |
| Public | 1.3% | 1.3% | 1.3% | 3.9% | 4.9% | 5.0% | 6.8% | 8.8% | 9.1% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

3. Hydrological Situation

3.1. Belo Horizonte Metropolitan Area (BHMA)

3.1.1. Rio Manso, Vargem das Flores and Serra Azul Reservoirs

Below is the evolution of the levels of the reservoirs of the Paraopeba System (Rio Manso, Vargem das Flores and Serra Azul), which account for 47% of BHMA's distributed volume. The volume of these reservoirs is approximately 95% of the total volume, as shown.



Due to the rupture of the Mina Córrego do Feijão dam on January 25, 2019, located in the municipality of Brumadinho and operated by Vale, the Company took actions to identify and mitigate the risks to its operation. Preventively, the Company closed the floodgates of the water collection unit in the Paraopeba river on the same day of the rupture, aiming at the preservation of the collection facilities, whose assets did not deteriorate, so they were not compromised.

In July 2019, the Prosecution Office of the Minas Gerais State and Vale signed a Term of Commitment, with COPASA MG as one of the intervening parties, for the construction of a new collection point on the Paraopeba River. As per the Notice to the Market disclosed on September 30, 2020, Vale S.A. requested that the Prosecution Office of the Minas Gerais State to (POMG) to extend the term to deliver the construction work for the new collection point on the Paraopeba River, previously agreed for September 30, 2020.

A new schedule was suggested by Vale, in which the commissioning and testing phases should begin in December 2020, with initial flow of 1,000 l/s, being gradually increased throughout January 2021 to a nominal flow of 5,000 l/s, the same flow of the previously suspended water collection.

However, on December 30, 2020, Vale informed MPMG that there had been interference and difficulties in complying with the schedule previously submitted, highlighting facts such as restrictions by the pandemic, delays in the delivery of materials due to the growth of the civil construction market, land ownership problems, increased absenteeism at the end of the year, and community involvement in rock removal, among others.

On February 26, 2021, a new schedule was proposed by Vale, as follows:

- **March 30, 2021:** provisional start of pumping 1,000 l/s to the Rio Manso - Water Treatment Station (WTS);

- **May 20, 2021:** pumping 2,000 l/s to the WTS, through the new structure of collection;
- **June 2, 2021:** pumping 5,000 l/s (total flow) to the WTS.

COPASA MG informs that it has been regularly requesting that Vale meets the obligations already assumed in the Term of Commitment, and takes the appropriate measures to safeguard the Company's interests.

Despite the delay in the delivery of the works, the water supply in the BHMA was not affected, since the Paraopeba System, composed of the Rio Manso, Serra Azul and Vargem das Flores reservoirs, is at nearly 95% of its capacity (previous chart).

3.1.2. Rio das Velhas

Water drawn from Rio das Velhas, responsible for approximately 44% 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 information on this collection system:

| das Velhas River System | |
|---|------------------------|
| Percentage of BHMA's distributed volume | 44% |
| Water collection grant | 8.7 m ³ /s |
| Average flow (das Velhas river) in the last 15 days prior to 02.25.2021 | 57.3 m ³ /s |
| Average flow used in the last 12 months | 6.95 m ³ /s |

3.2. Other municipalities in the Minas Gerais state

The Company's activities outside the state capital are dispersed over several municipalities and different watersheds. Generally speaking, most of the locations where the Company provides services 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.

By the end of January 2021, the locations of Bom Jesus de Cardosos (municipality of Urucânia) and Vale Verde de Minas (municipality of Ipaba) were in a rationing situation, representing, together, about 1.3 thousand water connections. When the 2019 Financial Statements were released there were 18 municipalities in this situation, representing approximately 241 thousand water connections and 211 thousand sewer connections.

In order to minimize the impacts of the water situation, the Company uses means 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 scarcity in each case. Additionally, awareness campaigns are intensified, aiming for the rational consumption of water.

Specifically regarding Montes Claros, the Company's largest concession in the interior of the State, which historically faces drought problems, the works for the implementation of the São Francisco System were started, followed by the transportation of the raw water to the Water Treatment Station - ETA and, afterwards, the treated water is conducted through a water supply system composed of four treated water pumping stations to the existing reservoir located in the ETA Pacuí area, which is about 92 km away from the collection point.

This system complements the Pacuí System and, in addition to guaranteeing the supply of Montes Claros headquarters until the year 2050, also provides for the supply of Coração de Jesus and Ibiaí, and can also be considered as an alternative for other locations in the region, benefiting potentially around 430,000 inhabitants. Thus, with the conclusion of the project, scheduled for May 2022, the deficit in the current demand of the city of Montes Claros, resulting from the effects of water shortage, will be supplied, which represents a change in the reality of water supply in that region and the solution to the historical issue of rationing for the next 30 years.

The resources for the implementation of the São Francisco System come from a long-term credit operation carried out by COPASA MG with the European Investment Bank (BEI), and the expected amount of the contributions is around R\$257.3 million.

4. Quarterly Performance

4.1. Revenues

The following chart shows the gross revenue, deductions (PIS/COFINS) and net revenues from water, sewage and solid waste in the comparative periods:

| Gross Revenue, Deductions and Net Revenue | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|------------------|------------------|---------------------|------------------|---------------------|
| Gross Revenue – Water | 943,161 | 907,069 | 4.0% | 765,059 | 18.6% |
| Gross Revenue – Sewage | 538,032 | 516,202 | 4.2% | 435,121 | 18.6% |
| Gross Revenue – Solid Waste | 618 | 532 | 16.2% | 537 | -0.9% |
| Gross Revenue - Water, Sewage and Solid Waste | 1,481,811 | 1,423,803 | 4.1% | 1,200,717 | 18.6% |
| PIS/COFINS | (137,126) | (131,778) | 4.1% | (109,807) | 20.0% |
| Net Revenue - Water, Sewage and Solid Waste | 1,344,685 | 1,292,025 | 4.1% | 1,090,910 | 18.4% |

Net revenue from water, sewage and solid waste in 4Q20 totaled R\$1.34 billion, up 4.1% over 4Q19, as shown in the table below:

| Net Revenue | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|------------------|------------------|---------------------|------------------|---------------------|
| Net Direct Revenue - Water | 836,875 | 800,630 | 4.5% | 681,953 | 17.4% |
| Net Direct Revenue - Sewage | 482,717 | 464,839 | 3.8% | 390,811 | 18.9% |
| Direct Net Revenue - Water and Sewage | 1,319,592 | 1,265,469 | 4.3% | 1,072,764 | 18.0% |
| Net Indirect Revenue - Water | 19,008 | 22,482 | -15.5% | 13,111 | 71.5% |
| Net Indirect Revenue - Sewage | 5,543 | 3,608 | 53.6% | 4,514 | -20.1% |
| Indirect Net Revenue - Water and Sewage | 24,551 | 26,090 | -5.9% | 17,625 | 48.0% |
| Net Revenue - Solid Waste | 542 | 466 | 16.3% | 521 | -10.6% |
| Net Revenue - Water, Sewage and Solid Waste | 1,344,685 | 1,292,025 | 4.1% | 1,090,910 | 18.4% |

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

- growth in the number of water units (consumption units) 2.7% and sewage (2.3%), in the Parent Company;
- average tariff adjustment of 3.04% applied in November 2020, with an average impact of 1.2% comparing 4Q20 with 4Q19;
- change, in the last twelve months, in the sanitary sewage tariff level in four (4) municipalities in the state, where approximately 7,000 units migrated from Dynamic Sewage with Collection (EDC) to Dynamic Sewage with Collection and Treatment (EDT), due to the start of sewage treatment;
- 1.8% decrease in the number of consumption days, with 89.4 days in 4Q20 compared to 91.0 days in 4Q19; and
- reduction of R\$1.5 million in indirect revenue from water and sewage, mainly due to the measures adopted to minimize the impacts caused by the coronavirus pandemic.

The table below shows direct water and sewage billing in the comparative periods. See the breakdown of billing per consumer category in item 2.4 of this Release:

| Billing | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|-----------------------------------|------------------|------------------|---------------------|------------------|---------------------|
| Billing - Water | 904,427 | 890,313 | 1.6% | 758,510 | 17.4% |
| Billing - Sewage | 530,344 | 522,659 | 1.5% | 436,961 | 19.6% |
| Billing - Water and Sewage | 1,434,771 | 1,412,972 | 1.5% | 1,195,471 | 18.2% |

4.2. Costs and Expenses

| Costs and Expenses | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|----------------|----------------|---------------------|----------------|---------------------|
| Manageable Costs | 646,908 | 601,722 | 7.5% | 572,384 | 5.1% |
| Personnel ¹ | 363,830 | 361,371 | 0.7% | 341,181 | 5.9% |
| Outsourced Services | 108,466 | 115,603 | -6.2% | 109,802 | 5.3% |
| Rio Manso PPP | 18,070 | 17,753 | 1.8% | 22,871 | -22.4% |
| Material | 18,019 | 16,301 | 10.5% | 12,380 | 31.7% |
| Provision for Doubtful Accounts (PDA) | 88,781 | 44,852 | 97.9% | 53,230 | -15.7% |
| Tariff Transfers to Municipalities | 34,522 | 32,161 | 7.3% | 24,526 | 31.1% |
| Sundry Operational Costs | 15,220 | 13,681 | 11.2% | 8,394 | 63.0% |
| Non-Manageable Costs | 141,980 | 142,151 | -0.1% | 115,096 | 23.5% |
| Electricity | 123,315 | 123,943 | -0.5% | 120,220 | 3.1% |
| Telecommunication | 2,981 | 3,659 | -18.5% | 2,115 | 73.0% |
| Treatment Chemicals | 22,807 | 19,838 | 15.0% | 16,303 | 21.7% |
| Fuels and Lubricants | 6,892 | 7,219 | -4.5% | 6,361 | 13.5% |
| Tax Credits | (14,015) | (12,508) | 12.0% | (29,903) | -58.2% |
| Capital Costs | 164,342 | 153,929 | 6.8% | 143,636 | 7.2% |
| Depreciation and Amortization | 164,342 | 153,929 | 6.8% | 143,636 | 7.2% |
| Charge for Usage of Water Resources² | 5,634 | 658 | n.m. | 3,205 | -79.5% |
| Total Costs and Expenses | 958,864 | 898,460 | 6.7% | 834,321 | 7.7% |

1) Including Employees' Profit Sharing, of R\$17.4 million in 4Q20 (R\$16.3 million in 4Q19 and R\$11.5 million in 4Q18).

2) The charge for the use of water resources covers, at the state level, the basins of Piracicaba and Jaguari (PJ), Araguari, Velhas, Pará, Piracicaba, Caratinga, Piranga, Suaçuí Grande, Santo Antônio and Manhuaçu, Pomba and Muriaé, and Preto and Paraíba Rivers. At the federal level, such transfers cover the basins of Rios Doce, Paraíba do Sul, São Francisco, Piracicaba, Verde Grande, Capivari and Jundiá rivers. This charge is transferred to clients through a specific item in the water supply and sewage services invoice.

The following section presents the Company's comments on the items that make up the costs of sales and services rendered, selling and administrative expenses (excluding construction costs) that presented the most significant changes:

4.2.1. Manageable Costs

4.2.1.1. Personnel

Personnel expenses increased by 0.7% in relation to the same period in 2019. The most significant variations are as follows:

- provisions for the 2020 Collective Bargaining Agreement, whose reference date is May. It is worth noting that, regarding the 2019 Collective Bargaining Agreement (reference: May 2019), the 2019 collective bargaining agreement with the predominant category was in a conciliation process at the Regional Labor Court of Minas Gerais (TRT-MG) in January 2021. The Company also informs that it signed an ACT, on 12.20.2019, regarding the categories of administrators and accountants (a single document), covering 133 employees. The ACT for the period 2020/2021 (reference: May/2020) has not yet been concluded with any worker category.
- provisions for employee profit sharing, which in 4Q20 totaled R\$17.4 million (R\$16.3 million in 4Q19);

- R\$2.3 million decrease in expenses with the health expenses program, due to reduced use of medical services in 4Q20;
- greater appropriation, in 4Q20 compared to 4Q19, of intangible assets related to amounts incurred in costs, i.e., increase in accounting capitalization of personnel expenses; and
- reduction, within the Parent Company (COPASA MG), of 132 employees (-1.1%) in the last 12 months prior to December 2020. *(See table in item 2.3 of this Release).*

4.2.1.2. Outsourced Services

This item decreased by R\$7.1 million. The most significant variations are as follows:

- R\$3.5 million decrease in expenses with water trucks; and
- reduction in expenses in several items, being R\$1.1 million in expenses with technical professional services, R\$0.9 million with conservation and maintenance services for goods and systems and R\$0.6 million in cleaning, surveillance and messenger services.

4.2.1.3. Material

This item showed an increase of 10.5%, mainly due to the increase in expenses with conservation and maintenance materials for assets and systems, as well as parts, accessories and components for vehicles.

4.2.1.4. Provision for Doubtful Accounts (PDA)

Year over year, the increase was due to the improvement in the methodology for recognizing this provision occurred in June 2020, as detailed in item 5.2.1.4 (PDA), as well as the economic instability aggravated by Covid-19, resulting increased default, in reason of payment postponement for commercial category customers, suspension of cuts for delinquent customers, among others.

The table below shows the net Provision for Doubtful Accounts, arising from the difference between loss and the recovery of written-off accounts (recorded under Other Operating Revenues):

| Net PDA (R\$ thousand) | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--------------------------------------|---------------|---------------|---------------------|---------------|---------------------|
| (+) PDA | 88,781 | 44,852 | 97.9% | 53,230 | -15.7% |
| (-) Recovery of written-off accounts | 18,518 | 9,138 | 102.6% | 21,721 | -57.9% |
| (=) Net PDA | 70,263 | 35,714 | 96.7% | 31,509 | 13.3% |

4.2.1.5. Tariff Transfers to Municipalities

The 7.3% increase in this account, comparing the 4Q20 values with those recorded in 4Q19, occurred due to the revenue growth observed in the period, as well as the transfer to municipal sanitation funds, which, starting with the tariff adjustment of November 1, 2020, now encompasses 134 municipalities, and the expected annual amount is R\$117.5 million. In the previous year's readjustment, which was applied on August 1, 2019, the value of the transfers approved by ARSAE-MG, for the period from August 2019 to July 2020, was R\$75.1 million and comprised 60 municipalities.

4.2.1.6. Sundry Operational Costs

Sundry costs showed an increase of 11.2% due to the increase in tax incentive expenses.

4.2.2. Non-Manageable Costs

4.2.2.1. Electricity

The expenses with this input were stable in the comparative periods, and the 7% increase in consumption due to higher operational demand, as well as the 3% reduction in the tariff subsidy, were mitigated by the decrease in the amount spent with tariff flags.

4.2.2.2. Telecommunications

The reduction was mainly due to the hiring of a company in November 2019 to provide data transmission services at prices lower than those previously practiced.

4.2.2.3. Treatment Supplies

The variation in this item is mainly due to the increase in the price of the main chemicals used in water treatment.

4.2.2.4. Tax Credits

The increase in tax credits, comparing 4Q20 to 4Q19, was mainly due to the increase in depreciation expenses considered as the calculation basis for the incidence of these credits.

4.2.3. Capital Costs

4.2.3.1. Depreciation and Amortization

The 6.8% increase in Depreciation and Amortization, comparing 4Q20 to 4Q19, occurred due to the higher volume of construction incorporation.

4.3. Other Operational Revenues (Expenses)

| Other Operating Revenues (Expenses) | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--------------------------------------|-----------------|-----------------|---------------------|-----------------|---------------------|
| Other Operating Revenues | 50,989 | 27,383 | 86.2% | 38,714 | -29.3% |
| Revenue from Technical Services | 14 | 20 | -30.0% | 24 | -16.7% |
| Reversal of Non-Deductible Provision | 29,594 | 13,860 | 113.5% | 12,531 | 10.6% |
| Recovery of Written-off Accounts | 18,518 | 9,138 | 102.6% | 21,721 | -57.9% |
| Other Revenues | 2,863 | 4,365 | -34.4% | 4,438 | -1.6% |
| Other Operating Expenses | (57,276) | (60,501) | -5.3% | (34,963) | 73.0% |
| Payment and Non-Deductible Provision | (27,330) | (34,409) | -20.6% | (15,423) | 123.1% |
| Non-Recurring Losses | (2,620) | (2,788) | -6.0% | (2,515) | 10.8% |
| Service Inspection Fee | (9,852) | (9,387) | 5.0% | (8,303) | 13.1% |
| Other Expenses | (17,474) | (13,917) | 25.6% | (8,721) | 59.6% |
| Total | (6,287) | (33,118) | n.m. | 3,751 | n.m. |

4.3.1. Other Operating Revenues

The Other Operating Revenues presented an increase of R\$23.6 million due, mainly, to:

- R\$15.7 million increase in the Reversal of Non-Deductible Provision due to reclassification and payment of lawsuits in a diluted manner; and
- R\$9.4 million increase in the recovery of written-off accounts, due to the return of collection actions (suspension with tamponing), focusing on customers with debts of more significant amounts.

4.3.2. Other Operating Expenses

The Other Operating Expenses presented a reduction of R\$3.2 million in 4Q20, compared to 4Q19. The explanations regarding the most significant variations were as follows:

- reduction in the item Payment and Non-Deductible Provision due mainly to the extraordinary recognition, in 4Q19, of R\$13.3 million as expenses related to escrow deposits of finalized lawsuits for which the Company was not successful;
- R\$11.3 million increase in Other expenses mainly due to the write-off of the residual value of assets.

4.4. Equity Income (Subsidiary COPANOR)

| Summarized Statement of COPANOR | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|--------------|----------------|---------------------|----------------|---------------------|
| Net Revenue from Sales and/or Services | 10,001 | 9,368 | 6.8% | 20,832 | -55.0% |
| Construction Revenue | 5,304 | 6,698 | -20.8% | - | n.m. |
| Other Operating Income | 5,375 | 127 | n.m. | 834 | -84.8% |
| Operating Costs and Expenses | (13,217) | (12,170) | 8.6% | (26,290) | -53.7% |
| Construction Costs | (5,304) | (6,698) | n.m. | - | n.m. |
| Other Operating Expenses | (188) | (888) | -78.8% | (305) | 191.1% |
| Net Financial Revenues (Expenses) | 270 | 190 | 42.1% | 267 | -28.8% |
| Net Income (Loss) | 2,241 | (3,373) | n.m. | (4,662) | -27.6% |

4.5. Financial Result

| Financial Revenues (Expenses) | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|--|-----------------|-----------------|---------------------|-----------------|---------------------|
| Financial Revenues | 17,184 | 35,108 | -51.1% | 22,514 | 55.9% |
| Monetary Variation | 1,829 | 1,310 | | 1,930 | |
| Foreign Exchange Variation | (10,996) | 2,578 | | (3,321) | |
| Interest | 11,029 | 10,261 | | 6,726 | |
| Real Gains from Financial Investments | 4,936 | 6,942 | | 6,810 | |
| Capitalization of Financial Assets/Other | 10,386 | 14,017 | | 10,369 | |
| Financial Expenses | (42,580) | (57,525) | -26.0% | (57,323) | 0.4% |
| Monetary Variation | (23,957) | (10,306) | | (11,668) | |
| Foreign Exchange Variation | 21,522 | (1,549) | | 18,202 | |
| Interest on Loans | (39,990) | (45,645) | | (49,482) | |
| Sundry | (155) | (25) | | (14,376) | |
| Financial Result | (25,396) | (22,417) | 13.3% | (34,809) | -35.6% |

4.5.1. Financial Revenues

The 51.1% reduction observed in financial revenues, comparing 4Q20 to 4Q19, is mainly a reflection of the reversal of part of the exchange variation revenues accrued during the year, due to the 8.1% depreciation of the dollar currency against real observed in 4Q20.

4.5.2. Financial Expenses

Financial expenses fell 26.0% year on year in 4Q20. The most significant variations are as follows:

- reversal of part of the exchange variation expenses incurred, due to the devaluation of the dollar (8.1%) and the euro (3.6%) in 4Q20 against real. It should be noted that the book balance of the Company's debt in dollars

as of December 31, 2020 was US\$25.3 million (equivalent to R\$131.6 million) and the debt in euros was €33.4 million (equivalent to R\$212.7 million); and

- decrease in interest on financing, due to a reduction in interest rates on the Company's debt.

4.6. Taxes on Income

| Taxes on Income | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|---|---------------|---------------|---------------------|---------------|---------------------|
| Income and Social Contribution Taxes | 87,625 | 79,370 | 10.4% | 42,866 | 85.2% |

The increases in taxes on income was mainly due to the 6.5% year-over-year increase in the earnings before taxes on income in 4Q20 (see item 4.7 of the table).

4.7. Net Income

| Net Income and Earnings per Share | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|---|----------------|----------------|---------------------|----------------|---------------------|
| (-) Result before Financial Result and Taxes | 381,775 | 357,074 | 6.9% | 255,679 | 39.7% |
| (+) Net financial result | (25,396) | (22,417) | 13.3% | (34,810) | -35.6% |
| (=) Earnings before Taxes on Income | 356,379 | 334,657 | 6.5% | 220,869 | 51.5% |
| (+) Taxes on Income | (87,625) | (79,370) | 10.4% | (42,866) | 85.2% |
| (=) Net Income | 268,754 | 255,287 | 5.3% | 178,003 | 43.4% |
| (=) Net Earnings per Share (R\$)¹ | 0.71 | 0.67 | n.m. | 0.47 | 43.4% |

1) The amounts were adjusted considering the split that occurred on November 25, 2020, in the proportion of 1 (one) to 3 (three) shares. Thus, the amounts of net income per share, prior to the operation date, were divided by three (3).

4.8. EBITDA and EBITDA with Adjustments to Non-Manageable Items

4.8.1. EBITDA

EBITDA is a non-accounting measure adopted by COPASA MG, calculated in accordance with CVM Instruction 527/2012, consisting, as shown below, of net income plus taxes on income, financial result, depreciation/amortization and these same items of the subsidiary COPANOR.

| EBITDA | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|---------------------------------------|----------------|----------------|---------------------|----------------|---------------------|
| Net Income for the Period | 268,754 | 255,287 | 5.3% | 178,003 | 43.4% |
| (+) Taxes on Income | 87,625 | 79,370 | 10.4% | 42,866 | 85.2% |
| (+) Financial Result | 25,396 | 22,417 | 13.3% | 34,810 | -35.6% |
| (+) Depreciation and Amortization | 164,342 | 153,929 | 6.8% | 143,636 | 7.2% |
| (+) Non-Operating Result - Subsidiary | 1,273 | 504 | 152.6% | 53 | n.m. |
| (=) EBITDA | 547,390 | 511,507 | 7.0% | 399,368 | 28.1% |
| EBITDA Margin | 38.8% | 38.5% | +0.3 | 35.1% | +3.4 |

4.8.2. EBITDA with Adjustments to Non-Manageable Items

EBITDA with adjustments to non-manageable items are not measures recognized by the Accounting Practices Adopted in Brazil or by IFRS, do not have a standard meaning and may not be comparable to measures with similar titles provided by other companies.

According to its methodology, the Regulatory Agency estimates the amounts to be spent by the Company in the annual tariff cycle, referring to the non-manageable costs (electricity, treatment chemicals, fuels and lubricants, telecommunications, and taxes and fees).

An off-balance sheet account is created throughout the annual tariff cycle in order to guarantee neutrality in the variation prices of these items. This account records any differences between the estimated prices and those actually observed. The balance of this account is adjusted by the SELIC rate and included in the calculation of the tariff repositioning index, with positive or negative impacts on the adjustment.

The table below presents the calculation of EBITDA, considering the estimated adjustments to non-manageable items:

| Regulatory EBITDA | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 |
|--|----------------|----------------|---------------------|
| EBITDA (a) | 547,390 | 511,507 | 7.0% |
| Electricity | (4,396) | 9,751 | |
| Treatment Chemicals | 3,996 | (280) | |
| Fuels and Lubricants | 614 | (174) | |
| Telecommunications | 55 | 26 | |
| Taxes and Fees (except income and social contribution taxes) | 2,740 | 10,734 | |
| Estimated Compensation for Non-Manageable Items (b) | 3,008 | 20,056 | -85.0% |
| EBITDA with Adjustments to Non-Manageable Costs = (a)+(b) | 550,398 | 531,563 | 3.5% |
| EBITDA Margin with Adjustments to Non-Manageable Items | 39.0% | 40.0% | -1p.p |

5. Annual Performance

5.1. Revenues

Net revenue from water, sewage and solid waste totaled R\$5.02 billion, up 7.0% over the previous year, as shown in the table below:

| Net Revenue | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|--|------------------|------------------|---------------------|------------------|---------------------|
| Net Direct Revenue - Water | 3,119,029 | 2,906,490 | 7.3% | 2,600,852 | 11.8% |
| Net Direct Revenue - Sewage | 1,806,362 | 1,674,614 | 7.9% | 1,466,500 | 14.2% |
| Direct Net Revenue - Water and Sewage | 4,925,391 | 4,581,104 | 7.5% | 4,067,352 | 12.6% |
| Net Indirect Revenue - Water | 74,715 | 88,546 | -15.6% | 85,994 | 3.0% |
| Net Indirect Revenue - Sewage | 12,881 | 13,571 | -5.1% | 16,342 | -17.0% |
| Indirect Net Revenue - Water and Sewage | 87,596 | 102,117 | -14.2% | 102,336 | -0.2% |
| Net Revenue - Solid Waste | 2,090 | 2,062 | 1.4% | 2,423 | -14.9% |
| Net Revenue - Water, Sewage and Solid Waste | 5,015,077 | 4,685,283 | 7.0% | 4,172,112 | 12.3% |

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

- average tariff adjustment of 8.38% applied in August 2019 and of 3.04% applied in November 2020, with an average impact of 5.6% comparing 2020 with 2019;
- growth in the number of consumer units of water (2.7%) and sewage (2.3%);
- change in client registration in the Social category, due to a revision in the CadÚnico database nationwide, with migration to the Residential category, increasing revenue by around R\$18.5 million year on year in 2020;
- change, in the last twelve months, in the sanitary sewage tariff level in four (4) municipalities in the state, where approximately 7,000 units migrated from Dynamic Sewage with Collection (EDC) to Dynamic Sewage with Collection and Treatment (EDT), due to the start of sewage treatment;
- 1% decrease in water and sewage volumes per unit;
- reduction of R\$14.5 million in indirect revenue from water and sewage, mainly due to the measures adopted to minimize the impacts caused by the coronavirus pandemic.

5.2. Costs and Expenses

| Costs and Expenses | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|--|------------------|------------------|---------------------|------------------|---------------------|
| Manageable Costs | 2,501,764 | 2,293,452 | 9.1% | 2,286,962 | 0.3% |
| Personnel ¹ | 1,413,472 | 1,381,495 | 2.3% | 1,340,147 | 3.1% |
| Outsourced Services | 413,953 | 442,774 | -6.5% | 433,804 | 2.1% |
| Rio Manso PPP | 77,792 | 75,693 | 2.8% | 87,146 | -13.1% |
| Material | 58,860 | 56,695 | 3.8% | 50,579 | 12.1% |
| Provision for Doubtful Accounts | 369,880 | 189,655 | 95.0% | 252,768 | -25.0% |
| Tariff Transfers to Municipalities | 133,432 | 105,803 | 26.1% | 91,488 | 15.6% |
| Sundry Operational Costs | 34,375 | 41,337 | -16.8% | 31,030 | 33.2% |
| Non-Manageable Costs | 530,516 | 499,160 | 6.3% | 418,632 | 19.2% |
| Electricity | 452,287 | 476,198 | -5.0% | 423,443 | 12.5% |
| Telecommunication | 12,037 | 13,349 | -9.8% | 11,021 | 21.1% |
| Treatment Chemicals | 94,487 | 77,579 | 21.8% | 69,059 | 12.3% |
| Fuels and Lubricants | 25,089 | 26,343 | -4.8% | 25,822 | 2.0% |
| Tax Credits | (53,384) | (94,309) | -43.4% | (110,713) | -14.8% |
| Capital Costs | 641,791 | 600,613 | 6.9% | 567,988 | 5.7% |
| Depreciation and Amortization | 641,791 | 600,613 | 6.9% | 567,988 | 5.7% |
| Charge for Usage of Water Resources | 21,252 | 9,853 | 115.7% | 18,476 | -46.7% |
| Total Costs and Expenses | 3,695,323 | 3,403,078 | 8.6% | 3,292,058 | 3.4% |

1) Including Employees' Profit Sharing.

The following section presents the Company's comments on the items that make up the costs of sales and services rendered, selling and administrative expenses (excluding construction costs) that presented the most significant changes:

5.2.1. Manageable Costs

5.2.1.1. Personnel

Personnel expenses increased by 2.3%, comparing the 12 months of 2020 with the same period of 2019. The most significant variations are as follows:

- provisions for the 2020 Collective Bargaining Agreement, whose reference date is May. It is worth noting that, regarding the 2019 Collective Bargaining Agreement (reference: May 2019), the 2019 collective bargaining agreement with the predominant category is in a conciliation process at the Regional Labor Court of Minas Gerais (TRT-MG) in January 2021. The Company also informs that it signed an ACT, on 12.20.2019, regarding the categories of administrators and accountants (a single document), covering 133 employees. The ACT for the period 2020/2021 (reference: May/2020) has not yet been concluded with any worker category.
- Provision for employee profit sharing, which in 2020 totaled R\$52.0 million (R\$47.9 million in 2019);
- R\$8.3 million decrease in expenses with the health program, due to reduced use of medical services in 2020;
- reduction of R\$3.3 million in expenses with the Vale Transporte Program, due to lower utilization in 2020;
- allocation of R\$72.6 million in 2020 (R\$62.6 million in 2019) to the intangible asset of amounts incurred in costs, i.e., accounting capitalization of personnel expenses; and
- reduction in the workforce by 132 employees (-1.1%) in the last 12 months.

5.2.1.2. Outsourced Services

This item decreased by 6.5%. The most significant variations are as follows:

- R\$17.1 million decrease in vehicle fleet lease expenses, which due to the adoption of the Technical Pronouncements CPC 06 (R2) rule, started to be booked as depreciation and interest;
- R\$6.9 million decrease in expenses with water trucks;
- reduction of R\$5.5 million in expenses with technical professional services; and
- R\$6.5 million increase in advertising and marketing, due to the Company needed to invest in advertising campaigns, especially those related to the initiatives developed to minimize the impacts of the new coronavirus pandemic on the population, as well as the affected victims of the intense rains of January and February 2020.

5.2.1.3. Material

Expenses with materials showed an increase of 3.8%, due, mainly, to an increase in expenses with conservation and maintenance materials for assets and systems.

5.2.1.4. Provision for Doubtful Accounts

As informed in item 4.2.1.4. Provision for Doubtful Accounts of the 2Q20 Earnings Release, the Company improved the estimation criteria in the database, segregating data per geographic location and client category in order to determine loss rates for each group, based on new information available and analysis of its clients' debt, and integrating reasonable and bearable projections of future economic condition. Such review increased the allowance for doubtful accounts by R\$76.2 million in 2Q20.

Additionally, the economic instability intensified by Covid-19, resulted in an increase in the level of delinquency still as a result of the extension of payment terms for accounts receivable for part of the commercial category customers, as well as the suspension of cuts for delinquent customers, among other factors, reflecting the increase in the amounts for Impairment of Accounts Receivable.

The table below shows the net impairment of receivables, arising from the difference between loss and the recovery of written-off accounts (recorded under Other Operating Revenues):

| Net PDA (R\$ thousand) | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|--------------------------------------|----------------|----------------|---------------------|----------------|---------------------|
| (+) PDA | 369,880 | 189,655 | 95.0% | 252,768 | -25.0% |
| (-) Recovery of written-off accounts | 53,010 | 56,775 | -6.6% | 145,221 | -60.9% |
| (+) Net PDA | 316,870 | 132,880 | 138.5% | 107,547 | 23.6% |

5.2.1.5. Tariff Transfers to Municipalities

The 26.1% increase in this item, comparing the amounts recorded in 2020 with the amounts recorded in fiscal year 2019, occurred mainly due to changes in the number of municipalities entitled to these transfers, as detailed below:

- **Tariff adjustment (August 2019):** for the referred this adjustment, 60 municipalities that met the requirements established by the Agency were qualified, of which only the amount referring to the municipality of Belo Horizonte was recognized in the tariff until then in force, meaning that the transfers started to consider 59 new municipalities as of August 2019. The estimated amount for transfers in the annual tariff cycle (August 2019 to July 2020) was R\$75.1 million, of which R\$49.9 million referring to the municipality of Belo Horizonte and the remaining R\$25.2 million referring to the other 59 municipalities.

- **Tariff readjustment (November 2020):** for this readjustment 134 municipalities were qualified, meeting the requirements established by ARSAE-MG for the qualification of their respective municipal funds for transfers, whose value, for the 12 months, totals R\$117.5 million.

5.2.1.6. Sundry Operational Costs

Sundry costs decreased 16.8%, mainly due to a decrease in transportation, travel, and lodging expenses, as well as legal and judicial expenses.

5.2.2. Manageable Costs

5.2.2.1. Electricity

Expenses with this input decreased 5.0% in 2020. The comments on the main factors that influenced this item are as follows:

- impacts of the alteration in the accounting method of the credits referring to PIS/PASEP and COFINS, which are now carried out directly in each expense account considered as input in the productive process. This change resulted in a R\$46.3 million reduction in this item, comparing 2020 to 2019; and
- 2.7% increase, due to higher operational demand.

5.2.2.2. Telecommunications

The reduction was mainly due to the hiring of a company in November 2019 to provide data transmission services at prices lower than those previously practiced.

5.2.2.3. Treatment Chemicals

The variation in this item is mainly due to the increase in the price of the main chemicals used in water treatment.

5.2.2.4. Fuels and Lubricants

The decrease observed was mainly due to the reduction in the amount consumed because of the restrictions on circulation imposed by the pandemic.

5.2.2.5. Tax Credits

The 43.4% decrease was due to the implementation of the tax solution for the automatic accounting of PIS/COFINS tax credits. With the change, the accounting is performed directly in each expense account considered as input in the production process (materials, services and electricity, others). Considering the methodology previously used, tax credits would totalled R\$134.9 million in 2020, up 12.7% over 2019.

5.2.2.6. Depreciation and Amortization

The 6.9% increase in the item "Depreciation and Amortization" in the comparison between fiscal years 2020 and 2019 was due to the higher volume of construction incorporation throughout 2020.

5.3. Other Operating Revenues (Expenses)

| Other Operating Revenues (Expenses) | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|--------------------------------------|------------------|------------------|---------------------|------------------|---------------------|
| Other Operating Revenues | 171,341 | 107,937 | 58.7% | 196,135 | -45.0% |
| Revenue from Technical Services | (63) | 130 | n.m. | 96 | 35.4% |
| Reversal of Non-Deductible Provision | 103,076 | 32,659 | 215.6% | 30,984 | 5.4% |
| Recovery of Written-off Accounts | 53,010 | 56,775 | -6.6% | 145,221 | -60.9% |
| Other Revenues | 15,318 | 18,373 | -16.6% | 19,834 | -7.4% |
| Other Operating Expenses | (197,260) | (221,171) | -10.8% | (139,613) | 58.4% |
| Payment and Non-Deductible Provision | (92,368) | (128,079) | -27.9% | (68,266) | 87.6% |
| Non-Recurring Losses | (14,352) | (12,314) | 16.6% | (8,603) | 43.1% |
| Service Inspection Fee | (39,408) | (37,548) | 5.0% | (33,214) | 13.0% |
| Other Expenses | (51,132) | (43,230) | 18.3% | (29,530) | 46.4% |
| Total | (25,919) | (113,234) | n.m. | 56,522 | n.m. |

5.3.1. Other Operating Revenues

Other Operating Revenues recorded a 58.7% increase when comparing 2020 to 2019, mainly due to the R\$70.4 million increase in the Reversal of Non-Deductible Provision, as detailed below:

- R\$36.1 million related to the reclassification of “probable contingency” to “remote contingency”, of lawsuits related to State Law 12,503/97 (“Piau Law”) that require the Company, as public utility concessionaire, to protect and preserve the environment, by investing 0.5% of the total operating revenue calculated in the municipalities where it operates. This change was due to legal decisions favorable to the Company, as detailed in item 4.3.1. Other Operating Revenues from [3Q20 Earnings Release](#).
- Reclassification and payment of civil and labor lawsuits in a distributed manner.

5.3.2. Other Operating Expenses

Other operating expenses decreased by R\$23.9 million in 2020, compared to 2019. Below are the items that showed the most significant variations:

- the recognition, in 2019, of extraordinary and non-recurring provisions, of which: (i) R\$21.0 million arising from a public civil action to cancel the collection of the sewage treatment tariff in Pará de Minas, between September 2012 and April 2015; and (ii) R\$16.1 million aiming at the conclusion of a collective lawsuit filed by the Public Prosecution Office of Minas Gerais, for simple reimbursement to users of the amounts charged in the March 2003 adjustment.
- monetary restatements, in 2020, of provisioned balances, risk reclassification, and constitution of new provisions for civil and labor suits in a diversified manner.

5.4. Equity Income (Subsidiary COPANOR)

| Summarized Statement of COPANOR | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|--|-----------------|-----------------|---------------------|-----------------|---------------------|
| Net Revenue from Sales and/or Services | 35,849 | 32,738 | 9.5% | 27,061 | 21.0% |
| Construction Revenue | 18,546 | 31,124 | -40.4% | - | n.m. |
| Other Operating Income | 6,492 | 3,165 | 105.1% | 2,349 | 34.7% |
| Operating Costs and Expenses | (49,239) | (47,406) | 3.9% | (41,334) | 14.7% |
| Construction Costs | (18,546) | (31,124) | -40.4% | - | n.m. |
| Other Operating Expenses | (1,387) | (2,080) | -33.3% | (2,197) | -5.3% |
| Net Financial Revenues (Expenses) | 898 | 811 | 10.7% | 1,123 | -27.8% |
| Impairment | (5,200) | - | n.m. | - | n.m. |
| Net Income (Loss) | (12,587) | (12,772) | -1.4% | (12,998) | -1.7% |

5.5. Financial Result

| Financial Revenues (Expenses) | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|--|------------------|------------------|---------------------|------------------|---------------------|
| Financial Revenues | 145,962 | 115,547 | 26.3% | 116,562 | -0.9% |
| Monetary Variation | 4,298 | 6,991 | -38.5% | 6,394 | 9.3% |
| Foreign Exchange Variation | 26,394 | 9,271 | 184.7% | 11,931 | -22.3% |
| Interest | 43,270 | 34,329 | 26.0% | 22,549 | 52.2% |
| Real Gains from Financial Investments | 23,212 | 25,485 | -8.9% | 29,614 | -13.9% |
| Capitalization of Financial Assets/Other | 48,788 | 39,471 | 23.6% | 46,074 | -14.3% |
| Financial Expenses | (321,935) | (249,442) | 29.1% | (308,268) | -19.1% |
| Monetary Variation | (57,151) | (48,909) | 16.9% | (55,897) | -12.5% |
| Foreign Exchange Variation | (108,356) | (13,527) | n.m. | (42,799) | -68.4% |
| Interest on Loans | (156,084) | (186,547) | -16.3% | (194,061) | -3.9% |
| Sundry | (344) | (459) | -25.1% | (15,511) | -97.0% |
| Financial Result | (175,973) | (133,895) | 31.4% | (191,706) | -30.2% |

5.5.1. Financial Revenues

The 26.3% year-over-year increase in financial revenues in 2019 was mainly due to:

- increase in revenue from currency variations resulting from the 29% appreciation over dollar-denominated asset, in the amount of US\$24.1 million (equivalent to R\$125.1 million at the end of 2020), which will pay off the last installment to mature from the debt in that currency in 2024; and
- increase in the interest items due to the Company's greater cash availability;
- R\$4.9 million increase in the Dividends and Interest on Equity received, due to the increase in earnings from the company GS Inima Industrial Jeceaba S.A., in which COPASA MG has 15.5% share capital.

5.5.2. Financial Expenses

Financial expenses rose 29.1% year on year in 2020. The most significant variations are as follows:

- increase in expenses from currency variations, mainly due to the 29.0% appreciation in the dollar and a 41.0% appreciation in the euro in 2020; and

▪ decrease in interest on financing, due to the reduction in interest rates on the Company's debt, as well as the suspension for 180 days, beginning in April (financing) and May 2020 (debentures) of interest payments, due to the Company's adherence to the measure announced by the BNDES.

5.6. Taxes on Income

| Taxes on Income | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|---|----------------|----------------|---------------------|----------------|---------------------|
| Income and Social Contribution Taxes | 288,798 | 267,930 | 7.8% | 153,172 | 74.9% |

The increases in taxes on income was mainly due to the 8.1% year-over-year increase in earnings before taxes on income in 2020 compared to 2019. (See item 5.7).

5.7. Net Income

| Net Income and Earnings per Share | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|---|------------------|------------------|---------------------|----------------|---------------------|
| (=) Result before Financial Result and Taxes | 1,281,248 | 1,156,199 | 10.8% | 923,578 | 25.2% |
| (+) Net Financial Result | (175,973) | (133,895) | 31.4% | (191,706) | -30.2% |
| (=) Earnings before Taxes on Income | 1,105,275 | 1,022,304 | 8.1% | 731,872 | 39.7% |
| (+) Taxes on Income | (288,798) | (267,930) | 7.8% | (153,172) | 74.9% |
| (=) Net Income | 816,477 | 754,374 | 8.2% | 578,700 | 30.4% |
| (=) Earnings per Share (R\$)¹ | 2.15 | 1.99 | 8.2% | 1.53 | 30.4% |

1) The amounts were adjusted considering the Split occurred on November 25, 2020, in the proportion of 1 (one) to 3 (three) shares. Accordingly, the Earnings per Share, prior to the date of the transaction, were divided by 3 (three).

5.8. EBITDA

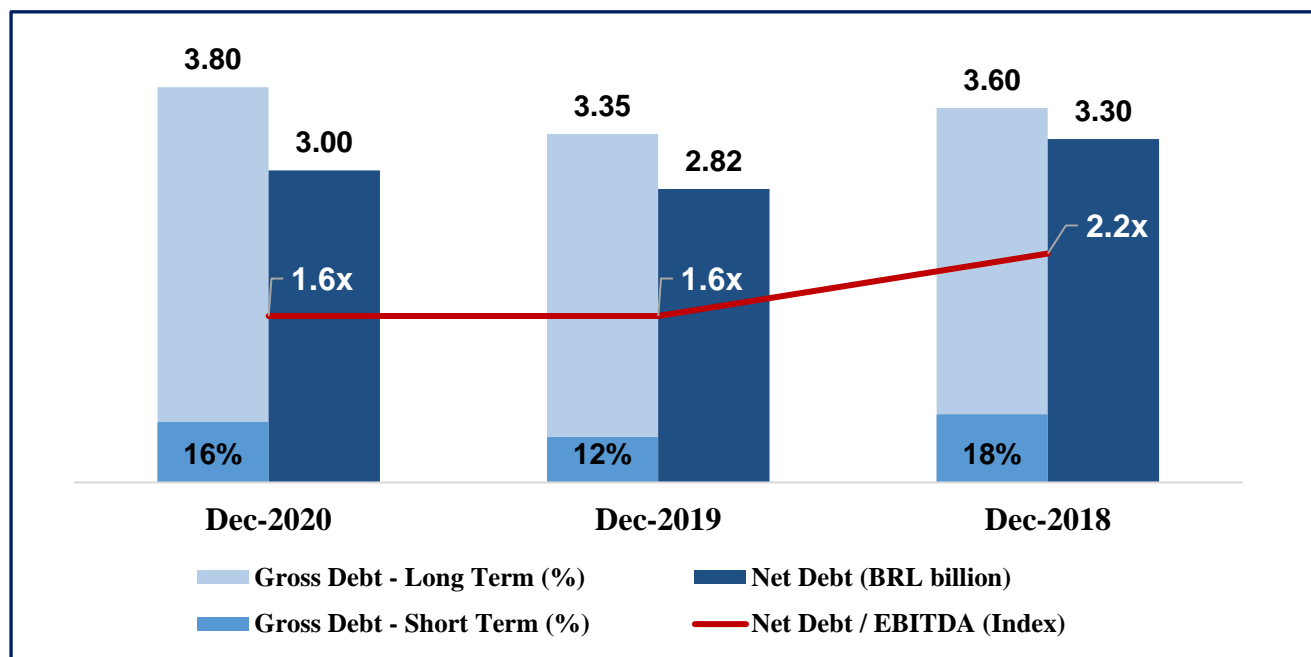
EBITDA is a non-accounting measure adopted by COPASA MG, calculated in accordance with CVM Instruction 527/2012, consisting, as shown below, of net income plus taxes on income, financial result, depreciation/amortization, and these same items of the subsidiary COPANOR.

| EBITDA | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|---------------------------------------|------------------|------------------|---------------------|------------------|---------------------|
| (+) Net Income for the period | 816,477 | 754,374 | 8.2% | 578,700 | 30.4% |
| (+) Taxes on Income | 288,798 | 267,930 | 7.8% | 153,172 | 74.9% |
| (+) Financial Result | 175,973 | 133,895 | 31.4% | 191,706 | -30.2% |
| (+) Depreciation and Amortization | 641,791 | 600,613 | 6.9% | 567,988 | 5.7% |
| (+) Non-Operating Result - Subsidiary | 3,527 | 1,657 | 112.9% | (702) | n.m |
| (=) EBITDA | 1,926,566 | 1,758,469 | 9.6% | 1,490,864 | 17.9% |
| EBITDA Margin | 36.8% | 36.4% | +0.4 p.p. | 33.9% | +2.5 p.p. |

6. Debt and Rating

6.1. Gross Debt and Net Debt

As shown in the chart below, gross accounting debt is R\$3.8 billion in December 2019. Net debt reached R\$3.0 billion in December 2020 (R\$2.82 billion in December 2019). The leverage ratio, as measured by the Net



Debt/EBITDA ratio in the last 12 months, reached 1.6x, same value observed in December 2019.

Debt in foreign currency accounted for 9.1% of gross debt in December 2020, aligned with the percentage recorded in December 2019, and was represented by the debts with the German bank KfW and Banco do Brasil.

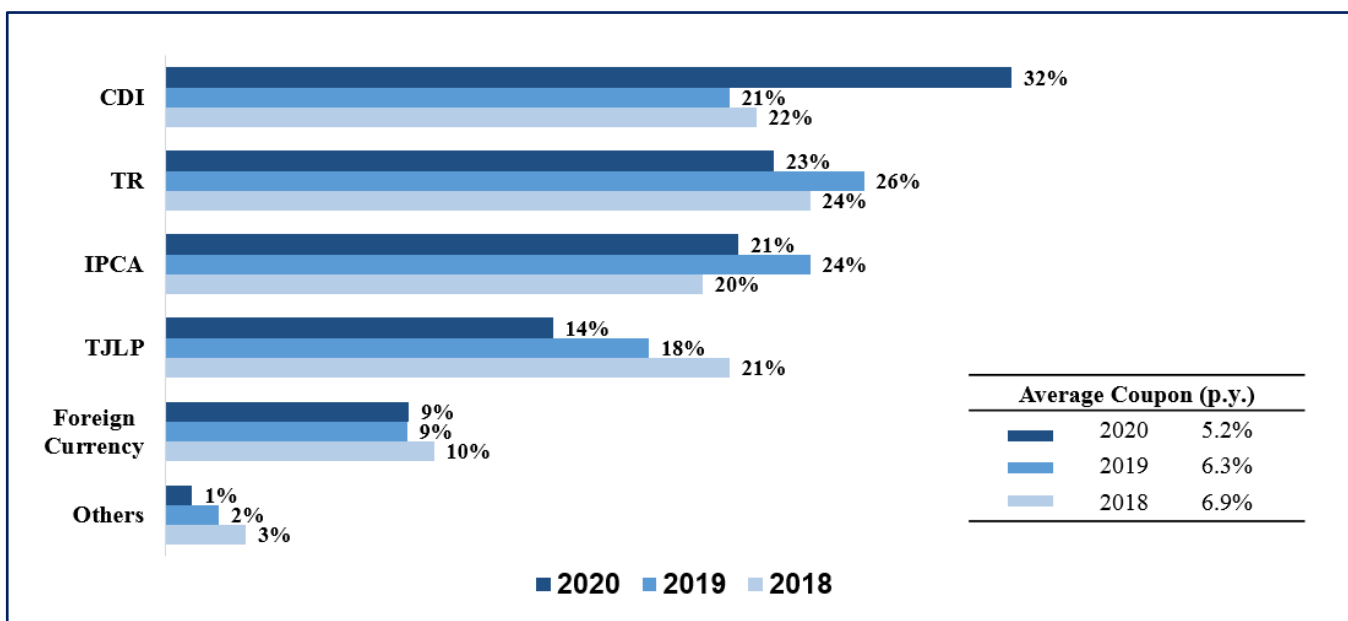
No hedge operations were contracted for the transaction carried out with bank KfW whose debt balance was €33.4 million (equivalent to R\$212.7 million in December 2020).

The debt with Banco do Brasil, debt balance of US\$25.06 million, hedged in the amount of US\$24.07 million. In view of the Ministry of Finance Ordinance No. 343, of August 08, 2014, as well as the relevant balance of collateral related to guarantee, the benefits of reducing the company's exposure to foreign exchange, the release of the State from the condition of guarantor of the contract, indicative cost savings projections with charges foreseen until April 2024, the Board of Directors, at a meeting held on January 28, 2021, approved the early settlement of said Medium and Long Term Debt - DMLP, signed under Resolution No. 98, from the Federal Senate.

The amount paid was R\$7.1 million, consisting of the proportional interest and bank commission maturing on February 5, 2021, plus the debt balance subtracting the surety bonds, all in dollars.

6.2. 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 2020, 2019 and 2018.



6.3. Corporate Ratings

On January 24, 2020, the rating agency Moody's published a report upgrading the Company's rating for corporate and senior debt without guarantee, from Ba3 to Ba2 in the global scale, and from A1.br to Aa3.br in the Brazilian scale. The ratings' outlook was changed from positive to stable. At the same time, Moody's raised the assessment of individual credit risk profile from ba3 to ba2. This assessment was maintained in the report published on January 27, 2021.

On July 6, 2020, Fitch Ratings disclosed a report reaffirming the Long-Term National Rating 'AA (bra)' for COPASA MG and for the 12th, 13th and 14th debenture issues due to the low business risk profile of the basic sanitation sector in Brazil. The outlook was changed to stable.

Below is the table with a summary of the ratings:

| Agency | National Scale | Global Scale | Outlook | Date | Report Link |
|-----------------------|----------------|--------------|---------|------------|---------------------------------|
| Moody's Latin America | Aa3.br | Ba2 | Stable | 01.27.2021 | Moody's: Report |
| Fitch Ratings | AA(bra) | — | Stable | 07.06.2020 | Fitch: Report |

7. Appendix

7.1. Quarterly Income Statement

| Parent Company (R\$ in thousand) | 4Q20 | 4Q19 | 4Q20 vs. 4Q19 | 4Q18 | 4Q19 vs. 4Q18 |
|---|------------------|------------------|---------------------|------------------|---------------------|
| Operating Revenue from Services | | | | | |
| Water services | 855,883 | 823,112 | 4.0% | 695,064 | 18.4% |
| Sewage services | 488,260 | 468,447 | 4.2% | 395,325 | 18.5% |
| Solid waste revenues | 542 | 466 | 16.3% | 521 | -10.6% |
| Construction revenues | 85,154 | 93,914 | -9.3% | 136,071 | -31.0% |
| Net Operating Revenue from Services | 1,429,839 | 1,385,939 | 3.2% | 1,226,981 | 13.0% |
| Cost of services rendered | (679,936) | (655,140) | 3.8% | (597,723) | 9.6% |
| Construction costs | (85,154) | (93,914) | -9.3% | (136,071) | -31.0% |
| COST OF SERVICES RENDERED | (765,090) | (749,054) | 2.1% | (733,794) | 2.1% |
| Gross Income | 664,749 | 636,885 | 4.4% | 493,187 | 29.1% |
| Selling expenses | (56,040) | (51,434) | 9.0% | (50,568) | 1.7% |
| Provisions for Doubtful Accounts | (88,781) | (44,852) | 97.9% | (53,230) | -15.7% |
| General and administrative expenses | (134,107) | (130,703) | 2.6% | (121,264) | 7.8% |
| Other Operating Income | 50,989 | 27,383 | 86.2% | 38,714 | -29.3% |
| Other Operating Expenses | (57,276) | (60,501) | -5.3% | (34,962) | 73.0% |
| Employees' profit sharing | - | (16,331) | n.m. | (11,536) | 41.6% |
| Equity income | 2,241 | (3,373) | n.m. | (4,662) | -27.6% |
| Operating Income (Expenses) | (282,974) | (279,811) | 1.1% | (237,508) | 17.8% |
| Income before Financial Result and Taxes | 381,775 | 357,074 | 6.9% | 255,679 | 39.7% |
| Financial Income | 17,184 | 35,108 | -51.1% | 22,514 | 55.9% |
| Financial Expenses | (42,580) | (57,525) | -26.0% | (57,324) | 0.4% |
| Financial Result | (25,396) | (22,417) | 13.3% | (34,810) | -35.6% |
| Income before Taxes | 356,379 | 334,657 | 6.5% | 220,869 | 51.5% |
| Provision for Income Tax | (61,871) | (56,480) | 9.5% | (30,940) | 82.5% |
| Provision for Social Contribution on Net Income | (25,754) | (22,890) | 12.5% | (11,926) | 91.9% |
| Net Income for the period | 268,754 | 255,287 | 5.3% | 178,003 | 43.4% |
| Earnings per Share (R\$) | 0.71 | 0.67 | 5.3% | 0.47 | 43.4% |

1) The form of accounting for Employee Profit Sharing (PL) was changed and started to be realized directly as Cost of Services Sold, Selling Expenses and General and Administrative Expenses. The PL value in 4Q20 was R\$ 17.4 million (R\$16.3 million in 4Q19 and R\$11.5 million in 4Q18).

2) The amounts were adjusted considering the split occurred on November 25, 2020, in the proportion of 1 (one) to 3 (three) shares. Accordingly, the net earnings per share, prior to the date of the transaction, were divided by 3 (three).

7.2. Annual Income Statement

| PARENT CO. (R\$ in thousand) | Note | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|---|------|--------------------|--------------------|---------------------|--------------------|---------------------|
| Operating Revenue from Services | | | | | | |
| Water services | 29 | 3,193,744 | 2,995,036 | 6.6% | 2,686,846 | 11.5% |
| Sewage services | 29 | 1,819,243 | 1,688,185 | 7.8% | 1,482,843 | 13.8% |
| Solid waste revenues | 29 | 2,090 | 2,062 | 1.4% | 2,423 | -14.9% |
| Construction revenues | 29 | 273,866 | 408,079 | -32.9% | 496,891 | -17.9% |
| Net Operating Revenue from Services | | 5,288,943 | 5,093,362 | 3.8% | 4,669,003 | 9.1% |
| Cost of services rendered | 30 | (2,607,041) | (2,521,721) | 3.4% | (2,316,182) | 8.9% |
| Construction costs | 30 | (273,866) | (408,079) | -32.9% | (496,891) | -17.9% |
| COST OF SERVICES RENDERED | | (2,880,907) | (2,929,800) | -1.7% | (2,813,073) | 4.1% |
| Gross Income | | 2,408,036 | 2,163,562 | 11.3% | 1,855,930 | 16.6% |
| Selling expenses | 30 | (222,930) | (206,847) | 7.8% | (202,088) | 2.4% |
| Provisions for Doubtful Accounts | | (369,880) | (189,655) | 95.0% | (252,768) | -25.0% |
| General and administrative expenses | 30 | (495,472) | (484,855) | 2.2% | (484,107) | 0.2% |
| Other Operating Income | 32 | 171,341 | 107,937 | 58.7% | 196,135 | -45.0% |
| Other Operating Expenses | 32 | (197,260) | (221,171) | -10.8% | (139,613) | 58.4% |
| Employees' profit sharing | | - | - | | (36,913) | n.m. |
| Equity income | 9 | (12,587) | (12,772) | -1.4% | (12,998) | -1.7% |
| Operating Income (Expenses) | | (1,126,788) | (1,007,363) | 11.9% | (932,352) | 8.0% |
| Income before Fin. Result and Taxes | | 1,281,248 | 1,156,199 | 10.8% | 923,578 | 25.2% |
| Financial Income | 33 | 145,962 | 115,547 | 26.3% | 116,562 | -0.9% |
| Financial Expenses | 33 | (321,935) | (249,442) | 29.1% | (308,268) | -19.1% |
| Financial Result | | (175,973) | (133,895) | 31.4% | (191,706) | -30.2% |
| Income before Taxes | | 1,105,275 | 1,022,304 | 8.1% | 731,872 | 39.7% |
| Provision for Income Tax | 18 | (208,344) | (193,748) | 7.5% | (111,025) | 74.5% |
| Provision for Social Contribution on Net Income | 18 | (80,454) | (74,182) | 8.5% | (42,147) | 76.0% |
| Net Income for the period | | 816,477 | 754,374 | 8.2% | 578,700 | 30.4% |
| Earnings per Share (R\$) | | 2.15 | 1.99 | 8.2% | 1.53 | 30.4% |

1) The amounts were adjusted considering the split occurred on November 25, 2020, in the proportion of 1 (one) to 3 (three) shares. Accordingly, the net earnings per share, prior to the date of the transaction, were divided by 3 (three).

7.3. Balance Sheet - Assets

| Parent Company (R\$ in thousand) | Note ¹ | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|---|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| CURRENT | | | | | | |
| Cash and cash equivalents | 6 | 786,377 | 521,304 | 50.8% | 297,518 | 75.2% |
| Trade accounts receivable | 7 | 1,034,710 | 1,176,718 | -12.1% | 1,150,754 | 2.3% |
| Financial Invest. redeemable over 90 days | | - | - | n.m. | 161,349 | n.m. |
| Financing guarantee deposits | | 8,332 | - | n.m. | - | n.m. |
| Inventories | | 62,603 | 57,214 | 9.4% | 46,722 | 22.5% |
| Taxes recoverable | | 18,381 | 30,173 | -39.1% | 29,928 | 0.8% |
| Technical cooperation agreement | 19 | 16,152 | 471 | n.m. | 109,142 | -99.6% |
| Banks and agreement investments | 24 | 24,452 | 20,190 | 21.1% | 8,048 | 150.9% |
| Sundry receivables | 7 | 23,486 | 21,934 | 7.1% | 21,537 | 1.8% |
| TOTAL CURRENT ASSETS | | 1,974,493 | 1,828,004 | 8.0% | 1,824,998 | 0.2% |
| NON-CURRENT | | | | | | |
| Long-Term Assets | | | | | | |
| Clients | | - | - | n.m. | 12,994 | n.m. |
| Financing guarantee deposits | 8 | 191,642 | 180,770 | 6.0% | 188,442 | -4.1% |
| Restricted investments | 8 | 75,715 | 85,268 | -11.2% | 81,943 | 4.1% |
| Financial assets - investment BRK Ambiental - Foz Jeceaba | 23.3 | 76,603 | 75,074 | 2.0% | 64,721 | 16.0% |
| Credit with subsidiary | | 2,125 | - | n.m. | - | n.m. |
| Deferred income and social contribution taxes | 18 | 293,349 | 203,908 | 43.9% | 159,892 | 27.5% |
| Financial assets | 5 e 7 | 685,561 | 648,892 | 5.7% | 682,828 | -5.0% |
| Technical cooperation agreement long term | 19 | 26,188 | 35,594 | n.m. | - | n.m. |
| Sundry receivables | 7 | 66,762 | 44,248 | 50.9% | 34,244 | 29.2% |
| Contract assets | 10 | 756,545 | 1,132,922 | -33.2% | 1,147,522 | n.m. |
| Right of use - commercial leasing | 13 | 61,716 | 57,169 | 8.0% | - | n.m. |
| Total Long-Term Assets | | 2,236,206 | 2,463,845 | -9.2% | 2,372,586 | 3.8% |
| Investments | 9 | 165,392 | 134,243 | 23.2% | 104,857 | 28.0% |
| Intangible assets | 11 | 5,867,484 | 5,504,374 | 6.6% | 5,188,492 | 6.1% |
| Property, plant and equipment | 12 | 1,518,979 | 1,590,303 | -4.5% | 1,675,029 | -5.1% |
| Total Permanent Assets | | 7,551,855 | 7,228,920 | 4.5% | 6,968,378 | 3.7% |
| TOTAL NON-CURRENT ASSETS | | 9,788,061 | 9,692,765 | 1.0% | 9,340,964 | 3.8% |
| TOTAL ASSETS | | 11,762,554 | 11,520,769 | 2.1% | 11,165,962 | 3.2% |

1) Explanatory Note to the Financial Statements.

7.4. Balance Sheets - Liabilities

| Parent Company (R\$ in thousand) | Note ¹ | 2020 | 2019 | 2020 vs. 2019 | 2018 | 2019 vs. 2018 |
|---|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| CURRENT | | | | | | |
| Contractors and suppliers | | 206,177 | 176,302 | 16.9% | 206,999 | -14.8% |
| Taxes, charges and contributions | | 79,680 | 76,719 | 3.9% | 71,699 | 7.0% |
| Loans and financing | 16 | 201,851 | 170,450 | 18.4% | 173,736 | -1.9% |
| Debentures | 16 | 393,905 | 214,489 | 83.6% | 441,996 | -51.5% |
| Right of use - commercial leasing | 13 | 32,623 | 37,166 | -12.2% | - | n.m. |
| Public-private partnership | 14 | 47,975 | 59,985 | -20.0% | 64,384 | -6.8% |
| Employees' profit sharing | | 91,336 | 46,024 | 98.5% | 17,448 | 163.8% |
| Provision for vacations and 13th salary | | 125,194 | 115,971 | 8.0% | 115,357 | 0.5% |
| Tax installments | 15 | - | 14,289 | n.m. | 77,966 | -81.7% |
| Technical cooperation agreement | 19 | 3,547 | 3,326 | n.m. | - | n.m. |
| Retirement benefit liabilities | 20 | 21,998 | 42,170 | -47.8% | 39,346 | 7.2% |
| Interest on equity | 21 | 72,270 | 80,719 | -10.5% | 93,397 | -13.6% |
| Sundry obligations | 15 | 102,304 | 72,640 | 40.8% | 26,255 | 176.7% |
| TOTAL CURRENT LIABILITIES | | 1,378,860 | 1,110,250 | 24.2% | 1,328,583 | -16.4% |
| NON-CURRENT | | | | | | |
| Long-Term Liabilities | | | | | | |
| Loans and financing | 16 | 1,072,146 | 1,110,936 | -3.5% | 1,224,441 | -9.3% |
| Debentures | 16 | 2,113,239 | 1,814,362 | 16.5% | 1,701,895 | 6.6% |
| Right of use - commercial leasing | 13 | 31,512 | 21,106 | 49.3% | - | n.m. |
| Public-private partnership | 14 | 258,251 | 297,434 | -13.2% | 350,487 | -15.1% |
| Provision for litigation | 17 | 134,002 | 192,448 | -30.4% | 130,010 | 48.0% |
| Tax installments | | - | - | n.m. | 12,994 | n.m. |
| Retirement benefit liabilities | 20 | 223,892 | 136,007 | 64.6% | 105,483 | 28.9% |
| Technical cooperation agreement long term | 19 | - | 3,168 | n.m. | - | n.m. |
| Sundry obligations | 15 | 94,040 | 91,345 | 3.0% | 85,436 | 6.9% |
| TOTAL NON-CURRENT LIABILITIES | | 3,927,082 | 3,666,806 | 7.1% | 3,610,746 | 1.6% |
| SHAREHOLDERS' EQUITY | | | | | | |
| Paid-up capital stock | 21 | 3,402,385 | 3,402,385 | 0.0% | 3,402,385 | 0.0% |
| Treasury shares | | (8,576) | (8,576) | 0.0% | (8,576) | 0.0% |
| Profit reserve | | 3,147,591 | 3,378,939 | -6.8% | 2,834,829 | n.m. |
| Equity valuation adjustments | | (84,788) | (29,035) | n.m. | (2,005) | n.m. |
| TOTAL SHAREHOLDERS' EQUITY | | 6,456,612 | 6,743,713 | -4.3% | 6,226,633 | 8.3% |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 11,762,554 | 11,520,769 | 2.1% | 11,165,962 | 3.2% |

1) Explanatory Note to the Financial Statements.

7.5. Annual Cash Flow

| Parent Company (R\$ in thousand) | 2020 | 2019 |
|--|------------------|------------------|
| Cash flow from operational activities: | | |
| Net Income (Loss) for the year | 816,477 | 754,374 |
| Provision for Doubtful Accounts | 369,880 | 187,636 |
| Recovery of written-off invoices | - | (56,775) |
| Monetary and foreign exchange variation and charges, net | 129,778 | 43,650 |
| Interest income and expenses | 108,243 | 148,644 |
| Deferred income and social contribution taxes | (60,837) | (30,239) |
| Equity income | 12,587 | 12,772 |
| Gain/loss on intangible assets and property, plant and equipment | 129,751 | (2,347) |
| Depreciation and amortization | 641,791 | 600,613 |
| Constitution of provisions | (62,857) | 59,657 |
| Provision for retirement benefits | 60,247 | 56,089 |
| Financial assets | (36,406) | (31,716) |
| Others | (316) | (617) |
| Provision for inventories loss | 823 | 21 |
| Adjusted profit | 2,109,161 | 1,741,762 |
| Increase (decrease) in operational assets | | |
| Accounts receivable from clients | (189,923) | (190,727) |
| Inventories | (6,259) | (10,296) |
| Taxes to be recovered | 11,792 | (245) |
| Advancement of tariff transfer | (19,812) | (7,195) |
| Technical cooperation agreement | (6,275) | 73,077 |
| Other | 4,000 | (3,996) |
| Increase (decrease) in operational liabilities | | |
| Suppliers | 17,601 | (18,652) |
| Taxes, fees, contributions and social obligations | 362,119 | 326,166 |
| Provision for vacations and 13th salary | 9,223 | 614 |
| Employees' profit sharing | 45,312 | 28,576 |
| Technical Cooperational Agreement | (2,947) | 6,494 |
| Contingencies | 4,411 | 2,781 |
| Retirement benefit liabilities | (50,058) | (45,664) |
| Electricity / Other / Tax installment payment | 28,901 | (43,125) |
| Payment of actuarial liabilities and Tax installments payment | (26,998) | (26,403) |
| Cash from operations | 181,087 | 91,405 |
| Income Tax (IR) and Social Contribution (CSLL) payment | (370,652) | (331,562) |
| Interest paid | (171,107) | (236,945) |
| Interest paid from the Public Private Partnership | (8,859) | (7,983) |
| NET CASH FROM OPERATING ACTIVITIES | 1,739,630 | 1,256,677 |
| Cash flow from investing activities: | | |
| PPP Payment | (56,665) | (64,427) |
| Capital increase of subsidiaries (Copanor) | (43,736) | (42,122) |
| Amount received from the sale of property, plant and equipment | 2,782 | 5,990 |
| Purchase of Contract Assets | (455,637) | (435,625) |
| Purchase of Intangible Assets | (139,385) | (210,730) |
| Purchase of property, plant and equipment | (12,559) | (33,191) |
| Financial investments | - | 161,349 |
| Loan collateral deposits | 15,133 | 15,784 |
| Bank and financial investments of agreement | (4,262) | (12,142) |
| NET CASH USED IN INVESTING ACTIVITIES | (694,329) | (615,114) |
| Cash flow from financing activities: | | |
| Income from loans, financing and debentures | 564,772 | 315,154 |
| Amortization of loans, financing and debentures | (251,750) | (572,944) |
| Payment of Interest on Equity | (225,064) | (134,730) |
| Payment of dividends | (819,918) | - |
| Funding costs | (5,280) | (1,480) |
| Payment of leasing | (42,988) | (23,777) |
| NET CASH USED IN FINANCING ACTIVITIES | (780,228) | (417,777) |
| Net increase (decrease) in cash and cash equivalents | 265,073 | 223,786 |
| Cash and cash equivalents at beginning of the period | 521,304 | 297,518 |
| Cash and cash equivalents at end of the period | 786,377 | 521,304 |

7.6. Debt

| Debt –Funding Lines | Fixed Rate (Annual) | Index | Issue Date | Maturity Date | Outstanding Balance (R\$ in million) | % |
|--|------------------------|-------|------------|---------------|---|---------------|
| <u>In National Currency:</u> | | | | | | |
| FGTS Funds* | 7.65% | TR | ** | 16-aug-42 | 671.1 | 17.7% |
| Finame | 4.04% | - | 28-mar-11 | 15-jan-25 | 33.7 | 0.9% |
| BNDES Loan | 6.08% | TJPL | 15-jan-08 | 15-may-25 | 228.1 | 6.0% |
| BNDES/4th Debenture Issue | | | | | | |
| 1st Series | 6.10% | TJLP | 15-jul-10 | 15-jul-22 | 54.1 | 1.4% |
| 2nd Series | 9.05% | IPCA | 15-jul-10 | 15-aug-22 | 147.2 | 3.9% |
| 3rd Series | 6.10% | TJLP | 15-jul-10 | 15-jul-22 | 71.6 | 1.9% |
| Caixa/5th Debenture Issue | 9.00% | TR | 20-sep-11 | 01-sep-31 | 189.0 | 5.0% |
| Market Debentures – 7th Issue | | | | | | |
| 2nd Series | 7.39% | IPCA | 15-apr-14 | 15-apr-21 | 35.7 | 0.9% |
| BNDES/8th Debenture Issue | | | | | | |
| 1st Series | 6.42% | TJLP | 15-jun-15 | 15-jun-28 | 65.3 | 1.7% |
| 2nd Series | 8.18% | IPCA | 15-jun-15 | 15-jun-28 | 33.4 | 0.9% |
| BNDES/11th Debenture Issue | | | | | | |
| 1st Series | 7.17% | TJLP | 15-jan-17 | 15-jan-31 | 128.6 | 3.4% |
| 2nd Series | 8.85% | IPCA | 15-jan-17 | 15-jan-31 | 62.7 | 1.7% |
| Market Debentures – 12th Issue | | | | | | |
| 1st Series | 5.06% | IPCA | 08-feb-18 | 15-jan-24 | 213.4 | 5.6% |
| 2nd Series | 5.27% | IPCA | 08-feb-18 | 15-jan-26 | 91.9 | 2.4% |
| Market Debentures – 13th Issue | | | | | | |
| 1st Series | 2.03% | DI | 15-jul-18 | 15-jul-21 | 93.5 | 2.5% |
| 2nd Series | 2.09% | DI | 15-jul-18 | 15-jul-23 | 545.3 | 14.4% |
| 3rd Series | 6.50% | IPCA | 15-jul-18 | 15-jul-25 | 75.4 | 2.0% |
| Market Debentures – 14th Issue | | | | | | |
| 1st Series | 2.02% | DI | 15-jun-19 | 15-jun-24 | 56.5 | 1.5% |
| 2nd Series | 4.30% | IPCA | 15-jun-19 | 15-jun-26 | 150.2 | 4.0% |
| Market Debentures – 15th Issue | | | | | | |
| 1st Series | 3.68% | DI | 16-dec-20 | 16-dec-25 | 500.6 | 13.2% |
| <u>Other Liabilities:</u> | | | | | | |
| Libertas (Private Pension Plan) | 6.73% | INPC | 08-jan-01 | 08-nov-21 | 4.7 | 0.1% |
| <u>In Foreign Currency:</u> | | | | | | |
| Banco do Brasil *** | 4.52% | Libor | 05-aug-98 | 10-apr-24 | 131.6 | 3.5% |
| KfW | 2.07% | - | 29-nov-11 | 20-dec-23 | 212.7 | 5.6% |
| Total Short-Term Debt + Long-Term Debt | | | | | 3,796.4 | 100.0% |
| Issuance Costs of Securities | | | | | 10.6 | |
| Total Short-Term Debt + Long-Term Debt (Accounting) | | | | | 3,785.8 | |
| Cash and Cash Equivalents | | | | | 786.4 | |
| Net Debt | | | | | 2,999.4 | |

* FGTS Funds: Brazilian Savings Bank.

** Several dates.

*** Debt originally contracted from foreign financial institutions, as covered in an agreement entered into between the Brazilian government and the international financial community to restructure the foreign debt of the Brazilian public sector with international private creditors. Under this agreement, approved by the Federal Senate by means of Resolution 98 of December 29, 1992, the debt was exchanged for bonds issued by the Federal Government, which became the debtor before foreign creditors. Several types of bonds at interest rates consistent with those used in the international financial market were issued to replace the principal installments.

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. COPASA MG has concessions in about 75% of the municipalities of the Minas Gerais State, supplying water to approximately 11.8 million people, of which 8.3 million people also are served with sewage services.

Contact

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Any information contained in this document regarding COPASA MG's business prospects, projections and operational and financial goals is considered as assumptions and expectations of the Company's Management, based on information currently available. They involve risks and uncertainties, as they refer to future events and therefore depend on circumstances that may or may not occur. Changes in macroeconomic policy, legislation or other operating factors may affect the future performance of COPASA MG and lead to results that materially differ from those expressed in such considerations.