



Rio Manso Reservoir

# Earnings Release

## 1Q22



**Belo Horizonte, May 02, 2022** - COPASA MG - Companhia de Saneamento de Minas Gerais - (B3: CSMG3) hereby announces today its results for the first quarter of 2022 (1Q22). 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](http://ir.copasa.com.br)).

### OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Net revenues of water, sewage and solid waste totaled **R\$1.27 billion** in 1Q22 against **R\$1.28 billion** in 1Q21.
- Manageable costs and expenses amounted to **R\$654.5 million** against **R\$593.4 million** in 1Q21.
- EBITDA totaled **R\$445.3 million** in 1Q22, with a margin of **33.8%**.
- Net income was **R\$167.5 million** in 1Q22 compared to **R\$219.8 million** in 1Q21.
- Interest on Equity (IoE) declared on March 17, 2022 for 1Q22 totaled **R\$33.9 million**.
- Net Debt reached **R\$2.96 billion** in March 2022, and the Net Debt/EBITDA ratio was **1.9x**.
- Investments made in 1Q22 amounted to **R\$200.7 million**, considering COPASA MG and COPANOR, jointly.
- In March 2022, the number of consumer units for water reached **5.54 million** (**5.48 million** in March 2021) and consumer units for sewage reached **3.91 million** (**3.79 million** in March 2021), considering COPASA MG and COPANOR, jointly.
- The delinquency rate, measured by the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total amount billed in the last 12 months, reached **3.56%** in March 2022 (**4.08%** in March 2021).
- The Parent Company's staff reduced by **10.8%** in the last 12 months, mainly due to the Voluntary Separation Program - VSP.
- The Parent Company's index of "employees per thousand water and sewage connections" fell by 12.5%, from 1.53 in March 2021 to 1.33 in March 2022.
- The capacity level of the reservoirs of the Paraopeba system stands above **98%**.

Conference Call  
May 03, 2022 (Tuesday)  
11:00 a.m. (Brasilia) 10:00 a.m. (New York) 3:00 p.m. (London)  
Webcast: [Click here](http://ir.copasa.com.br)

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## 1. Operating Performance

The main operational data of the parent company (COPASA MG) for 1Q22, 1Q21 and 1Q20 is as follows:

COPASA data (Parent Company)	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Water</b>					
Connections (1,000 units)	4,491	4,437	1.2%	4,312	2.9%
Units (1,000 units)	5,431	5,366	1.2%	5,222	2.8%
Population Served (1,000 inhabitants)	11,606	11,586	0.2%	11,405	1.6%
Distributed Volume (1,000 m <sup>3</sup> )	256,390	256,674	-0.1%	249,510	2.9%
Measured Volume (1,000 m <sup>3</sup> )	150,973	155,673	-3.0%	147,754	5.4%
Network Extension (km)	61,650	59,010	4.5%	53,836	9.6%
Water Metering Index (%)	99.9	99.8	+0.1p.p.	99.8	-
Loss Index <sup>1</sup> (%)	40.6	40.1	+0.5p.p.	40.5	-0.4p.p.
Loss Index <sup>2</sup> (L/connectionsxday)	256.7	256.2	0.2%	242.0	5.9%
<b>Sewage</b>					
Connections (1,000 units)	3,025	2,961	2.2%	2,884	2.7%
Units (1,000 units)	3,854	3,734	3.2%	3,640	2.6%
Population Served (1,000 inhabitants)	8,362	8,250	1.4%	8,123	1.6%
Measured Volume (1,000 m <sup>3</sup> )	104,495	106,072	-1.5%	101,052	5.0%
Treated Volume (1,000 m <sup>3</sup> )	80,143	87,264	-8.2%	77,597	12.5%
Network Extension (km)	30,921	28,836	7.2%	26,860	7.4%
<b>Water and Sewage</b>					
Consumption Days (quarter)	90.5	91.9	-1.5%	91.9	-0.1%
Consumption Days (monthly average)	30.2	30.6	-1.5%	30.6	-0.1%
<b>Delinquency<sup>3</sup> (%)</b>	3.56%	4.08%	-0.5p.p.	3.87%	+0.2p.p.

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

(2) Difference between the volume distributed and the volume measured, divided by the number of calls answered and the number of days in the period.

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

The main operational data of the subsidiary COPANOR for 1Q22, 1Q21 and 1Q20 is as follows:

COPANOR Data	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Water</b>					
Connections (1,000 units)	110	108	1.3%	104	3.8%
Units (1,000 units)	113	112	1.2%	108	3.6%
Population Served (1,000 inhabitants)	223	221	0.8%	213	3.7%
Distributed Volume (1,000 m <sup>3</sup> )	4,246	3,647	16.4%	4,012	-9.1%
Measured Volume (1,000 m <sup>3</sup> )	2,326	2,529	-8.0%	2,302	9.9%
Network Extension (km)	2,708	2,653	2.1%	2,637	0.6%
<b>Sewage</b>					
Connections (1,000 units)	52	50	3.3%	48	4.7%
Units (1,000 units)	54	52	3.1%	50	4.6%
Population Served (1,000 inhabitants)	105	103	2.5%	99	4.1%
Measured Volume (1,000 m <sup>3</sup> )	1,109	1,121	-1.1%	1,013	10.7%
Network Extension (km)	1,578	1,502	5.0%	1,533	-2.0%

The main operational data of the parent company (COPASA MG) and the subsidiary (COPANOR) for 1Q22, 1Q21 and 1Q20 is as follows:

Consolidated Data (COPASA MG + COPANOR)	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Water</b>					
Connections (1,000 units)	4,601	4,545	1.2%	4,416	2.9%
Units (1,000 units)	5,544	5,478	1.2%	5,330	2.8%
Population Served (1,000 inhabitants)	11,828	11,807	0.2%	11,618	1.6%
Distributed Volume (1,000 m <sup>3</sup> )	260,636	260,321	0.1%	253,521	2.7%
Measured Volume (1,000 m <sup>3</sup> )	153,299	158,202	-3.1%	150,056	5.4%
Network Extension (km)	64,357	61,663	4.4%	56,473	9.2%
<b>Sewage</b>					
Connections (1,000 units)	3,077	3,012	2.2%	2,932	2.7%
Units (1,000 units)	3,908	3,786	3.2%	3,691	2.6%
Population Served (1,000 inhabitants)	8,468	8,353	1.4%	8,221	1.6%
Measured Volume (1,000 m <sup>3</sup> )	105,604	107,193	-1.5%	102,065	5.0%
Network Extension (km)	32,499	30,338	7.1%	28,393	6.9%

## 1.1. Customer Base

The quarterly information about the customer base, measured volume and billing by consumer category (Residential, Social Residential, Commercial, Industrial and Public) are highlighted in the following table:

Consolidated Data (COPASA MG + COPANOR)	Units per Category (%)			Measures Volume per Category (%)			Billings per Category (%)		
Water and Sewage (Quarterly Average)	1Q22	1Q21	1Q20	1Q22	1Q21	1Q20	1Q22	1Q21	1Q20
Residential	78.0%	76.8%	78.9%	74.1%	74.2%	74.4%	69.0%	71.3%	69.5%
Residential Social	11.5%	12.6%	10.6%	11.9%	12.9%	10.8%	5.9%	6.0%	4.7%
Commercial	8.6%	8.6%	8.6%	7.9%	7.4%	8.4%	13.7%	12.8%	14.3%
Industrial	0.6%	0.7%	0.6%	2.1%	2.0%	2.0%	4.0%	3.8%	3.8%
Public	1.3%	1.3%	1.3%	4.0%	3.5%	4.4%	7.3%	6.1%	7.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## 1.2. Employees and Employees per Connection

On June 17, 2021, the Board of Directors of COPASA MG approved the Regulation of COPASA MG's Voluntary Separation Program (VSP). A total of 1,098 Company employees enrolled in the voluntary separation program, 3 (three) of which were canceled. The voluntary separations began in October 2021 on a staggered basis. Until March 31, 2022, over 97% of the employees enrolled in the Program had already been separated.

Severance and incentive payments were estimated at R\$152.2 million, whose provision was fully recorded in the third quarter of 2021. The estimated payback is 11 months, allowing for a monthly saving of about R\$14 million on the Company's personnel expenses, considering all employees who joined the Voluntary Separation Program.

Also, the Company has been dismissing retired employees ever since Constitutional Amendment 103/2019, of November 12, 2019, came into force.

As a result, the number of employees, within the scope of the Parent Company, reduced by 10.8% compared to March 2021, reaching 10,095 employees in March 2022, resulting in a reduction in the number of employees per connection of around 12.8%, as shown below:

Employees and Employees per Connection	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>COPASA</b>					
Employees	10,095	11,320	-10.8%	11,481	-1.4%
Employees/Connection <sup>1</sup>	1.33	1.53	-12.8%	1.60	-4.1%
<b>COPANOR</b>					
Employees	455	470	-3.2%	465	1.1%
Employees/Connection <sup>1</sup>	2.77	2.96	-6.4%	3.05	-2.9%
<b>COPASA + COPANOR</b>					
Employees	10,550	11,790	-10.5%	11,946	-1.3%
Employees/Connection <sup>1</sup>	1.36	1.56	-12.5%	1.63	-4.0%

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

## 2. Quarterly Financial Performance

### 2.1. Revenues

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

Gross Revenue, Deductions and Net Revenue	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
Gross Revenue – Water	923,682	899,404	2.7%	847,883	6.1%
Gross Revenue – Sewage	474,161	512,861	-7.5%	484,845	5.8%
Gross Revenue – Solid Waste	676	695	-2.7%	592	17.4%
<b>Gross Revenue – Water, Sewage and Solid Waste</b>	<b>1,398,519</b>	<b>1,412,960</b>	<b>-1.0%</b>	<b>1,333,320</b>	<b>6.0%</b>
PIS/COFINS	(129,666)	(130,772)	-0.8%	(123,582)	5.8%
<b>Net Revenue – Water, Sewage and Solid Waste</b>	<b>1,268,853</b>	<b>1,282,188</b>	<b>-1.0%</b>	<b>1,209,738</b>	<b>6.0%</b>

Net revenue from water, sewage and solid waste totaled R\$1.27 billion in 1Q22, as shown below:

Net Revenue	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
Net Direct Revenue - Water	817,279	797,318	2.5%	748,155	6.6%
Net Direct Revenue - Sewage	428,314	462,945	-7.5%	436,278	6.1%
<b>Net Direct Revenue - Water and Sewage</b>	<b>1,245,593</b>	<b>1,260,263</b>	<b>-1.2%</b>	<b>1,184,433</b>	<b>6.4%</b>
Net Indirect Revenue - Water	20,756	18,843	10.2%	21,070	-10.6%
Net Indirect Revenue - Sewage	1,911	2,472	-22.7%	3,716	-33.5%
<b>Net Indirect Revenue - Water and Sewage</b>	<b>22,667</b>	<b>21,315</b>	<b>6.3%</b>	<b>24,786</b>	<b>-14.0%</b>
<b>Net Revenue - Solid Waste</b>	<b>593</b>	<b>610</b>	<b>-2.8%</b>	<b>519</b>	<b>17.5%</b>
<b>Net Revenue - Water, Sewage and Solid Waste</b>	<b>1,268,853</b>	<b>1,282,188</b>	<b>-1.0%</b>	<b>1,209,738</b>	<b>6.0%</b>

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

- application of new tariffs by the Company, corresponding to a negative percentage of 1.52%, as authorized by Arsae-MG as of August 2021, due to the result of the Second Tariff Revision;
- increase in the number of consumer units of water (1.2%) and sewage (3.2%) in the Parent Company;
- drop in the volume per consumer unit of water (4.2%) and sewage (4.5%), partially affected by the 1.5% decrease in the number of consumption days, from 91,9 days in 1Q21 to 90,5 days in 1Q22; and
- benefits granted, in the amount of R\$4 million, to victims affected by the rains registered in most of the state of Minas Gerais from December 2021 to February 2022, according to the [Notice to the Market](#) released on 1/19/2022. It should be noted that this measure was preceded by authorization from the Regulatory Agency, with subsequent tariff compensation.

The table below shows direct water and sewage billing in the comparative periods.

Billing	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
Billing - Water	920,224	910,137	1.1%	853,563	6.6%
Billing - Sewage	488,546	548,260	-10.9%	503,250	8.9%
<b>Billing - Total</b>	<b>1,408,770</b>	<b>1,458,396</b>	<b>-3.4%</b>	<b>1,356,813</b>	<b>7.5%</b>

## 2.2. Costs and Expenses

Quarterly costs and expenses are as follows:

Costs and Expenses	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Manageable Costs</b>	<b>654,472</b>	<b>593,385</b>	<b>10.3%</b>	<b>567,803</b>	<b>4.5%</b>
Personnel	374,401	357,274	4.8%	347,596	2.8%
Outsourced Services	129,508	103,605	25.0%	95,522	8.5%
Rio Manso PPP	23,281	19,979	16.5%	19,654	1.7%
Material	16,524	14,455	14.3%	12,034	20.1%
Provision for Doubtful Accounts (PDA)	58,556	49,028	19.4%	51,592	-5.0%
Tariff Transfers to Municipalities	43,594	40,992	6.3%	33,503	22.4%
Sundry Operational Costs	8,608	8,052	6.9%	7,902	1.9%
<b>Non-Manageable Costs</b>	<b>174,421</b>	<b>140,982</b>	<b>23.7%</b>	<b>134,345</b>	<b>4.9%</b>
Electricity	149,236	123,863	20.5%	109,023	13.6%
Telecommunication	3,008	3,033	-0.8%	3,150	-3.7%
Treatment Chemicals	30,088	22,697	32.6%	28,673	-20.8%
Fuels and Lubricants	8,537	5,770	48.0%	6,297	-8.4%
Tax Credits	(16,448)	(14,381)	14.4%	(12,798)	12.4%
<b>Capital Costs</b>	<b>182,346</b>	<b>166,560</b>	<b>9.5%</b>	<b>158,984</b>	<b>4.8%</b>
<b>Depreciation and Amortization</b>	<b>182,346</b>	<b>166,560</b>	<b>9.5%</b>	<b>158,984</b>	<b>4.8%</b>
<b>Charge for Usage of Water Resources</b>	<b>-</b>	<b>4,066</b>	<b>n.m.</b>	<b>6,188</b>	<b>-34.3%</b>
<b>Total Costs and Expenses</b>	<b>1,011,239</b>	<b>904,993</b>	<b>11.7%</b>	<b>867,320</b>	<b>4.3%</b>
<b>Total Costs and Expenses (without Depreciation and Amortization)</b>	<b>828,893</b>	<b>738,433</b>	<b>12.3%</b>	<b>708,336</b>	<b>4.2%</b>

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

### 2.2.1. Manageable Costs

#### 2.2.1.1. Personnel

Increased by 4.8%, whereby the increase from the Collective Bargaining Agreement (2019/2022) was partially offset by the drop in the number of employees caused by the implementation of the Voluntary Separation Program (VSP).

It is also worth noting that upon the signature of the Collective Bargaining Agreement on February 8, 2022, the “base date” changed from May to November. Accordingly, the adjustment of salaries and food and meal vouchers was retroactive to November 1, 2021, at 5.0%, and the differences related to November and December 2021 were recorded in the first quarter of 2022.

#### 2.2.1.2. Outsourced Services

Essa conta apresentou aumento de 25,0%. A seguir, os itens que apresentaram variações mais significativas:

This item increased by 25.0%. The most significant changes were:

- R\$11.9 million increase in expenses with conservation and maintenance of assets and systems, due to new service agreements of backhoe loader, hydro jet, brake booster, paving, as well as the application of contractual adjustments;
- R\$4.1 million increase with professional technical services, arising from the expenses incurred under the 16<sup>th</sup> debenture issue and consulting expenses, aiming to adjust to the requirements of the New Sanitation Framework;
- R\$3.9 million increase in expenses with water trucks, due to the need to temporarily engage these services because of the rotation implemented by the Company in the Belo Horizonte Metropolitan Region (BHMR), between March 8 and 20, due to the accident with a water main of the Serra Azul System;
- R\$3.3 million increase in IT expenses, due to the contracting of new IT services, and the application of contractual adjustments;
- R\$1.3 million increase with costs related to cuts, suspension, and reconnection of water; and
- higher expenses with sundry services, due to contractual adjustments and execution of new contracts.

#### 2.2.1.3. Rio Manso PPP

The increase was mainly due to higher expenses with electricity and the application of contractual adjustments.

#### 2.2.1.4. Materials

This item increased by 14.3%, due to higher expenses with conservation and maintenance materials for assets and systems.

#### 2.2.1.5. Impairment of Receivables

The amounts recorded in 1Q22 are in line with the values observed in the last quarters. It is worth noting that the amount recorded in this line in 1Q21 was impacted by the revision of the methodology, according disclosed in the Earnings Release of 2Q20.

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

Net PDA	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
Provision for Doubtful Accounts (PDA)	58,556	49,028	19.4%	51,592	-5.0%
Recovery of written-off accounts	9,605	18,905	-49.2%	14,678	28.8%
<b>Net PDA</b>	<b>48,951</b>	<b>30,123</b>	<b>62.5%</b>	<b>36,914</b>	<b>-18.4%</b>

#### 2.2.1.6. Tariff Transfers to Municipalities

The 6.3% YoY increase in this item in 1Q22 was due to transfers to new municipal sanitation funds, sanitation, whose values are recognized in the tariff calculation, as defined by Arsae-MG.

### 2.2.2. Non-Manageable Costs

#### 2.2.2.1. Electricity

The 20.5% YoY increase in 1Q22 was mainly due to higher tariff flag expenses.

#### 2.2.2.2. Treatment Chemicals

The increase was due to higher product prices and consumption of the main chemicals used to treat water, due to higher rainfall levels throughout 1Q22, compared to 1Q21.

#### 2.2.2.3. Fuels and Lubricants

The 48.0% YoY increase was mainly due to higher fuel prices.

### 2.2.3. Capital Costs

#### 2.2.3.1. Depreciation and Amortization

The 9.5% YoY increase in depreciation and amortization in 1Q22 was due to the higher number of projects developed in the last 12 months.

## 2.3. Other Operating Revenues (Expenses)

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

Other Operating Revenues (Expenses)	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Other Operating Revenues</b>	<b>35,937</b>	<b>25,468</b>	<b>41.1%</b>	<b>29,277</b>	<b>-13.0%</b>
Revenue from Technical Services	72	11	n.m.	20	-45.0%
Reversal of Non-Deductible Provision	19,832	3,468	n.m.	10,521	-67.0%
Recovery of Written-off Accounts	9,605	18,905	-49.2%	14,678	28.8%
Other Revenues	6,428	3,084	108.4%	4,058	-24.0%
<b>Other Operating Expenses</b>	<b>(29,565)</b>	<b>(48,276)</b>	<b>-38.8%</b>	<b>(47,248)</b>	<b>2.2%</b>
Provisions for lawsuits	3,784	(27,812)	n.m.	(27,107)	2.6%
Arsae-MG Fee	(13,265)	(10,737)	23.5%	(9,852)	9.0%
Expenses with environmental preservation	(2,959)	(2,694)	9.8%	(5,097)	-47.1%
Taxes and tributes	(3,123)	(3,076)	1.5%	(2,847)	8.0%
Actuarial liability	(4,687)	(3,712)	26.3%	(1,812)	104.9%
Other Expenses	(9,315)	(245)	n.m.	(533)	-54.0%
<b>Total</b>	<b>6,372</b>	<b>(22,808)</b>	<b>n.m.</b>	<b>(17,971)</b>	<b>26.9%</b>

#### 2.3.1. Other Operating Revenues

As informed in the 3Q21 Earnings Release, that quarter the Company provisioned the full amount of the tariff refunds established by Arsae-MG. The R\$19.3 million refunded to customers in 1Q22, which is part of the amount provisioned in 3Q21 (R\$126.8 million), was billed by deducting revenues and adjusted by reversing the same amount in Other Operating Revenues (Reversal of Non-Deductible Provision). It is worth noting that the final effect in the result was null.

#### 2.3.2. Other Operating Expenses

The drop seen in Other Operating Expenses was due to the reversal of dispersed amounts referring to lawsuits, particularly the lawsuit related to the 2019 Employee Profit Sharing, due to the signature, in February 2022, of the 2019/2022 Collective Bargaining Agreement.

## 2.4. Equity Pick-up (Subsidiary COPANOR)

COPANOR's Summarized Income Statement referring to the comparative periods is as follows:

Summarized Statement of COPANOR	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
Net Revenue from Sales and/or Services	10,955	10,125	8.2%	8,507	19.0%
Construction Revenue	1,972	2,258	-12.7%	4,524	n.m.
Other Operating Revenues	1,096	639	71.5%	400	59.8%
Operating Costs and Expenses	(14,796)	(12,515)	18.2%	(12,473)	0.3%
Construction Costs	(1,972)	(2,258)	n.m.	(4,524)	n.m.
Other Operating Expenses	(354)	(641)	-44.8%	(444)	44.4%
Net Financial Revenues (Expenses)	752	299	151.5%	226	32.3%
<b>Net Income (Loss)</b>	<b>(2,347)</b>	<b>(2,093)</b>	<b>12.1%</b>	<b>(3,784)</b>	<b>-44.7%</b>

## 2.5. Financial Result

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

Financial Revenues (Expenses)	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Financial Revenues</b>	<b>91,953</b>	<b>36,989</b>	<b>148.6%</b>	<b>52,212</b>	<b>-29.2%</b>
Monetary Variation	2,068	720	187.2%	970	-25.8%
Foreign Exchange Variation	39,971	6,934	n.m.	26,918	-74.2%
Interest	11,357	11,421	-0.6%	9,193	24.2%
Real Gains from Financial Investments	26,316	4,563	n.m.	6,550	-30.3%
Capitalization of Financial Assets/Other	12,241	13,351	-8.3%	8,581	55.6%
<b>Financial Expenses</b>	<b>(114,308)</b>	<b>(84,758)</b>	<b>34.9%</b>	<b>(144,900)</b>	<b>-41.5%</b>
Monetary Variation	(32,959)	(24,867)	32.5%	(19,294)	28.9%
Foreign Exchange Variation	-	(17,643)	n.m.	(82,639)	-78.7%
Interest on Loans	(81,193)	(42,068)	93.0%	(42,894)	-1.9%
Sundry	(156)	(180)	-13.3%	(73)	146.6%
<b>Financial Result</b>	<b>(22,355)</b>	<b>(47,769)</b>	<b>-53.2%</b>	<b>(92,688)</b>	<b>-48.5%</b>

### 2.5.1. Financial Revenues

The 148.6% YoY increase in financial revenues in 1Q22 was mainly due to:

- higher expenses with revenues from foreign exchange variations, due to the 16.8% appreciation of the Real (R\$) against the Euro (€) in 1Q22; and
- higher real gain in financial investments, due to the rise in interest rates levied on such investments.

### 2.5.2. Financial Expenses

Financial expenses increased by 34.9% YoY in 1Q22. The most significant changes were:

- higher expenses with monetary variations, due to the rise in the IPCA, which is the index used for around 25% of the Company's debt; and
- rise in interest on financings, due to the increase in the interest rates and the recognition of R\$9.1 million in waiver fee, because of the non-compliance with non-financial covenants. The negotiation with the debenture holders was concluded in March 2022, and the waiver is detailed in item 5.3 of the [2021/4Q21 Earnings Release](#).

## 2.6. Taxes on Income

Taxes on Income	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Income and Social Contribution Taxes</b>	<b>71,762</b>	<b>84,738</b>	<b>-15.3%</b>	<b>61,940</b>	<b>36.8%</b>

The reduction in taxes on income was mainly due to the drop in earnings before taxes on income, comparing 1Q22 and 1Q21.

## 2.7. Net Income

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

Net Income and Earnings per Share	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Result before Financial Result and Taxes</b>	<b>261,639</b>	<b>352,294</b>	<b>-25.7%</b>	<b>315,463</b>	<b>11.7%</b>
Net financial result	(22,355)	(47,769)	-53.2%	(92,688)	-48.5%
<b>Earnings before Taxes on Income</b>	<b>239,284</b>	<b>304,525</b>	<b>-21.4%</b>	<b>222,775</b>	<b>36.7%</b>
Taxes on Income	(71,762)	(84,738)	-15.3%	(61,940)	36.8%
<b>Net Income</b>	<b>167,522</b>	<b>219,787</b>	<b>-23.8%</b>	<b>160,835</b>	<b>36.7%</b>
<b>Net Earnings per Share (R\$)</b>	<b>0.44</b>	<b>0.58</b>	<b>-23.8%</b>	<b>0.42</b>	<b>36.7%</b>

## 2.8. EBITDA and EBITDA Margin

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

Below is a table with the EBITDA of the comparative periods:

EBITDA	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Net Income for the Period</b>	<b>167,522</b>	<b>219,787</b>	<b>-23.8%</b>	<b>160,835</b>	<b>36.7%</b>
(+) Taxes on Income	71,762	84,738	-15.3%	61,940	36.8%
(+) Financial Result	22,355	47,769	-53.2%	92,688	-48.5%
(+) Depreciation and Amortization	182,346	166,560	9.5%	158,984	4.8%
(+) Non-Operating Result - Subsidiary	1,289	1,343	-4.0%	479	180.4%
<b>(=) EBITDA</b>	<b>445,274</b>	<b>520,197</b>	<b>-14.4%</b>	<b>474,926</b>	<b>9.5%</b>
<b>EBITDA Margin</b>	<b>33.8%</b>	<b>39.5%</b>	<b>-5.7p.p.</b>	<b>38.1%</b>	<b>+1.4p.p.</b>

### **3. Shareholder Compensation - 2022**

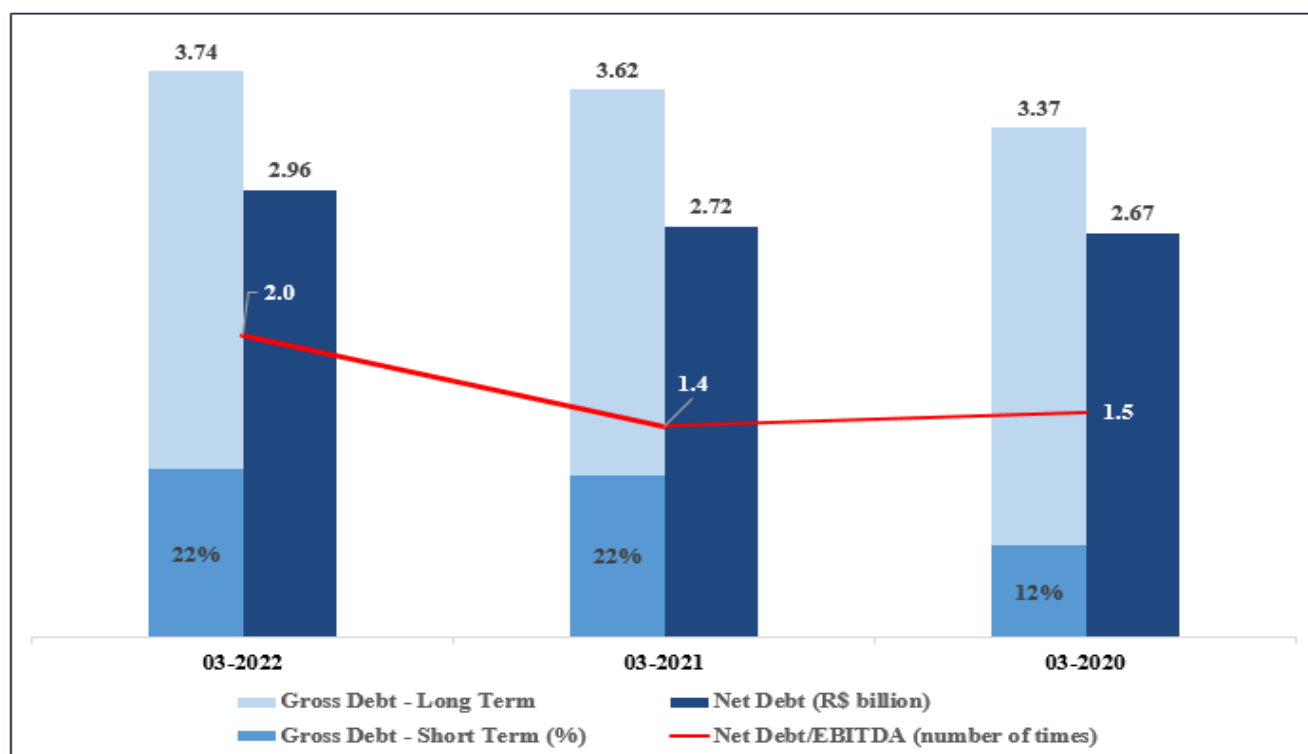
For 2022, the Board of Directors' meeting held on February 16, 2022 approved the distribution of Regular Dividends corresponding to twenty-five percent (25%) of Net Income, adjusted according to article 202 of Federal Law 6.404/1976, as Interest on Equity (IoE) or dividends.

The Board of Directors' meeting held on March 17, 2022 approved the declaration of Interest on Equity for the 1Q22 worth R\$33.9 million (R\$0.0893279501 per share). The Credit Date (Cut-Off Date) was March 22, 2022, with payment to be made on May 16, 2022.

## 4. Indebtedness and Rating

### 4.1. Gross Debt and Net Debt

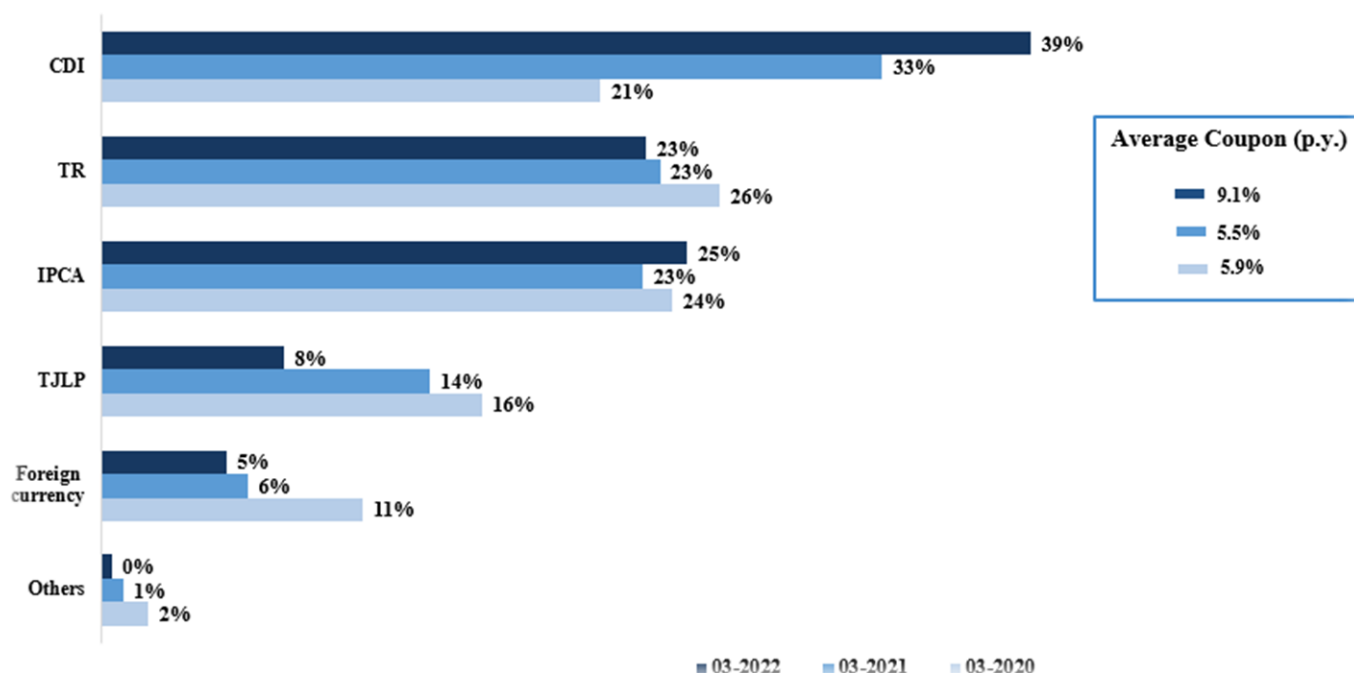
According to the chart below, gross debt reached R\$3.74 billion in March 2022. Net debt dropped from R\$2.72 billion in March 2021 to R\$2.96 billion in March 2022. The leverage ratio, measured by the ratio “Net Debt/LTM EBITDA”, reached 2.0x in March 2022 (1.4x in March 2021).



Indebtedness in foreign currency accounted for 5.3% of gross debt in March 2022 and referred to the debt with the German bank KfW and the European Investment Bank, whose balances plus short-term interest totaled €27.7 million (equivalent to R\$145.5 million in March 2022) and €10.0 million (equivalent to R\$52.6 million in March 2022), respectively. No hedge mechanism was contracted for these transactions.

## 4.2. Indexes and Average Coupon

The chart below shows the evolution of the average coupon and the relative weight of the debt by contractual index in March 2022, 2021 and 2020:



CDI accounts for 39% of COPASA's debt, and this increase is mainly due to the raising of funds through the 2<sup>nd</sup> series of the 16<sup>th</sup> debenture issue held in September 2021, in the approximate amount of R\$507.0 million. The lower relative weight of the long-term interest rate was mainly because of the debt amortized in 2021. The Average Coupon was 9.1%, due to an increase in the CDI rate.

## 4.3. Corporate Ratings

On July 2, 2021, Fitch ratings published a [report](#) increasing the National Long-Term rating and the rating for issues of unsecured debentures from AA(bra) to AA+(bra). The corporate rating outlook remained stable.

On September 14, 2021, Moody's published a [report](#), attributing a Corporate rating of AAA.br for COPASA MG. The outlook is stable.

Below is a table with a summary of the ratings:

Agency	National Scale	Outlook	Date	Report Link
Fitch Ratings	AA+(bra)	Stable	07.02.2021	<a href="#">Report</a>
Moody's América Latina	AAA.br	Stable	09.14.2021	<a href="#">Report</a>

## 5. Investment Program and Fundraising

### 5.1.1. 2022 Investment Program

The Annual Shareholders' Meeting (ASM) held on April 29, 2022 approved the 2022 Investment Program, in the amount of R\$1,442.5 million, R\$1,395 million of which to be allocated to the Parent Company (COPASA MG), and R\$47.5 million to the subsidiary COPANOR.

A total of R\$200.7 million was invested between January and March 2022 (1Q22), considering the Parent Company and COPANOR jointly, as shown in the chart below:

Investments (R\$ million)	1Q22
Water	119.1
Sewage	72.2
Enterprise and Operational Development	5.8
<b>Total - Parent Company (COPASA) MG)</b>	<b>197.1</b>
COPANOR	3.6
<b>Total - COPASA MG and COPANOR</b>	<b>200.7</b>

#### 5.1.1.1. Water Supply Systems

- expansion of the capacity to produce and serve the water supply system in the municipalities of Caratinga, Mato Verde, Montes Claros, Nova Serrana, Patos de Minas, Várzea da Palma, among others;
- expansion of the water supply system of Belmiro Braga, Coronel Fabriciano, Lagoa Santa, Montes Claros, Nova Resende, Sabará, Santo Antônio do Monte, and São Gotardo, among others;
- implementation of the water supply system of the municipalities of Conselheiro Lafaiete, Guaraciama, Mutum, and Montes Claros, among others;
- improvements to and optimization of the water supply system in the municipalities of Abaeté, Araxá, Arcos, Belo Horizonte, Belo Oriente, Cataguases, Coronel Fabriciano, Lavras, Leopoldina, Montes Claros, Paracatu, Perdigão, Resplendor, Santa Luzia, Teófilo Otoni, and Timóteo, among others;
- implementation of the Waste Treatment Unit (WTU) in the Water Treatment Stations (WTSs) in the municipalities of Araxá, Belo Horizonte, Betim, Brumadinho, Caratinga, Cataguases, Conselheiro Lafaiete, Ibitiré, Ipatinga, Itajubá, Lavras, and Varginha, among others;
- acquisition of flow macro and micrometers, aiming at the efficiency of hydrometric measurement and the reduction of losses;
- acquisition of operational equipment for renovation and optimization of water supply systems in several operated municipalities; and
- implementation of distribution networks and water connections in buildings in several municipalities in the state of Minas Gerais.

#### 5.1.2. Sewage Systems

- expansion of the sewage system in the municipalities of Conselheiro Lafaiete, Fronteira, Ibitiré, Ipatinga, Lagoa Santa, Mateus Leme, Ouro Branco, Ribeirão das Neves, Sabará, Sarzedo, Três Marias, and Vale do Sereno/Nova Lima, among others;

- implementation of the sewage system in the municipalities of Abaeté, Alfenas, Espinosa, Leandro Ferreira, Nova Resende, Nova Serrana, Patos de Minas, Presidente Juscelino, Santana do Paraíso, Santo Antônio do Itambé, São João Nepomuceno, Timóteo, Ubá, and Verdelândia, among others;
- execution of sewage treatment works in the municipalities of Bom Despacho, Minas Novas, Patos de Minas and São Gotardo;
- acquisition of operational equipment for renovation and optimization of sewage systems in several operated municipalities; and
- implementation of sewage collection networks and connections in buildings in several municipalities in the state of Minas Gerais.

### 5.1.3. Business and Operational Development

- renovation of the computing infrastructure, with the implementation (in progress) of the SAP S/4 Hana system, aiming at improving and streamlining customer service and internal processes.

## 5.2. Investment Programs – 2023 to 2026

At the meeting held on December 15, 2021, the Company's Board of Directors approved the Parent Company's 2023-2026 Multi-Year Investment Plan, as detailed below:

Investment Program	2023	2024	2025	2026
Amount (R\$ million)	1,410	1,600	1,600	1,410

With its Investment Plan, the Company aims to expand the services of water supply, sewage and networks, ensure water security, cut losses, grow the business, meet regulatory and efficiency targets, honor concession commitments, replace depreciated assets, as well as accomplish its purpose and mission, ensuring sustainability and business continuity.

There will also be investments in corporate development focused on information technology, including the upgrade to the SAP S/4 Hana platform, which is equipped with data and productivity analysis tools and native integration with the commercial module, in addition to investments in environmental actions, and water quality control, among others.

As a result, COPASA MG works to meet the demand of customers and granting authorities, in pursuit of the universality of services.

## 5.3. Fundraising

At the end of 1Q22, the Company had a balance of R\$1.44 billion in contracted funds not yet available, of which R\$42.8 million from the BNDES, R\$297.1 million from the FGTS, €74.7 million (equivalent to R\$392.6 million) from KfW and €135.0 million (equivalent to R\$709.6 million) from the European Investment Bank (EIB). The debt will be accounted for when the Company effectively receives these funds.

## 6. Regulatory Environment

### 6.1. Tariff Revision

According to the [Material Fact disclosed on June 29, 2021](#), Arsae MG disclosed, on the same date, [Arsae-MG Resolution 154/2021](#), with the result of COPASA MG's Second Tariff Revision. According to the Average Tariff Effect Resolution and [Technical Note CRE 014/2021](#), the average tariff effect applied on current tariffs as of August 1, 2021 was a negative one point fifty-two percent (-1,52%), which was applied on 08.01.2021.

### 6.2. Tariff Adjustment Methodology

Through [Technical Note CRE 15/2021](#), the tariff revision defined the methodology for the annual tariff cycle adjustments of COPASA MG (from August 2021 to July 2025), including inflation adjustment rules, X Factor and financial components. The new tariff adjustment is expected to come into force on August 01, 2022.

As for inflation adjustment, Arsae-MG uses indices seeking to reflect price changes noted by the Company, as shown in the chart below.

Group	Subgroup	Inflation Index
Operating Costs	Rent	IGP-M
	Telephone Customer Service	IPCA
	Water and sewage autoservices	Revenue Variation <sup>1</sup>
	Fuels and Lubricants	IPCA BH Comb
	Commercialization	IPCA
	Communication, advertising and legal advertisement	IPCA
	Health insurance plans	IPCA
	Electricity	IEE
	Compensation	IGP-M
	Maintenance	INCC-DI MS
	Processing Material	IGP-M
	Other Materials	IGP-M
	Personnel	INPC
	Outsourced Services	IPCA
	Telecommunications	IPCA BH TEL
	Training	IPCA
	Other operating costs	IPCA
Taxes and Other Liabilities	PIS/Pasep and Cofins	Revenue Variation <sup>1</sup>
	TFAS	TFAS Variation
	Other Taxes and Charges	IPCA
Special Programs	Groundwater Protection Program	Variation revenue from the previous year
	Research, Development and Innovation Program	Revenue Variation <sup>1</sup>
	Tariff Transfer to Municipal Sanitation Funds	Variation of the total funds onlendings
	Coponor Subsidy <sup>2</sup>	INCC
Capital Costs	Core Assets Base Remuneration	IPCA
	Amortization of Core Asset Base	IPCA
	Asset Base Annual Fee - Ancillary	IPCA
	Remuneration of working capital demand	Revenue Variation <sup>1</sup>
	Income taxes (IRPJ and CSLL)	IPCA
Irrecoverable Revenues	Irrecoverable Revenues	Revenue Variation <sup>1</sup>
Others Revenues	Indirect operating revenues	INPC
	Solid Waste	IPCA
	Financial Income	IPCA
	Other sundry revenues	IPCA

(1) The items directly related to the tariff revenue generated by the service provider are always calculated by applying a percentage on the tariff revenue arising from each stage of the calculation. This percentage is defined during the revision and held constant during the tariff cycle. As a result, the amount of these items is updated by the revenue variation at each stage of the calculation, and the total update of each of these items is equivalent to the Average Tariff Effect (ATE).

(2) This item will be allocated in the financial items, not affecting the Base Tariff Revenue Restructuring.

### **6.3. Proof of Economic and Financial Capacity by Arsae - MG**

On April 20, 2022, the National Water and Basic Sanitation Agency (ANA) published Arsae-MG's decisions, reiterating COPASA MG's proof of economic and financial capacity and updating the list of municipalities that did not sign the instrument of consent to the amendment or the amendment to contracts for the inclusion of universalization targets.

COPASA MG complied with the step to updating its contracts for the inclusion of universalization targets provided for in the New Basic Sanitation Regulatory Framework (Law 14,026/2020) by March 31, 2022, the deadline set by law. All documentation of the municipalities that formalized these instruments was forwarded to Arsae-MG. Therefore, the Company is awaiting the final update of the list of municipalities in compliance with the new regulations for the sector.

## 7. Service Concessions

In March 2022, the Company (consolidated) had the concession to provide water services in 640 municipalities and sewage services in 310 municipalities, as shows below:

Concessions <sup>1,2</sup>	March 31, 2022			March 31, 2021		
	Total	Parent Company	Coponor	Total	Parent Company	Coponor
<b>Water</b>						
Concession	640	591	49	640	591	49
In Operation	631	583	48	631	583	48
<b>Sewage</b>						
Concession	310	254	56	310	254	56
In Operation	267	226	41	265	224	41

(1) It Includes expired concessions with 14 municipalities and concessions with 2 municipalities whose contracts were legally declared null.

(2) 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.

The chart below shows the Company's ten (10) main current concessions as of March 31, 2022, which together account for 50% of revenues of the Company's water and sewage net revenues, as well as their respective expiration periods:

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

In March 2022, approximately 85% of the Company's water and sewage revenues came from concessions expiring after January 2032. On the same date, concessions from 14 municipalities were expired, in addition to contractual nullity for 2 other municipalities, both of which accounted for approximately 3.6% of net revenues from water and sewage.

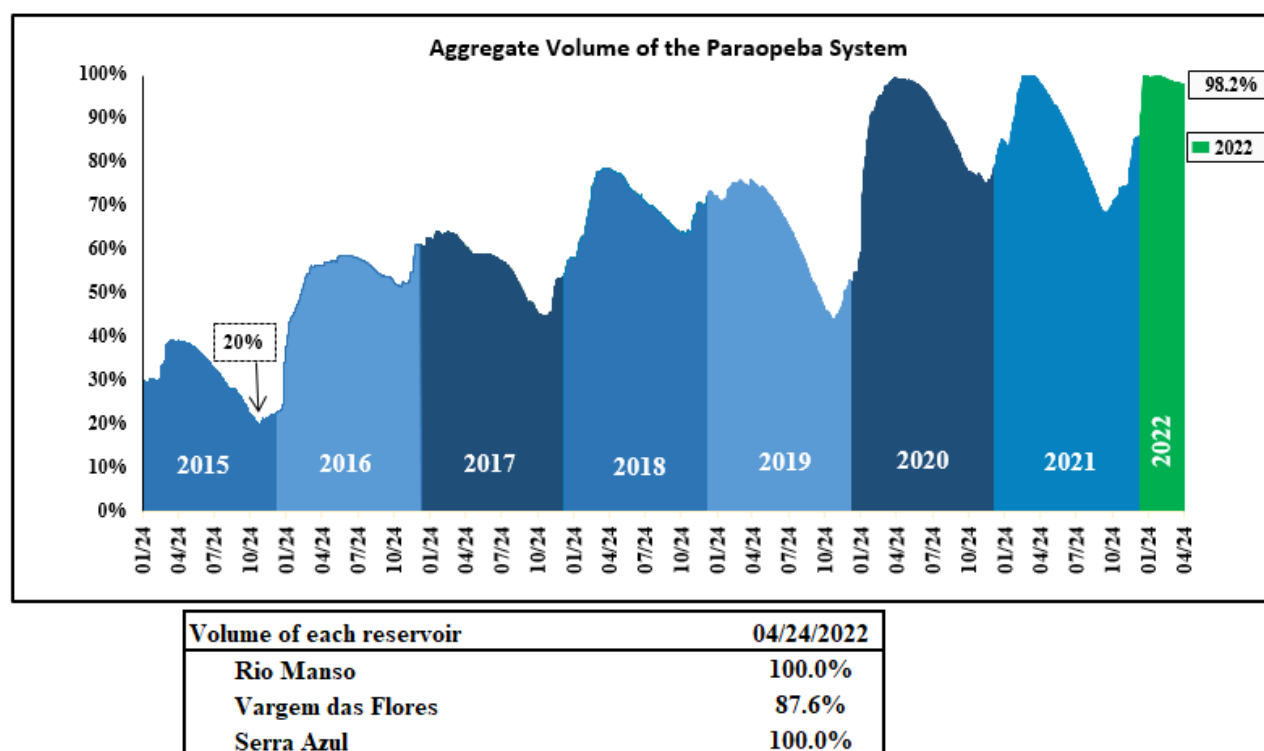
Under the principle of continuity for the provision of essential public services, these municipalities continue to be served and billed by the Company, both in municipalities with expired concessions and in municipalities where contractual nullity was decreed.

## 8. Water Situation

### 8.1. Belo Horizonte Metropolitan Area (BHMA)

#### 8.1.1. Rio Manso, Vargem das Flores and Serra Azul

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 49% of BHMA's distributed volume. On April 24, 2022, the levels of these reservoirs were at 98,2% of their capacity, as shown below.



Due to the burst of the Mina Córrego do Feijão dam on January 25, 2019, located in the municipality of Brumadinho and operated by Vale S.A., environmental, sanitary and inspection bodies determined the suspension of water collection from the Paraopeba River for public consumption and supply, which is why the Company interrupted water collection from the Paraopeba River and carried out actions aimed at identifying and mitigating risks to its operations. The Company preventively closed the floodgates of the water collection unit in the Paraopeba River on the same day of the burst, aiming at preserving the water collection facilities, whose assets did not deteriorate, and, therefore, were not compromised.

In July 2019, the Prosecution Office of the State of Minas Gerais and Vale signed a Consent Decree (TC), with COPASA MG as one of the intervening parties, for the construction of a new water collection point on the Paraopeba River, upstream of the rupture point and the congruence of the Ferro Carvão stream and the Paraopeba river.

Vale S.A. is currently making adjustments to start the raw water recirculation tests, which should occur in May 2022, so that the plant's ideal operating point can be established. Depending on the performance and stability of the observed results, it will be possible to start the gradual pumping of flow to the Rio Manso WTP, so as to ensure the continuity of water supply services in the Belo Horizonte Metropolitan Area.

COPASA MG emphasizes that the current levels of the reservoirs of the Paraopeba basin ensure the regularity of water supply to the population of the Belo Horizonte Metropolitan Area.

### 8.1.2. Rio das Velhas

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

Rio das Velhas System	
Percentage of BHMA's distributed volume	42%
Water collection grant	8.7m <sup>3</sup> /s
Average flow of Rio das Velhas in the last 15 days prior to 04.24.2022	20.5m <sup>3</sup> /s
Average flow used (from January to December 2021)	6.9 m <sup>3</sup> /s

### 8.2. Other municipalities in the Minas Gerais State

The Company's activities in the interior of the State are dispersed over several municipalities and different watersheds. Generally speaking, most locations where the Company operates have a local source of water production. Therefore, any water restriction imposed on supply will only impact locally and marginally the Company's total revenues.

On April 24, 2022, Bom Jesus de Cardosos (municipality of Urucânia), which has 800 water connections, was rationing water. On April 2021, Jesus de Cardosos (municipality of Urucânia) and Vale Verde de Minas (municipality of Ipaba), which jointly account for about 1,300 water connections, were rationing water.

To minimize the impacts of the water situation, Company uses means, when necessary, that contribute to the regularization of supply in the affected locations, through the use of water trucks, well drilling and investments in alternative collections, according to the options available in each region. and the degree of criticality of scarcity in each case. Additionally, awareness campaigns are intensified, aiming for the rational consumption of water.

We began implementing the São Francisco System, with a capacity of 500 l/s, in Montes Claros, a municipality with approximately 413,500 people and that has historically faced droughts. This municipality represents the Company's largest concession outside the state capital. Besides promoting water security in Montes Claros, this system will supply water to the municipalities of Coração de Jesus and Ibiaí. It is also an alternative for other locations in the region, potentially benefiting about 430,000 inhabitants. The implementation of the system is expected to be completed by the end of this semester, with an approximate total investment of R\$257 million.

## 9. Annexes

The financial information of these annexes, except where otherwise indicated, is presented in Brazilian Reais thousands (R\$ thousand) and refers to the Parent Company

### 9.1. Quaterly Income Statement

PARENT CO.	1Q22	1Q21	1Q22 vs. 1Q21	1Q20	1Q21 vs. 1Q20
<b>Operating Revenue from Services</b>					
Water services	838,035	816,161	2.7%	769,225	6.1%
Sewage services	430,225	465,417	-7.6%	439,994	5.8%
Solid waste revenues	593	610	-2.8%	519	17.5%
Construction revenues	151,498	84,138	80.1%	57,565	46.2%
<b>Net Operating Revenue from Services</b>	<b>1,420,351</b>	<b>1,366,326</b>	<b>4.0%</b>	<b>1,267,303</b>	<b>7.8%</b>
Cost of services rendered	(748,995)	(672,803)	11.3%	(634,921)	6.0%
Construction costs	(151,498)	(84,138)	80.1%	(57,565)	46.2%
<b>COST OF SERVICES RENDERED</b>	<b>(900,493)</b>	<b>(756,941)</b>	<b>19.0%</b>	<b>(692,486)</b>	<b>9.3%</b>
<b>Gross Income</b>	<b>519,858</b>	<b>609,385</b>	<b>-14.7%</b>	<b>574,817</b>	<b>6.0%</b>
Selling expenses	(79,896)	(54,340)	47.0%	(54,176)	0.3%
Provisions for Doubtful Accounts	(58,556)	(49,028)	19.4%	(51,592)	-5.0%
General and administrative expenses	(123,792)	(128,822)	-3.9%	(126,631)	1.7%
Other Operating Income	35,937	25,468	41.1%	29,277	-13.0%
Other Operating Expenses	(29,565)	(48,276)	-38.8%	(47,248)	2.2%
Equity income	(2,347)	(2,093)	12.1%	(8,984)	-76.7%
<b>Operating Income (Expenses)</b>	<b>(258,219)</b>	<b>(257,091)</b>	<b>0.4%</b>	<b>(259,354)</b>	<b>-0.9%</b>
<b>Income before Financial Result and Taxes</b>	<b>261,639</b>	<b>352,294</b>	<b>-25.7%</b>	<b>315,463</b>	<b>11.7%</b>
Financial Income	91,953	36,989	148.6%	52,212	-29.2%
Financial Expenses	(114,308)	(84,758)	34.9%	(144,900)	-41.5%
<b>Financial Result</b>	<b>(22,355)</b>	<b>(47,769)</b>	<b>-53.2%</b>	<b>(92,688)</b>	<b>-48.5%</b>
<b>Income before Taxes</b>	<b>239,284</b>	<b>304,525</b>	<b>-21.4%</b>	<b>222,775</b>	<b>36.7%</b>
Provision for Income Tax	(52,766)	(61,662)	-14.4%	(45,066)	36.8%
Provision for Social Contribution on Net Income	(18,996)	(23,076)	-17.7%	(16,874)	36.8%
<b>NET INCOME FOR THE PERIOD</b>	<b>167,522</b>	<b>219,787</b>	<b>-23.8%</b>	<b>160,835</b>	<b>36.7%</b>
Number of outstanding shares (thousands)	379,181	379,181	0.0%	379,181	0.0%
<b>EARNINGS PER SHARE (BRL)</b>	<b>0.44</b>	<b>0.58</b>	<b>-23.8%</b>	<b>0.42</b>	<b>36.7%</b>

## 9.2. Balance Sheet - Assets

PARENT CO.	03/2022	03/2021	03/2022 vs. 03/2021	03/2020	03/2021 vs. 03/2020
<b>CURRENT</b>					
Cash and cash equivalents	783,005	905,898	-13.6%	694,778	30.4%
Trade accounts receivable	1,005,736	1,043,442	-3.6%	1,164,509	-10.4%
Collateral for Financing	-	8,333	n.m.	-	-
Inventories	94,395	65,352	44.4%	62,713	4.2%
Taxes recoverable	138,076	18,381	651.2%	30,173	n.m.
Technical cooperation agreement	37,816	13,374	182.8%	15,760	n.m.
Banks and agreement investments	4,845	16,118	-69.9%	17,717	-9.0%
Sundry receivables	22,745	23,573	-3.5%	17,216	36.9%
<b>TOTAL CURRENT ASSETS</b>	<b>2,086,618</b>	<b>2,094,471</b>	<b>-0.4%</b>	<b>2,002,866</b>	<b>4.6%</b>
<b>NON-CURRENT</b>					
<b>LONG-TERM ASSETS</b>					
Customer	34,164	-	n.m.	-	-
Financing guarantee deposits	59,719	68,664	-13.0%	186,426	-63.2%
Restricted investments	77,916	75,992	2.5%	86,105	-11.7%
Financial assets - investment BRK Ambiental - Foz Jeceaba	26,153	76,603	-65.9%	75,074	n.m.
Credit with subsidiary	-	-	n.m.	2,125	n.m.
Deferred income and social contribution taxes	337,278	331,716	1.7%	232,727	42.5%
Financial assets	748,093	690,709	8.3%	558,714	23.6%
Technical cooperation agreement long term	6,096	29,133	n.m.	26,967	n.m.
Sundry receivables	57,079	65,062	-12.3%	48,779	33.4%
Contract assets	1,596,868	859,693	85.7%	1,191,067	n.m.
Right of use - commercial leasing	89,998	81,702	10.2%	48,953	n.m.
<b>TOTAL LONG TERM ASSETS</b>	<b>3,033,364</b>	<b>2,279,274</b>	<b>33.1%</b>	<b>2,456,937</b>	<b>-7.2%</b>
Investments	227,184	189,244	20.0%	147,127	28.6%
Intangible assets	5,512,653	5,746,038	-4.1%	5,523,570	4.0%
Property. plant and equipment	1,444,608	1,538,248	-6.1%	1,564,004	-1.6%
<b>TOTAL PERMANENT ASSETS</b>	<b>7,184,445</b>	<b>7,473,530</b>	<b>-3.9%</b>	<b>7,234,701</b>	<b>3.3%</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>10,217,809</b>	<b>9,752,804</b>	<b>4.8%</b>	<b>9,691,638</b>	<b>0.6%</b>
<b>TOTAL ASSETS</b>	<b>12,304,427</b>	<b>11,847,275</b>	<b>3.9%</b>	<b>11,694,504</b>	<b>1.3%</b>

### 9.3. Balance Sheet - Liabilities

PARENT CO.	03/2022	03/2021	03/2022 vs. 03/2021	03/2020	03/2021 vs. 03/2020
<b>CURRENT</b>					
Contractors and suppliers	239,585	175,550	36.5%	155,152	13.1%
Income Tax and Social Contribution	-	22,389	n.m.	19,962	n.m.
Taxes, charges and contributions	116,132	70,524	64.7%	68,234	3.4%
Loans and financing	178,133	222,433	-19.9%	184,724	20.4%
Debentures	657,010	613,937	n.m.	205,343	199.0%
Right of use - commercial leasing	30,669	28,177	8.8%	31,312	n.m.
Public-private partnership	50,281	59,008	-14.8%	55,914	5.5%
Employees' profit sharing	46,358	105,256	-56.0%	56,210	87.3%
Provision for vacations and 13th salary	137,993	136,276	1.3%	126,921	7.4%
Tax installments	6,623	-	n.m.	-	n.m.
Technical cooperation agreement	3,242	3,592	-9.7%	1,959	n.m.
Retirement benefit liabilities	22,358	13,142	70.1%	30,135	-56.4%
Interest on equity	31,820	132,616	-76.0%	123,948	7.0%
Sundry obligations	85,556	114,391	-25.2%	86,709	n.m.
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,605,760</b>	<b>1,697,291</b>	<b>-5.4%</b>	<b>1,146,523</b>	<b>48.0%</b>
<b>NON-CURRENT</b>					
<b>LONG-TERM LIABILITIES</b>					
Loans and financing	837,666	905,300	-7.5%	1,155,242	-21.6%
Debentures	2,069,195	1,878,426	10.2%	1,800,122	4.3%
Right of use - commercial leasing	68,593	55,620	23.3%	19,440	n.m.
Public-private partnership	201,384	236,332	-14.8%	290,997	-18.8%
Provision for litigation	365,739	147,843	147.4%	194,269	-23.9%
Retirement benefit liabilities	104,051	227,604	-54.3%	136,671	66.5%
Sundry obligations	153,569	87,304	75.9%	92,182	-5.3%
Technical cooperation agreement LT	4,861	-	n.m.	-	n.m.
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3,805,058</b>	<b>3,538,429</b>	<b>7.5%</b>	<b>3,688,923</b>	<b>-4.1%</b>
<b>SHAREHOLDERS' EQUITY</b>					
Paid-up capital stock	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	3,402,583	3,147,591	8.1%	3,378,939	-6.8%
Equity valuation adjustments	(36,446)	(84,814)	n.m.	(29,118)	n.m.
Accumulated profits	133,663	154,969	n.m.	115,428	n.m.
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>6,893,609</b>	<b>6,611,555</b>	<b>4.3%</b>	<b>6,859,058</b>	<b>-3.6%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>12,304,427</b>	<b>11,847,275</b>	<b>3.9%</b>	<b>11,694,504</b>	<b>1.3%</b>

## 9.4. Quaterly Cash Flow

Cash Flow	1Q22	1Q21	1Q20
<b>Cash flow from operating activities:</b>			
<b>Net Income (Loss) for the Period</b>	<b>167,522</b>	<b>219,787</b>	<b>160,835</b>
<b>Adjustments to reconcile net income and net cash</b>			
Allowance for doubtful accounts	58,556	49,028	51,592
Charges and monetary/currency variations. net	(14,971)	34,204	72,063
Interest income and expenses	67,245	30,069	32,173
Deferred income and social contribution taxes	71,762	(38,367)	(28,818)
Equity pick-up	2,347	2,093	8,984
Gain/loss on the write-off of intangible assets and property. plant and	(399)	2,554	42,116
Depreciation and amortization	182,346	166,560	158,984
Creation of provisions	(16,021)	16,826	(2,540)
Provision for retirement benefits	2,651	16,006	14,443
Financial assets	(13,306)	(14,196)	(9,039)
Other	(1,245)	-	-
Provision for inventory losses	(265)	(320)	(711)
<b>Adjusted income</b>	<b>506,222</b>	<b>484,244</b>	<b>500,082</b>
<b>Decrease (increase) in operating assets</b>			
Trade accounts receivable	(60,362)	(46,023)	(29,930)
Inventories	(10,539)	(3,024)	(4,971)
Taxes recoverable	(37,508)	-	-
Tariff transfer paid in advance	1,739	808	(2,945)
Technical cooperation agreement	(476)	(167)	(6,662)
Other	(1,132)	2,577	606
<b>Increase (decrease) in operating liabilities</b>			
Suppliers	(48,392)	(33,604)	(26,336)
Taxes, fees, contributions, and social obligations	74,050	112,551	84,886
Provision for vacations and Christmas bonus	18,691	11,082	10,950
Employee profit sharing	(78,820)	13,920	10,186
Technical cooperation agreement	4,912	45	(4,535)
Contingencies	774	(2,985)	4,361
Retirement benefit liabilities	1,047	(19,454)	(18,575)
Other	(263,835)	8,051	4,966
Payment of actuarial liabilities	-	(1,345)	(6,707)
<b>Cash from operations</b>	<b>106,371</b>	<b>526,676</b>	<b>15,294</b>
Interest paid	(87,459)	(52,441)	(59,252)
Interest paid - PPP	(1,037)	(1,622)	(2,433)
Payment of income and social contribution taxes	(35,331)	(103,816)	(75,646)
<b>Net cash from operating activities</b>	<b>(17,456)</b>	<b>368,797</b>	<b>378,045</b>
<b>Cash flow from investing activities:</b>			
Payments to PPP	(12,119)	(12,737)	(11,985)
Aumento de capital de subsidiárias (Copanor)	(27,090)	(25,945)	(21,868)
Amount received from the sale of property, plant and equipment	1,035	527	1,291
Acquisition of Contract Assets	(181,588)	(103,802)	(94,002)
Acquisition of Intangible Assets	(33,761)	(30,484)	(35,771)
Acquisition of Property, plant and equipment	(2,369)	(10,869)	(2,228)
Collateral for Financing	7,598	129,432	21,810
Banks and agreement investments	(1,572)	8,334	2,473
<b>Net cash used in investing activities</b>	<b>(249,866)</b>	<b>(45,544)</b>	<b>(140,280)</b>
<b>Cash flow from financing activities:</b>			
Income from loans, financing and debentures	15,066	5,524	6,504
Amortization of loans, financing and debentures	(235,322)	(200,773)	(56,155)
Interest on Equity Paid	(3)	-	-
Funding costs	-	(192)	(3,516)
Payment of operating lease	(8,883)	(8,291)	(11,124)
<b>Net cash used in financing activities</b>	<b>(229,142)</b>	<b>(203,732)</b>	<b>(64,291)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(496,464)</b>	<b>119,521</b>	<b>173,474</b>
<b>Balance of cash and cash equivalents at the beginning of the period</b>	<b>1,279,469</b>	<b>786,377</b>	<b>521,304</b>
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>783,005</b>	<b>905,898</b>	<b>694,778</b>

## 9.5. Debt

Debt –Funding Lines	Fixed Rate (Annual)	Index	Issue Date	Maturity Date	Outstanding Balance in March/2021	%
<b><u>In National Currency:</u></b>						
FGTS Funds <sup>1</sup>	7.70%	TR	(2)	08.16.2042	694,162	18.5%
Finame	4.36%	-	03.28.2011	01.15.2025	16,814	0.4%
BNDES Loan	6.85%	TJLP	01.15.2008	05.15.2025	109,686	2.9%
BNDES/4th Debenture Issue						
1st Series	7.55%	TJLP	07.15.2010	07.15.2022	8,859	0.2%
2nd Series	9.05%	IPCA	07.15.2010	08.15.2022	56,584	1.5%
3rd Series	7.55%	TJLP	07.15.2010	07.15.2022	11,730	0.3%
Caixa/5th Debenture Issue	10.22%	TR	09.20.2011	09.01.2031	167,180	4.4%
BNDES/8th Debenture Issue						
1st Series	7.87%	TJLP	06.15.2015	06.15.2028	51,105	1.4%
2nd Series	8.18%	IPCA	06.15.2015	06.15.2028	29,660	0.8%
BNDES/11th Debenture Issue						
1st Series	8.62%	TJLP	01.15.2017	01.15.2031	107,524	2.9%
2nd Series	8.85%	IPCA	01.15.2017	01.15.2031	59,404	1.6%
Market Debentures – 12th Issue						
1st Series	5.06%	IPCA	02.08.2018	01.15.2024	159,116	4.2%
2nd Series	5.27%	IPCA	02.08.2018	01.15.2026	102,721	2.7%
Market Debentures – 13th Issue						
2nd Series	12.82%	DI	07.15.2018	07.15.2023	414,070	11.0%
3rd Series	6.50%	IPCA	07.15.2018	07.15.2025	84,008	2.2%
Market Debentures – 14th Issue						
1st Series	12.37%	DI	06.15.2019	06.15.2024	42,665	1.1%
2nd Series	4.30%	IPCA	06.15.2019	06.15.2026	171,980	4.6%
Market Debentures – 15th Issue						
1st Series	13.60%	DI	12.15.2020	12.16.2025	502,774	13.4%
Market Debentures – 16th Issue						
1st Series	5.23%	IPCA	09.15.2021	09.15.2031	263,090	7.0%
2nd Series	13.10%	DI	09.15.2021	09.15.2026	509,133	13.5%
<b><u>In Foreign Currency:</u></b>						
KfW	2.07%	-	11.29.2011	12.20.2023	145,518	3.9%
BEI	0.15%	-	12.13.2019	09.20.2033	52,563	1.4%
<b>Total Short-Term Debt + Long-Term</b>					<b>3,760,346</b>	<b>100.0%</b>
Issuance Costs of Securities					18,343	
<b>Total Short-Term Debt + Long-Term Debt</b>					<b>3,742,004</b>	
Cash and Cash Equivalents					783,005	
<b>Net Debt<sup>3</sup></b>					<b>2,958,999</b>	

(1) FGTS Funds: Brazilian Savings Bank.

(2) Several dates.

(3) Book Value, since the costs of Fundind Operations were excluded.

## About COPASA MG

Companhia de Saneamento de Minas Gerais – COPASA MG is a mixed capital company, controlled by the Minas Gerais State, whose stock has been traded since February 2006 in Novo Mercado, the highest corporate governance segment of B3 – Brasil, Bolsa, Balcão, under the ticker CSMG3. The Company's activities are to plan, execute, expand, remodel and operate public sanitation services, involving water supply, sewage and solid waste services. Together with its subsidiary COPANOR, COPASA MG has concessions in about 75% of the municipalities of the Minas Gerais State, supplying water to approximately 11.8 million people, of which 8.5 million people are also served with sewage services.

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