

Earnings Release

3Q23

Rio Manso Reservoir



COPASA

Belo Horizonte, October 26th, 2023 - COPASA MG - Companhia de Saneamento de Minas Gerais - (B3: CSMG3) hereby announces today its results for the third quarter of 2023 (3Q23). The financial information, except where otherwise indicated, is presented in Brazilian Reais thousands (R\$ thousand) and refers to the Parent Company. All tables in this report are available for download on the Company's Investor Relations website (ir.copasa.com.br).

OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Net revenue of water, sewage, and solid waste totaled **R\$1.62 billion** in 3Q23, up by **17.7%** over 3Q22 (**R\$1.38 billion**).
- The result was positively impacted as a consequence of the agreement signed in the Labor Class Action (Labor Lawsuit number 102100-74.2008.5.03.0024), with reversal of R\$49.9 million under Other Operating Expenses and R\$105.2 million under Financial Expenses, as detailed in [item 2.1](#).
- Costs and expenses totaled **R\$1.14 billion** in 3Q23 (against **R\$1.01 billion** in 3Q22), up by **12.6%**.
- The adjusted EBITDA totaled **R\$638.9 million** in 3Q23, up by **24.1%** over 3Q22 (**R\$515.0 million**). The margin was **38.5%** (**36.3%** in 3Q22).
- Net income was **R\$437.1 million** in 3Q23, up by **92.4%** over 3Q22, that was **R\$227.2 million**.
- Interest on Equity (IoE) declared in 3Q23 totaled **R\$127.4 million**.
- Net debt reached **R\$3.44 billion** in September 2023 and the Net Debt/EBITDA ratio was **1.4x**.
- Investments made by the Parent Company from January to September 2023, including capitalizations, totaled **R\$1.19 billion**, increasing by **26.6%** from the same period in 2022.
- In September 2023, the number of consumer units for water reached **5.64 million** (**5.57 million** in September 2022) and consumer units for sewage reached **4.03 million** (**3.95 million** in September 2022) (consolidated data).
- In 3Q23, water volume measured reached **169.6 million m³**, while sewage volume came to **116.4 million m³** (up by **3.4%** and **3.8%**, respectively, over 3Q22) (consolidated data).
- The delinquency rate, measured by the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total amount billed in the last 12 months, reached **3.07%** in September 2023 (**3.46%** in September 2022).
- The loss rate in COPASA MG's distribution reached **38.9%** in September 2023 (**39.8%** in September 2022).
- The Parent Company's index of "employees per thousand water and sewage connections" fell by **4.8%**, from **1.33** in September 2022 to **1.27** in September 2023.
- The capacity level of the reservoirs of the Paraopeba system is **73.1%**.

Conference Call

October 27th, 2023 (Tuesday)
15 p.m. (Brasilia) 2 p.m. (New York) 7 p.m. (London)
Webcast: [Click here](#)

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1. Operating Performance

1.1. Operational data

The main operational data of the parent company (COPASA MG) for 3Q23, 3Q22 and 3Q21 is as follows:

COPASA data (Parent Company)	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Water					
Connections (1,000 units)	4,564	4,508	1.2%	4,464	1.0%
Units (1,000 units)	5,522	5,455	1.2%	5,399	1.0%
Population Served (1,000 inhabitants)	11,608	11,600	0.1%	11,599	0.0%
Distributed Volume (1,000 m ³)	275,688	267,476	3.1%	265,770	0.6%
Measured Volume (1,000 m ³)	166,970	161,411	3.4%	152,943	5.5%
Network Extension (km)	62,848	61,989	1.4%	60,012	3.3%
Water Metering Index (%)	100.0	99.9	0.1 p.p.	99.9	-
Loss Index ¹ (%)	38.9	39.8	-0.9 p.p.	40.3	-0.5 p.p.
Loss Index ² (L/connectionsxday)	252.2	252.4	-0.1%	259.5	-2.7%
Sewage					
Connections (1,000 units)	3,121	3,056	2.1%	2,996	2.0%
Units (1,000 units)	3,972	3,891	2.1%	3,817	1.9%
Population Served (1,000 inhabitants)	8,481	8,406	0.9%	8,306	1.2%
Measured Volume (1,000 m ³)	115,157	110,866	3.9%	104,885	5.7%
Treated Volume (1,000 m ³)	89,606	73,551	21.8%	82,625	-11.0%
Network Extension (km)	31,985	31,194	2.5%	30,624	1.9%
Water and Sewage					
Consumption Days (quarter)	93.9	92.7	1.3%	90.6	2.3%
Consumption Days (monthly average)	31.3	30.9	1.3%	30.2	2.3%
Delinquency³ (%)	3.07%	3.46%	-0.39 p.p.	3.54%	-0.08 p.p.

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

(2) Difference between the volume distributed and the volume measured, divided by the number of served connections and the number of days in the period in the last twelve months.

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

The delinquency rate, which corresponds to the ratio between the balance of accounts receivable overdue between 90 and 359 days and the total billed amount in the last 12 months, which was 3.46% in September 2022, reached 3.07% in September 2023, the lowest rate recorded in the last 6 (six) years. This result is due to the resumption and intensification of collection actions and campaigns to renegotiate debts.

The main operational data of the subsidiary COPANOR for 3Q23, 3Q22 and 3Q21 is as follows:

COPANOR Data	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Water					
Connections (1,000 units)	113	111	2.2%	109	1.7%
Units (1,000 units)	117	114	2.0%	113	1.6%
Population Served (1,000 inhabitants)	225	225	0.1%	221	1.4%
Distributed Volume (1,000 m ³)	3,919	4,235	-7.5%	3,506	20.8%
Measured Volume (1,000 m ³)	2,622	2,538	3.3%	2,473	2.6%
Network Extension (km)	2,846	2,701	5.3%	2,673	1.1%
Sewage					
Connections (1,000 units)	54	54	0.5%	52	2.8%
Units (1,000 units)	56	55	0.3%	54	2.7%
Population Served (1,000 inhabitants)	107	108	-0.3%	105	2.3%
Measured Volume (1,000 m ³)	1,205	1,193	1.1%	1,158	3.0%
Network Extension (km)	1,547	1,542	0.4%	1,519	1.5%

The main operational data of the parent company (COPASA MG) and the subsidiary (COPANOR) for 3Q23, 3Q22 and 3Q21 is as follows:

Consolidated Data (COPASA MG + COPANOR)	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Water					
Connections (1,000 units)	4,677	4,619	1.3%	4,573	1.0%
Units (1,000 units)	5,638	5,569	1.2%	5,511	1.1%
Population Served (1,000 inhabitants)	11,833	11,825	0.1%	11,820	0.0%
Distributed Volume (1,000 m ³)	279,606	271,711	2.9%	269,275	0.9%
Measured Volume (1,000 m ³)	169,592	163,949	3.4%	155,415	5.5%
Network Extension (km)	65,694	64,690	1.6%	62,685	3.2%
Sewage					
Connections (1,000 units)	3,175	3,110	2.1%	3,048	2.0%
Units (1,000 units)	4,028	3,947	2.1%	3,871	2.0%
Population Served (1,000 inhabitants)	8,588	8,513	0.9%	8,412	1.2%
Measured Volume (1,000 m ³)	116,363	112,059	3.8%	106,043	5.7%
Network Extension (km)	33,532	32,735	2.4%	32,143	1.8%

1.2. Customer Base

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

Consolidated Data (COPASA MG + COPANOR)	Units per Category (%)			Measures Volume per Category (%)			Billings per Category (%)		
	3Q23	3Q22	3Q21	3Q23	3Q22	3Q21	3Q23	3Q22	3Q21
Water and Sewage (Quarterly Average)									
Residential	77.9%	77.7%	76.9%	73.5%	73.1%	73.4%	67.8%	67.8%	69.6%
Residential Social	11.6%	11.8%	12.6%	11.4%	11.8%	12.8%	5.5%	5.7%	6.0%
Commercial	9.2%	8.6%	8.6%	9.0%	8.2%	7.8%	15.4%	13.9%	13.5%
Industrial	0.6%	0.6%	0.6%	2.1%	2.1%	2.1%	4.0%	4.0%	4.0%
Public	0.7%	1.3%	1.3%	4.0%	4.8%	3.9%	7.3%	8.6%	6.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1.3. Staff Management

1.3.1. Employees and Employees per Connection

The number of employees in the Parent Company decreased by 3.5% from September 2022, to 9,796 employees in September 2023.

This reduction was due to the Voluntary Separation Program (VSP) implemented by the company in May 2023, to which 736 employees applied, with 384 being dismissed under the program in 3Q23. It is also worth noting that the estimated indemnification – fully accounted for in 2Q23 – totaled R\$115.1 million, R\$44.0 million of which written off in 3Q23.

Employees and Employees per Connection	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
COPASA					
Employees	9,796	10,149	-3.5%	11,212	-9.5%
Employees/Connection ¹	1.27	1.33	-4.8%	1.49	-10.8%
COPANOR					
Employees	468	471	-0.6%	475	-0.8%
Employees/Connection ¹	2.75	2.81	-2.1%	2.92	-3.7%
COPASA + COPANOR					
Employees	10,264	10,620	-3.4%	11,687	-9.1%
Employees/Connection ¹	1.30	1.37	-4.8%	1.52	-10.4%

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

2. Financial Performance

2.1. Impacts on the Results for 3Q23 as a Consequence of the Agreement Signed in the Labor Class Action

Labor Lawsuit Number 102100-74.2008.5.03.0024 was filed in 2008 by the main union of the Company's employees, challenging the lawfulness of the extinct dismissal policy, which used employees' age as a criterion for terminating their employment contracts.

As detailed in item 8.1 of the [4Q21 Earnings Release](#), considering the court ruling unfavorable to the Company in December 2021, COPASA MG decided to review the provision amount at the time, even if the sentence amount referring to said lawsuit had not been settled. To that end, the Company made preliminary calculations at the time and, with due regard to the best accounting practices and considering the legal guidelines and basis presented by the legal counsel hired to conduct the lawsuit, increased the provision for such suit by around R\$217.5 million, which was recognized on December 31st, 2021. Later, the Company filed a motion for relief from the judgment.

In 2023, some individual execution agreements were entered into, and a final agreement was formalized, in July 2023, with Sindágua-MG and the Labor Prosecution Office in the records of the Class Action.

As result of the final agreement, the following impacts were recorded in 3Q23:

- payments totaling R\$93.3 million were made between July and September 2023; and
- reversal of the provision for labor lawsuit totaling (i) R\$49.9 million, recorded under Other Operating Expenses; and (ii) R\$105.2 million, referring to interest and monetary restatement, recorded under Financial Expenses. Thus, such reversals had a positive impact on the results for 3Q23.

The final agreement – duly ratified by the Labor Court – rules out the possibility of including any interested parties in the referred Class Action. New executions are suspended due to the filing of a motion for relief from judgment, and the Company obtained approval for the provisional relief. However, based on its legal counsel's opinion, the Company conservatively maintained a R\$15.4 million provision on September 30, 2023 related to potential beneficiaries that did not adhere to the Class Action, considering individual lawsuits that might be brought against it in the future.

2.2. 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	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Gross Revenue – Water	1,172,825	1,010,569	16.1%	947,808	6.6%
Gross Revenue – Sewage	611,125	505,406	20.9%	492,083	2.7%
Gross Revenue – Solid Waste	1,325	577	129.6%	613	-5.9%
Gross Revenue – Water, Sewage and Solid Waste	1,785,275	1,516,552	17.7%	1,440,504	5.3%
PIS/COFINS	(165,239)	(140,350)	17.7%	(133,303)	5.3%
Net Revenue – Water, Sewage and Solid Waste	1,620,037	1,376,202	17.7%	1,307,201	5.3%

Net revenue from water, sewage and solid waste totaled R\$1.62 billion in 3Q23, as shown below:

Net Revenue	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Net Direct Revenue - Water	1,050,449	895,083	17.4%	840,086	6.5%
Net Direct Revenue - Sewage	551,273	456,890	20.7%	444,411	2.8%
Net Direct Revenue - Water and Sewage	1,601,722	1,351,973	18.5%	1,284,497	5.3%
Net Indirect Revenue - Water	13,834	21,990	-37.1%	20,017	9.9%
Net Indirect Revenue - Sewage	3,317	1,734	91.3%	2,150	-19.3%
Net Indirect Revenue - Water and Sewage	17,151	23,724	-27.7%	22,167	7.0%
Net Revenue - Solid Waste	1,163	506	129.8%	537	-5.8%
Net Revenue - Water, Sewage and Solid Waste	1,620,036	1,376,203	17.7%	1,307,201	5.3%

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

- impacts of the tariff readjustment applied on 01.01.2023, with an average tariff effect of 15.7%, as authorized by Arsae-MG;
- an increase of 3.4% in water volumes and 3.9% in sewage volume.

2.3. Costs and Expenses

The costs of sales and services rendered, sales expenses, and administrative expenses totaled R\$1.14 billion in 3Q23, compared to the R\$1.0 billion reported in 3Q22, or an increase of 12.6%, as shown in the table below:

Costs and Expenses	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Manageable Costs	749,128	679,095	10.3%	794,798	-14.6%
Personnel ^(1,2)	408,895	357,590	14.3%	529,057	-32.3%
Outsourced Services	182,244	163,877	11.2%	119,875	36.7%
Rio Manso PPP	23,415	23,967	-2.3%	22,241	7.8%
Materials	19,532	23,910	-18.3%	19,231	24.3%
Provision for Doubtful Accounts (PDA)	33,660	51,113	-34.1%	51,866	-1.5%
Tariff Transfers to Municipalities	68,689	51,241	34.1%	43,371	18.1%
Sundry Operational Costs	12,693	7,397	71.6%	9,157	-19.2%
Non-Manageable Costs	181,288	148,908	21.7%	170,014	-12.4%
Electricity	156,625	122,488	27.9%	152,551	-19.7%
Telecommunication	5,029	4,215	19.3%	3,656	15.3%
Treatment and Laboratory Materials	28,817	28,713	0.4%	19,286	48.9%
Fuels and Lubricants	7,395	10,920	-32.3%	8,354	30.7%
Tax Credits	(16,578)	(17,428)	-4.9%	(13,833)	26.0%
Capital Costs	193,007	178,805	7.9%	170,822	4.7%
Depreciation and Amortization	193,007	178,805	7.9%	170,822	4.7%
Charge for Usage of Water Resources	18,112	7,421	144.1%	1,088	582.1%
Total Costs and Expenses	1,141,535	1,014,229	12.6%	1,136,722	-10.8%
Total Costs and Expenses (without Depreciation and Amortization)	948,528	835,424	13.5%	965,900	-13.5%

(1) Includes pension plan obligations.

(2) The amount for 3Q21 was impacted by expenses of R\$152.2 million referring to the Voluntary Separation Program (VSP) implemented in 2021 (as detailed in item 2.3.2 of the [3Q21 Release](#)). See the breakdown of the 2023 VSP in item 1.3.1 of this Release.

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

2.3.1. Manageable Costs

2.3.1.1. Personnel

This line increased by 14.3%. The items with the most significant variations in the period were:

- impacts in salaries, vacation, and 13th salaries, among other benefits arising from the 2022 Collective Bargaining Agreement, whose base date is November and considered the INPC (6.46%) as a base;
- higher provision for profit sharing – because of an increase in net income – totaling R\$27.3 million in 3Q23 (R\$14.0 million in 3Q22); and
- an increase of R\$3.6 million in expenses with the health program, due to increased utilization of medical services and the readjustment of health plans.
- effects of an increase in the base of variable compensation and position-based commission, due to the improvement in the EBITDA Margin, which is the reference indicator for the calculation of said compensation; and
- a reduction of R\$2.2 million in capitalizable expenses referring to employees assigned to the Company's expansion areas and who are classified as intangible assets.

2.3.1.2. Outsourced Services

This line increased by 11.2%. The items with the most significant variations in the period were:

- expenses of R\$3.8 million in outsourced bill reading and delivery services; occurred in 3Q23;
- an increase of R\$3.2 million in expenses with professional technical services in 3Q23, mainly due to occupational safety consulting services and correlated environmental control studies, among others, in a dispersed manner;
- an increase of R\$2.6 million in maintenance, cut and reconnection services; and
- an increase of R\$2.8 million in expenses with IT services in 3Q23, due to the contracting of new software licenses and technical support services.

2.3.1.3. Rio Manso PPP

Reduced by 2.3% in the comparative periods, mainly due to the recovery of PIS/COFINS credits referring to this service, which was recorded directly as a credit to this line as of 1Q23.

2.3.1.4. Materials

This item dropped by 18.3%, mainly due to lower expenses with materials for the conservation/maintenance of assets related to operating systems and vehicle parts, accessories and components.

2.3.1.5. Impairment of Receivables

This line was 34.1% lower than in 3Q23, mainly due to the following:

- the change in the method for accounting recovered amounts from written-off accounts, which, as of 1Q23, started to be recorded as credit under this line. As a result, this line started to be seen as net value; and
- a rise of 97.7% in recovered amounts from written-off accounts year on year in 3Q23, mainly due to the adoption of more restrictive debt collection policies, including by reporting clients in default to credit reporting companies and by protesting bills, among other measures.

2.3.1.6. Tariff Transfers to Municipalities

The 34.1% increase in this item was due to the growth in the tariff transfer values, given the 15.70% readjustment defined by Arsae-MG and to the increase in the number of municipal sanitation funds qualified to receive this transfer.

According to [Technical note GRT 01/2022](#), in the scope of the tariff adjustment applied on January 2023, 75 new municipal sanitation funds were included with the right to the transfers, totaling 294 qualified municipalities. It is worth noting that the amounts intended for the municipal sanitation funds are recognized in the tariff.

2.3.1.7. Sundry Operating Costs

The 71.6% increase seen in sundry operating costs year on year in 3Q23 was mainly due to higher expenses with water self-consumption and exhibitions and congresses, as well as other lines in a dispersed manner.

2.3.2. Non-Manageable Costs

2.3.2.1. Electricity

The 27.9% increase in electric energy expenses year on year in 3Q23 was mainly due to the net effect of the following factors:

- an increase of 3.8% in the Company's electricity consumption;
- an increase of 13.27% applied by CEMIG to the electric energy tariffs, levied on the captive market, effective from June 2023;
- a reduction of 3% in the subsidy applied to the electric energy tariffs of the concessionaires providing public water supply and sewage services, levied on the captive market, effective from June 2023;
- exclusion of the ICMS tax from the PIS/COFINS credit tax base, as of May 2023;
- resumption of collection of the ICMS tax on the Tariff for the Use of the Electricity Transmission System (TUST) and the Tariff for the Use of the Electricity Distribution System (TUSD), as of February 2023; and
- a reduction of 19.9% in electric energy expenses from the units that migrated to the Free Market. We underscore that such units account for about 43% of the Company's total energy consumption, and that the migration occurred in 1Q23.

It is worth noting that the Company continually seeks to optimize its electric energy expenses through some initiatives, especially the following:

- energy contracted in the Free Market increasing from the current 43% to around 53%, by mid-2024; and
- structuring of a project for 2024, aiming at using photovoltaic solar energy and promoting energy compensation – through distributed generation – of around 90% of the total consumption of the units served with low voltage, equivalent to approximately 17% of the total consumption.

2.3.2.2. Tax Credits

The balances verified in the tax credits line dropped by 4.9% year on year in 3Q23, mainly due to the exclusion of the ICMS tax from the PIS/COFINS credit tax base, calculated on electricity and inputs, as of May 2023.

2.3.3. Depreciation and Amortization

The 7.9% increase in the depreciation and amortization line in 3Q23 versus 3Q22 was mainly due to incorporations in intangible assets and PP&E.

2.3.4. Charge for the use of water resources

The charge for the use of water resources is an economic water management instrument provided for in the Brazilian Water Resource Policy and the Minas Gerais State Water Resource Policy. This collection covers the following basins at the state level: Rivers Rios Piracicaba and Jaguari; Araguari; Velhas; Pará; Caratinga; Piranga; Suaçuí Grande; Santo Antônio; Manhuaçu, Pomba and Muriaé; Preto and Paraibuna; Grande; Alto and Baixo Paranaíba; Paraopeba; and the Furnas Reservoir. At the federal level, collection covers the following basins: Rivers Doce; Paraíba do Sul; São Francisco; Piracicaba, Capivari and Jundiá; and Verde Grande.

The amount accounted for expense in 9M23 was R\$19.2 million (R\$8.5 million in 9M22). It is worth mentioning that said collection is passed on in full to the customer through a specific line in the water and sewage bill.

2.4. Other Operating Revenues (Expenses)

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

Other Operating Revenues (Expenses)	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Other Operating Revenues	23,526	32,229	-27.0%	36,753	-12.3%
Revenue from Technical Services	14	77	-81.8%	44	75.0%
Reversal of Non-Deductible Provision	5,827	13,836	-57.9%	12,468	11.0%
Recovery of Written-off Accounts ¹	-	12,002	n.m.	18,302	-34.4%
Other Revenues	17,685	6,314	180.1%	5,939	6.3%
Other Operating Expenses	(5,025)	(58,884)	-91.5%	(138,827)	-57.6%
Provisions for lawsuits	28,283	(22,429)	n.m.	(23,457)	-4.4%
Arsae-MG Fee	(14,203)	(13,265)	7.1%	(10,737)	23.5%
Expenses with environmental preservation	(11,470)	(6,287)	82.4%	(9,933)	-36.7%
Taxes and tributes	(3,739)	(1,976)	89.2%	(1,446)	36.7%
Actuarial liability	(1,656)	(4,688)	-64.7%	(3,820)	22.7%
Other Expenses	(2,2410)	(10,239)	-78.1%	(89,434)	-88.6%
Total	18,501	(26,655)	n.m.	(102,074)	-73.9%

(1) As of 1Q23, the amounts in the Recovery of Written-Off Accounts started to be credited directly to the Impairment of Receivables line.

Other Operating Income (Expenses) were positive by R\$18.5 million in 3Q23, versus a negative result of R\$26.7 million in 3Q22.

Such result was mainly consequence of the reversals due to agreement signed in the Labor Action Class, which resulted in the reversal of R\$49.9 million under Reversal of (Provision for) Lawsuits, Net (Other Operating Expenses), and R\$105.2 million, referring to interest and monetary restatement, under Financial Expenses. See details in [item 2.1](#) of this Release.

2.5. Equity Pick-up (Subsidiary COPANOR)

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

Summarized Statement of COPANOR	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Net Revenue from Sales and/or Services	15,754	12,270	28.4%	10,698	14.7%
Construction Revenue	2,704	7,375	-63.3%	5,034	46.5%
Other Operating Revenues	529	(169)	n.m.	376	n.m.
Operating Costs and Expenses	(19,629)	(13,287)	47.7%	(14,554)	-8.7%
Construction Costs	(2,704)	(7,375)	-63.3%	(5,034)	46.5%
Other Operating Expenses	(782)	(244)	220.5%	(523)	-53.3%
Net Financial Revenues (Expenses)	1,525	1,537	-0.8%	566	171.6%
Net Income (Loss)	(2,603)	107	n.m.	(3,437)	n.m.

2.6. Financial Result

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

Financial Revenues (Expenses)	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Financial Revenues	77,770	57,665	34.9%	34,855	65.4%
Monetary Variation	10,098	2,585	290.6%	1,399	84.8%
Foreign Exchange Variation	5,822	9,544	-39.0%	272	n.m.
Interest	13,499	12,117	11.4%	12,405	-2.3%
Real Gains from Financial Investments	18,491	18,342	0.8%	10,023	83.0%
Capitalization of Financial Assets/Other	29,860	15,077	98.1%	10,756	40.2%
Financial Expenses	12,984	(89,445)	n.m.	(125,020)	-28.5%
Monetary Variation	(15,196)	(15,876)	-4.3%	(49,574)	-68.0%
Foreign Exchange Variation	(8,542)	(2,963)	188.3%	(14,277)	-79.2%
Charges on Financing and Legal Provisions	36,905	(70,529)	n.m.	(60,662)	16.3%
Sundry	(183)	(77)	137.7%	(507)	-84.8%
Financial Result	90,754	(31,780)	n.m.	(90,165)	-64.8%

The net financial result was positive by R\$90.8 million in 3Q23, against negative R\$31.8 million in 3Q22, mainly consequence of the reversals due to agreement signed in the Labor Action Class, having been accounted for (i) R\$105.2 million, referring to interest and monetary restatement, recorded under Financial Expenses, in the Charges on Financing and Legal Provisions account; and (ii) R\$49.9 million under Other Operating Expenses, as detailed in [item 2.1](#) of this Release.

2.7. Taxes on Income

Taxes on Income	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Earnings before Taxes on Income	585,153	303,646	92.7%	(25,197)	n.m.
Income and Social Contribution Taxes	(148,039)	(76,478)	93.6%	41,566	n.m.
Effective Rate	25.3%	25.19%	0.11 p.p.	26.15%	-0,96 p.p.

The upturn in the taxes on income was due, in general terms, to the 92.7% year-over-year increase in the earnings before taxes on income in 3Q23.

2.8. Net Income

Below, the net income table in the comparative periods, with the result impacted by the reversal referring to the agreement signed in the Labor Action Class, totaling R\$49.9 million under Other Operating Expenses, and R\$105.2 million under Financial Expenses (see [item 2.1](#) of this Release):

Net Income and Earnings per Share	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Result before Financial Result and Taxes	494,399	335,426	47.4%	64,968	416.3%
Net financial result	90,754	(31,780)	n.m.	(90,165)	-64.8%
Earnings before Taxes on Income	585,153	303,646	92.7%	(25,197)	n.m.
Taxes on Income	(148,039)	(76,478)	93.6%	41,566	n.m.
Net Income	437,114	227,168	92.4%	16,369	1287.8%
Net Earnings per Share (R\$)	1.15	0.60	92.4%	0.04	1287.8%

2.9. EBITDA and EBITDA Margin

EBITDA is a non-accounting measure adopted by COPASA MG, calculated according to CVM Resolution 156/2022, consisting, as shown below, of net income plus taxes on income, financial result, depreciation/amortization, and these same items of the subsidiary COPANOR.

The table below shows the reconciliation of Net Income to EBITDA in the comparative periods. As highlighted in [item 2.1](#) of this Release, the results for 3Q23 were impacted by the reversal referring to the agreement signed in the Labor Action Class, with an impact on Other Operating Expenses and Financial Expenses. Excluding the R\$49.9 million reversal (Other Operating Expenses), since it is a non-recurring event, the adjusted EBITDA was R\$638.9 million in 3Q23 (R\$515.0 million in 3Q22), as shown in the table below:

EBITDA	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
Net Income for the Period	437,114	227,168	92.4%	16,369	1287.8%
(+) Taxes on Income	148,039	76,478	93.6%	(41,566)	n.m.
(+) Financial Result	(90,754)	31,780	n.m.	90,165	-64.8%
(+) Depreciation and Amortization	193,007	178,805	7.9%	170,822	4.7%
(+) Taxes on Income, Financial Result and Depreciation/Amortization of COPANOR	1,349	770	75.3%	1,298	-40.7%
(=) EBITDA	688,755	515,001	33.7%	237,088	117.2%
EBITDA Margin	41.5%	36.3%	5.2 p.p.	17.5%	18.8 p.p.
Adjustments - Non-Recurring Item					
(+) Reversal of Provision Referring to Labor Lawsuit	(49,872)	-	n.m.	-	n.m.
(=) Adjusted EBITDA	638,883	515,001	24.1%	471,898⁽¹⁾	9.1%
Adjusted EBITDA Margin	38.5%	36.3%	2.2 p.p.	34.8%	1.5 p.p.

(1) In 3Q21, EBITDA was adjusted due to the recognition of the 2021 VSP (R\$152.2 million) and the return of Arsae-MG processes (R\$82.6 million), as detailed in the [3Q21 Release](#).

3. Shareholder Compensation

3.1. Dividend Policy Revision

The Dividend Policy in force was approved by the Extraordinary Shareholders' Meeting held on April 28th, 2023, as content summarized below.

Regular Dividends:

- Regular Dividends shall be in the form of Dividends or Interest on Equity (IoE).
- Declared IoE shall be considered as mandatory minimum legal dividend.
- The percentage of Adjusted Net Income (Net Income after reducing or increasing the amounts specified in items I, II, and III of article 202 of Federal Law 6,404/1976) to be distributed as Regular Dividends shall be defined, by the Board of Directors, upon approval of the corporate budget for the fiscal year, always observing the following parameters:
 - the mandatory legal minimum;
 - the maximum limit of 50% (fifty percent).
- The declaration of Regular Dividends, which is the responsibility of the Board of Directors, shall occur every quarter, whereby the payment will occur within 60 (sixty) days from the date in which they were declared, except for the amounts referring to the fourth quarter, which shall be defined at the Annual Shareholders' Meetings (ASM) that approves the Financial Statements for the fiscal year.

Extraordinary Dividends:

- They may be distributed as assessed by the Board of Directors, complying with:
 - The general guidelines, including (i) compliance with the public interest that justified the creation of COPASA MG; and (ii) the guarantee of resources, in its Investment Plan, to meet the provisions of Federal Law 11,445/2007 and Federal Law 14,026/2020, in particular, regarding the universalization of basic sanitation services and other established qualitative and quantitative goals.
 - The legal, regulatory, statutory, and financial restrictions, as well as covenants.

3.2. Shareholder Compensation - 2023

For 2023, the Board of Directors' meeting held on February 24th, 2023, approved the distribution of Regular Dividends corresponding to 50% of the net income, adjusted according to article 202 of Federal Law 6,404/76, as Interest on Equity (IoE) or dividends.

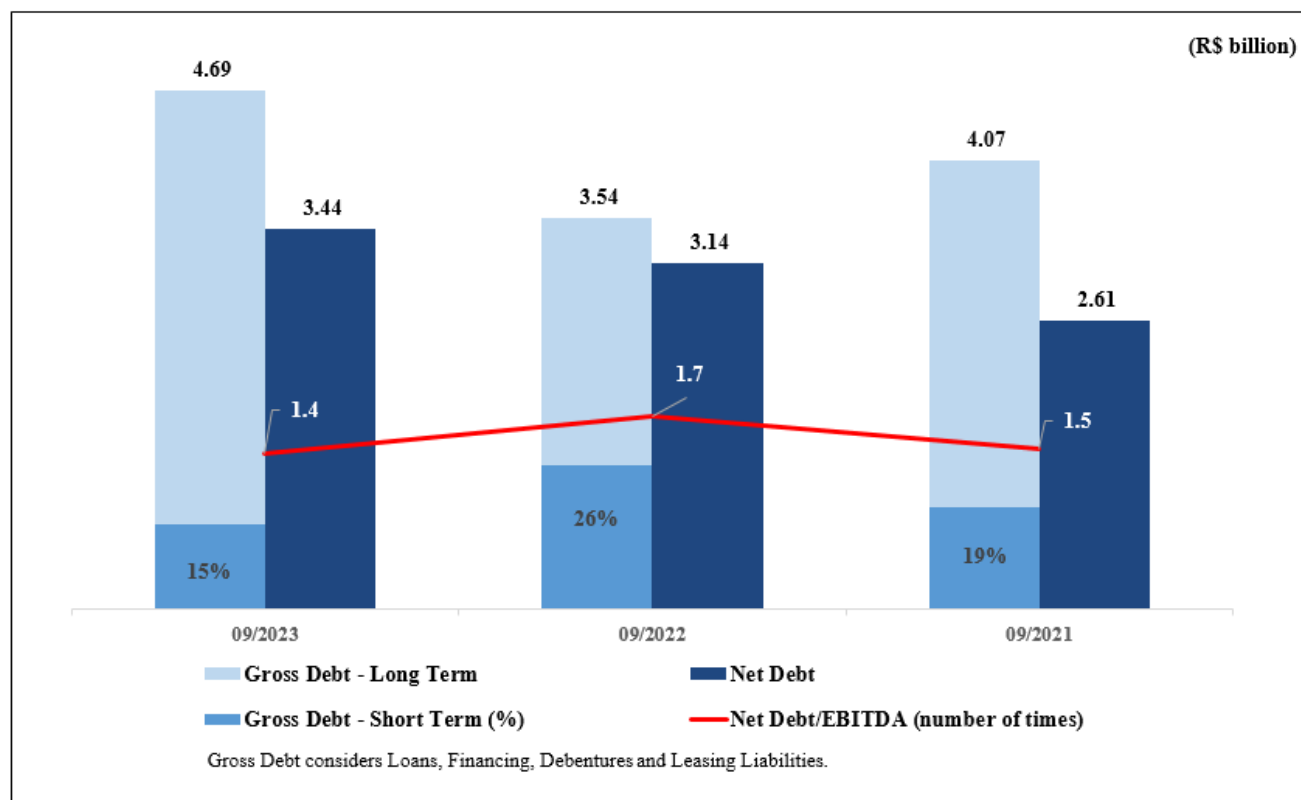
The Company distributed interest on equity three times in 2023, as detailed below:

Reference	Corporate Event and Date	Cut-off Date	Amount	Value per share (R\$)	Payment Date
1Q23	BoDM 03.17.2023	03.22.2023	131,583	0.34701814	05.16.2023
2Q23	BoDM 06.16.2023	06.21.2023	128,511	0.33891701	08.14.2023
3Q23	BoDM 09.15.2023	09.21.2023	127,431	0.33607033	11.14.2023
Declared Total (Jan to Sep/2023)			387,525	1.02200549	

4. Indebtedness and Rating

4.1. Gross Debt and Net Debt

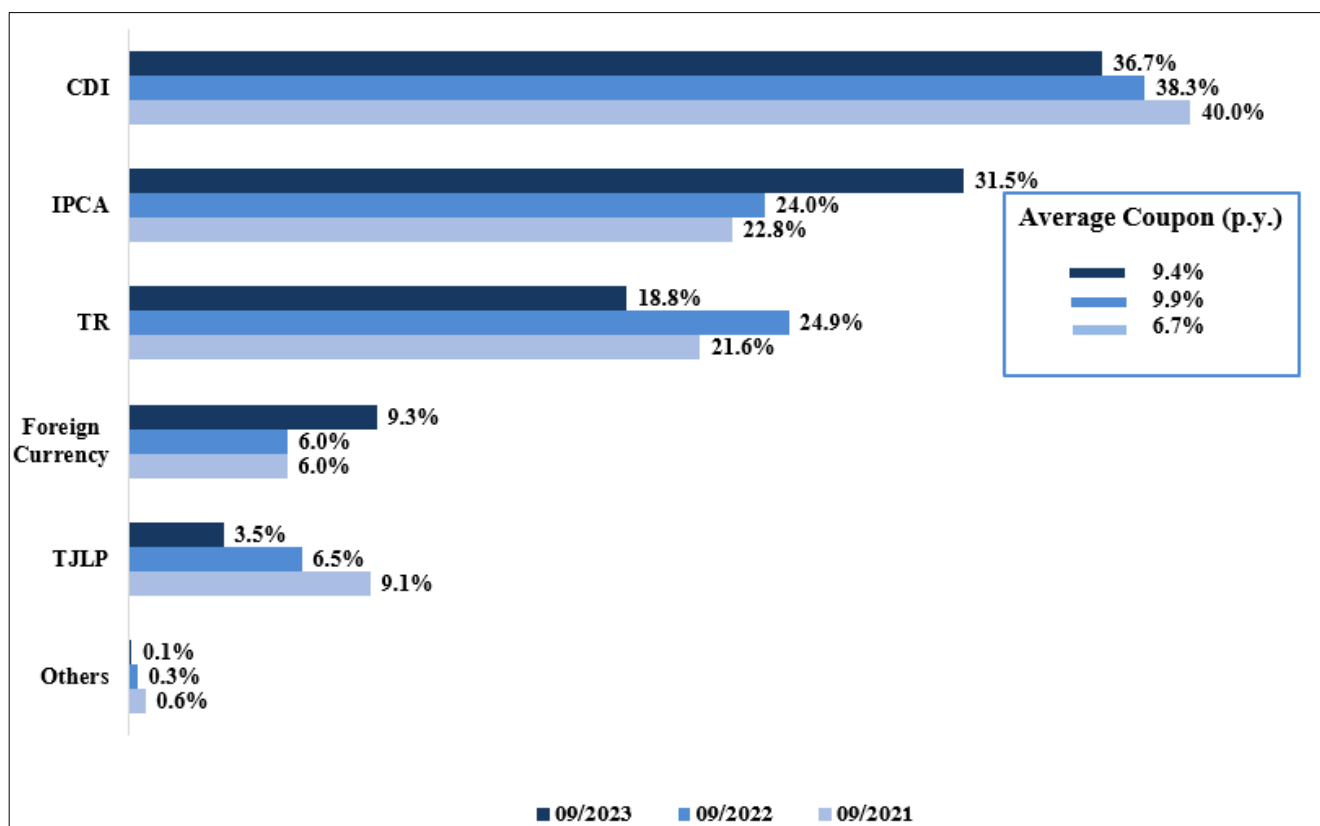
According to the chart below, net debt moved up from R\$3.14 billion in September 2022 to R\$3.44 billion in September 2023. The leverage ratio, as measured by the Net Debt/EBITDA ratio in the last 12 months, reached 1.4x in September 2023 (1.7x in September 2022).



Indebtedness in foreign currency accounted for 9.3% of total loans, financing and debentures in September 2023 and referred to the debt with the German bank KfW and the European Investment Bank, whose balances plus short-term interest totaled €36.6 million (equivalent to R\$194.1 million in September 2023) and €44.8 million (equivalent to R\$237.6 million in September 2023), respectively. No hedge mechanism was contracted for these transactions.

4.2. Indexes and Average Coupon

The chart below shows the evolution of the average coupon and the relative weight of the debt by contractual index in September 2023, 2022 and 2021:



IPCA accounted for 31.5% of COPASA MG's debt, and this increase was mainly attributed to fundraising through the 18th Debenture Issue in September 2023, totaling R\$900.0 million.

The increase in debt in foreign currency, whose share moved up from 6.0% (September 2022) to 9.3% (September 2023), was mainly due to the release, in February 2023, of €34.8 million referring to the contract with the European Investment Bank.

4.3. Corporate Ratings

On June 21st, 2023, Fitch Ratings published a [report](#) confirming as AA+(bra) the National Long-Term Rating of the Company and its issues of unsecured debentures. The corporate rating outlook remained stable.

On October 6th, 2023, Moody's published a [report](#), confirming a corporate rating of AAA.br for COPASA MG. The corporate rating outlook remained stable.

Below is a table with a summary of the ratings:

Agency	National Scale	Outlook	Date	Report Link
Fitch Ratings	AA+(bra)	Stable	06.21.2023	Report
Moody's	AAA.br	Stable	06.10.2023	Report

5. Investment Program and Fundraising

5.1. Investment Program - 2023

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

As shown in the table below, the amounts invested in the period from January to September 2023 (9M23) in the Parent Company totaled R\$1,189.6 million, up by 26.6% over 9M22. It is worth mentioning that in September 2022, the Company improved the criteria used to disclose investments, aiming at aligning accounting and regulatory criteria with the inclusion of the amounts referring to the capitalization of interest, personnel expenses, materials, and others, related to works and corporate and operating development. For comparison purposes, capitalization values for previous periods are also being disclosed.

Investments (R\$ million)	9M23	9M22	9M21	9M20
Water	473.5	457.1	283.6	106.1
Sewage	484.2	325.2	225.4	148.5
Enterprise and Operational Development	39.6	37.1	87.9	73.0
Subtotal	997.3	819.4	596.9	327.6
Capitalizations	192.3	120.5	46.1	140.1
Total - Parent Company (COPASA MG)	1,189.6	939.9	643.0	467.7
COPANOR (including capitalizations)	18.4	25.4	21.8	18.0
Total - COPASA MG and COPANOR	1,208.0	965.3	664.8	485.7

Below is the breakdown of the investments made:

5.1.1. Water Supply Systems

- implementation, expansion, and improvements of water supply systems of the municipalities of Alfenas, Belo Horizonte, Brumadinho, Cambuquira, Capelinha, Caratinga, Conceição do Mato Dentro, Conselheiro Lafaiete, Contagem, Diamantina, Divinópolis, Esmeraldas, Fronteira, Frutal, João Pinheiro, Lavras, Mesquita, Montes Claros, Nova Lima, Nova Serrana, Paracatu, Patos de Minas, Perdigoão, Riacho dos Machados, Ribeirão das Neves, Santa Bárbara, Santa Luzia, Santo Antônio do Monte, Timóteo, Vespasiano, among others;
- replacement of water assets in several municipalities where the Company operates;
- actions to reduce losses, featuring the acquisition of flow macro and micrometers;
- acquisition of operational equipment for renovation and optimization of the water supply system in several operated municipalities; and
- execution of works for the implementation of Waste Treatment Units (WTUs) in Water Treatment Stations (WTS) in the municipalities of Araxá, Belo Horizonte, Betim, Caratinga, Carmo do Rio Claro, Diamantina, Guaxupé, Ibirité, Lavras, Nova Lima, Patos de Minas, São Gotardo, Três Corações, Varginha, among others.

5.1.2. Sewage Systems

- implementation, expansion, and improvements in the sewage of the municipalities of Abaeté, Além Paraíba, Belo Horizonte, Betim, Bonfim, Buritis, Campanha, Carmo da Cachoeira, Confins, Conselheiro Lafaiete, Contagem, Cruzília, Diamantina, Divino, Divinópolis, Guaxupé, Igarapé, Inhapim, Itaobim, Jacinto, Januária,

Juatuba, Madre de Deus de Minas, Mateus Leme, Montes Claros, Mutum, Nova Lima, Paracatu, Patos de Minas, Pedro Leopoldo, Perdões, Presidente Bernardes, Presidente Juscelino, Ribeirão das Neves, Rio Pomba, Sabará, Santa Luzia, Santana do Paraíso, Santos Dumont, São Francisco, São João Nepomuceno, São Joaquim de Bicas, Sarzedo, Teófilo Otoni, Timóteo, Ubá, Visconde do Rio Branco, among others;

- replacement of sewage assets in several municipalities where the Company operates; and
- acquisition of operational equipment for renovation and optimization of the sewage system in several operated municipalities.

5.1.3. Business and Operational Development

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

5.2. Investment Program – 2024 to 2027

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

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

5.3. Fundraising

To support the Investment Program, the Company intends to use funds from its cash generation, as well as those coming from third-party loans.

In September 2023, we concluded the 18th Public Issue of Simple Debentures, totaling R\$900.0 million, in two series, with the first series totaling R\$113.6 million and remuneration pegged to the DI rate, plus 1.20% per year, and the second series totaling R\$786.8 million and remuneration pegged to the Extended National Consumer Price Index (IPCA), plus 7.10% per year. Both debenture series will mature in 7 (seven) years.

Referring to contracted funds and not yet available, at the end of the third quarter of 2023, the Company had a balance of R\$1.02 billion, as table below. The debt will be recorded when these funds enter the Company.

Funding Lines	Balance to be Released (R\$ million)
BNDES	17.8
Caixa Econômica Federal	212.0
KfW ¹	260.4
BEI ¹	531.2
Total Balance to be Released	1,021.4

(1) Debt contracted in Euro, which had an exchange rate of R\$5.3000 against the Real on September 30, 2023.

The Company is also conducting negotiations to take out financing from the French Development Agency (AFD). In this sense, the Company called the Extraordinary Shareholders' Meeting (ESM), to be held on

November 1st, 2023, to resolve, among other matters, on the contracting of financing from said institution. The key indicative conditions are summarized as follows:

- Amount: up to €200 million;
- Term: 20 years;
- Grace period: 5 (years) for amortization;
- Amortizations: every six months, after the grace period;
- Ceiling interest rate: Euribor 6M + spread, with semi-annual payments, on the amount disbursed. The mandatory minimum interest rate of 0.25% p. a., regardless of currency volatility, was established;
- Spread: a margin of 268-292 bps (defined upon signing of the financing contract, and the margin will be 269 bps up to December 2023).
- Appraisal fee: 0.5% calculated on the maximum financing amount;
- Commitment fee (availability fee): 0.25% p.a. on the undisbursed amount, with a semi-annual payment; and
- Indemnification for cancellation: 1% on the financing amount canceled.
- Allocation of Proceeds: execution of developments in the coming years, referring to hydrometry/macro measurement/apparent losses, vegetative growth, information technology, water quality control, operational equipment and machinery, research and development, water supply and sewage systems.

6. Sanitation Framework

6.1. Decrees Issued by the Federal Executive Branch

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

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

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

7. Service Concessions

As shown in the table below, in September 2023, COPASA MG (consolidated) had 640 concessions for water services and 309 concessions for sewage services, in which 633 water concessions and 271 sewage concessions were in operation. In the last 12 months, within the scope of COPASA, sewage operations began in the municipalities of Rio Pomba and Presidente Juscelino, which have a combined population of 17.7 thousand inhabitants. Additionally, within the scope of COPANOR, water operations began in the municipality of Olhos d'Água, and sewage operations began in the municipality of Francisco Badaró.

Concessions ^{1,2}	09.30.2023			09.30.2022		
	Total	Parent Company	Copanor	Total	Parent Company	Copanor
Water						
Concession	640	591	49	640	591	49
In Operation	633	584	49	632	584	48
Sewage						
Concession ³	309	253	56	310	254	56
In Operation	271	229	41	268	227	41

(1) Only one concession/operation is considered per municipality, regardless of whether there is more than one contract, in cases where COPASA and COPANOR provide services in the same municipality, or if it is a contract that covers only districts and localities

(2) It Includes expired concessions with 28 municipalities and concessions with 2 municipalities whose contracts were legally declared null.

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

The table below shows the Company's ten (10) main current concessions as of September 30th, 2023, which together account for approximately 49% 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
Divinópolis	06/2041
Ribeirão das Neves	05/2034
Patos de Minas	12/2038
Santa Luzia	02/2050
Pouso Alegre	08/2046
Varginha	06/2047

In September 2023, approximately 83% of the Company's water and sewage revenues came from concessions expiring after December 2031. On the same date, concessions from 28 municipalities were expired, in addition to contractual nullity for 2 other municipalities, both of which accounted for approximately 4.1% of net revenues from water and sewage.

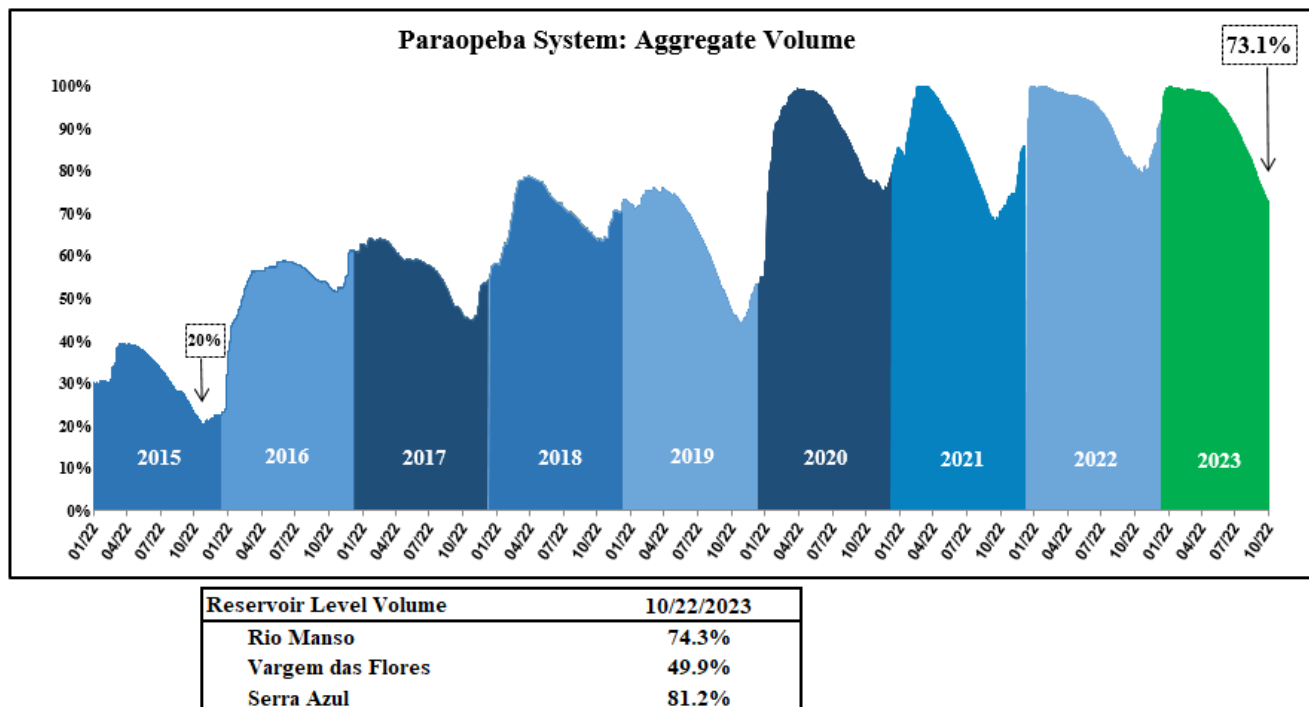
Under the principle of continuity for the provision of essential public services, these municipalities continue to be served and billed by the Company, both in municipalities with expired concessions and in municipalities where contractual nullity was decreed.

8. Water Situation

8.1. Belo Horizonte Metropolitan Area (BHMA)

8.1.1. Rio Manso, Vargem das Flores and Serra Azul

This System is operated in an integrated fashion, ensuring greater operating flexibility for water distribution to balance demand and maintain safe operation levels. Below is the evolution of the levels of the Paraopeba System's reservoirs, which together account for 48% of BHMA's distributed volume. On October 22nd, 2023, the levels of these reservoirs were at 73.1% of their capacity, as shown below:



To increase water security in the Metropolitan Region of Belo Horizonte, in 2015, a new water collection system was built with a flow of 5 m³/s in the Paraopeba River for treatment at the Rio Manso Water Treatment Station. Due to the burst of the Mina Córrego do Feijão dam on January 25th, 2019, located in the municipality of Brumadinho and operated by Vale S.A., environmental, sanitary and inspection bodies determined the suspension of water collection from the Paraopeba River for public consumption and supply.

In July 2019, the Prosecution Office of the State of Minas Gerais and Vale S.A. signed a Consent Decree, with COPASA MG as one of the intervening parties, for the construction of a new water collection point on the Paraopeba River, upstream of the rupture point and the congruence of the Ferro Carvão stream and the Paraopeba River. On November 18th, 2022, Vale S.A. presented to the Prosecution Office of Minas Gerais a schedule for the conclusion of the works of the new collection of the Paraopeba River.

The pumping tests for the Rio Manso WTS started on March 2023, with flows varying from 1,000 l/s to 5,000 l/s. During the tests, the operating parameters of the elevator pumps are continuously monitored and indicated the need for adjustments so the systems can perfectly operate, now in execution.

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	8.7 m ³ /s
Average flow of Rio das Velhas in the last 15 days prior to 22.17.2023	20.2 m ³ /s
Average flow used in 2022	7.2 m ³ /s

8.1.3. Resilience Works of the Paraopeba and Rio das Velhas Basins

According to the [Material Fact](#) disclosed on February 28th, 2023, the Company received from its controlling shareholder, the Minas Gerais State, through the State Secretariat of Economic Development, an Official Letter informing that, regarding the expected interventions and works that will improve water resilience of the Paraopeba and Rio das Velhas Basins, the controlling shareholder required that the amounts to be transferred to the works will be non-onerous and, consequently, no capital contribution to the Company will be made.

8.2. Other municipalities in the Minas Gerais State

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

On October 22nd, 2023, the district of Bom Jesus de Cardosos (municipality of Urucânia) which have around 800 water connections, accounting for 0.01% of the Company's total connections, were rationing water. In October 2022, the municipality of Capelinha and the district of Bom Jesus de Cardosos (municipality of Urucânia) 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.

9. Material Fact Disclosed on 08.21.2023

On August 21st, 2023, the Company disclosed a [Material Fact](#) informing what was published on that date by Agência Minas, the official news portal of the Government of the State of Minas Gerais, an article entitled “*The Government of Minas Gerais submits to the State’s legislative branch (ALMG) a proposed bill aimed at expediting the privatization process of state-owned companies*”.

According to the article, “*the proposed bill seeks to align the laws of the State of Minas Gerais with the Federal Constitution’s provisions on privatizations. To achieve this, the proposed bill suggests a simple quorum to approve laws that authorize changes in the corporate structure or spin-off of mixed-capital and government-owned companies. Currently, these changes must be approved by three-fifths of the State’s deputies. In addition, the proposed bill also exempts the State from carrying out public referendums or consultations with the population regarding privatizations*”.

The article can be accessed through the following link: <https://www.agenciaminas.mg.gov.br/noticia/governo-de-minas-envia-a-almg-proposta-para-agilizar-processo-de-desestatizacao-de-empresas-publicas>.

10. 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.

10.1. Quarterly Income Statement

PARENT CO.	3Q23	3Q22	3Q23 vs. 3Q22	3Q21	3Q22 vs. 3Q21
OPERATING REVENUE FROM SERVICES					
Water services	1,064,283	917,073	16.1%	860,103	6.6%
Sewage services	554,590	458,624	20.9%	446,561	2.7%
Solid waste revenues	1,163	506	129.8%	537	-5.8%
Construction revenues	239,081	225,910	5.8%	187,533	20.5%
Net Operating Revenue from Services	1,859,117	1,602,113	16.0%	1,494,734	7.2%
Cost of services rendered	(853,062)	(762,508)	11.9%	(823,570)	-7.4%
Construction costs	(239,081)	(225,910)	5.8%	(187,533)	20.5%
Cost of Services Rendered	(1,092,143)	(988,418)	10.5%	(1,011,103)	-2.2%
Gross Income	766,974	613,695	25.0%	483,631	26.9%
Selling expenses	(72,772)	(59,539)	22.2%	(65,871)	-9.6%
Expected credit losses for trade receivables	(33,660)	(51,113)	-34.1%	(51,866)	-1.5%
General and administrative expenses	(182,041)	(141,069)	29.0%	(195,415)	-27.8%
Other Operating Income	23,526	32,229	-27.0%	36,753	-12.3%
Other Operating Expenses	(5,025)	(58,884)	-91.5%	(138,827)	-57.6%
Equity income	(2,603)	107	n.m.	(3,437)	n.m.
Operating Income (Expenses)	(272,575)	(278,269)	-2.0%	(418,663)	-33.5%
Income before Financial Result and Taxes	494,399	335,426	47.4%	64,968	416.3%
Financial Income	77,770	57,665	34.9%	34,855	65.4%
Financial Expenses	12,984	(89,445)	n.m.	(125,020)	-28.5%
Financial Result	90,754	(31,780)	n.m.	(90,165)	-64.8%
Income before Taxes	585,153	303,646	92.7%	(25,197)	n.m.
Provision for Income Tax	(107,044)	(54,190)	97.5%	30,462	n.m.
Provision for Social Contribution on Net Income	(40,995)	(22,288)	83.9%	11,104	n.m.
Net Income for the Period	437,114	227,168	92.4%	16,369	1287.8%
Number of outstanding shares (thousands)	379,181	379,181	-	379,181	-
Earnings per Share (BRL)	1.15	0.60	92.4%	0.04	1287.8%

10.2. Balance Sheet – Assets

ASSETS - PARENT CO.	09/2023	09/2022	09/2023 vs. 09/2022	09/2021	09/2022 vs. 09/2021
CURRENT					
Cash and cash equivalents	27,078	19,713	37.4%	19,772	-0.3%
Securities	1,176,448	336,629	249.5%	1,396,518	-75.9%
Trade accounts receivable	1,233,234	1,038,506	18.8%	1,060,433	-2.1%
Inventories	112,244	109,911	2.1%	78,232	40.5%
Taxes recoverable	12,637	230,435	-94.5%	115,923	98.8%
Technical cooperation agreement	55,496	42,565	30.4%	35,515	19.9%
Banks and agreement investments	345	4,876	-92.9%	8,666	-43.7%
Advances and sundry receivables	35,765	28,828	24.1%	28,160	2.4%
TOTAL CURRENT ASSETS	2,653,247	1,811,463	46.5%	2,743,219	-34.0%
NON-CURRENT					
Customer	43,731	31,471	39.0%	-	n.m.
Financing guarantee deposits	61,926	59,424	4.2%	65,559	-9.4%
Restricted investments	74,616	76,958	-3.0%	76,120	1.1%
Financial assets measured at fair value through other comprehensive income	620	26,153	-97.6%	86,939	-69.9%
Deferred income and social contribution taxes	234,007	350,710	-33.3%	358,914	-2.3%
Financial assets	936,483	819,015	14.3%	712,363	15.0%
Technical cooperation agreement long term	-	-	n.m.	9,808	n.m.
Advances and sundry receivables	43,247	52,899	-18.2%	60,418	-12.4%
Contract assets	2,609,8583	2,049,272	27.4%	1,223,537	67.5%
Right of use - commercial leasing	86,393	93,598	-7.7%	75,063	24.7%
Investments	274,452	249,993	9.8%	206,689	21.0%
Intangible assets	5,539,800	5,421,953	2.2%	5,601,658	-3.2%
Property, plant and equipment	1,442,914	1,411,791	2.2%	1,485,673	-5.0%
TOTAL NON-CURRENT ASSETS	11,348,047	10,643,237	6.6%	9,962,741	6.8%
TOTAL ASSETS	14,001,294	12,454,700	12.4%	12,705,960	-2.0%

10.3. Balance Sheet – Liabilities

LIABILITIES - PARENT CO.	09/2023	09/2022	09/2023 vs. 09/2022	09/2021	09/2022 vs. 09/2021
CURRENT					
Contractors and suppliers	326,247	257,497	26.7%	230,946	11.5%
Income Tax and Social Contribution	289	145,345	-99.8%	-	n.m.
Taxes, charges and contributions	96,891	75,861	27.7%	75,721	0.2%
Loans and financing	119,066	162,604	-26.8%	190,146	-14.5%
Debentures	565,445	729,194	-22.5%	538,683	35.4%
Right of use - commercial leasing	40,539	32,009	26.6%	26,678	20.0%
Public-private partnership	48,243	36,915	30.7%	54,557	-32.3%
Employees' profit sharing	65,372	43,002	52.0%	120,222	-64.2%
Provision for vacations and 13th salary	199,010	185,093	7.5%	183,060	1.1%
Tax installments	-	6,623	n.m.	-	n.m.
Technical cooperation agreement	2,370	7,854	-69.8%	1,272	517.5%
Retirement benefit liabilities	9,828	9,190	6.9%	10,643	-13.7%
Interest on equity	119,528	55,185	116.6%	156,335	-64.7%
Sundry obligations	107,763	102,972	4.7%	418,230	-75.4%
Total Current Liabilities	1,700,591	1,849,344	-8.0%	2,006,493	-7.8%
NON-CURRENT					
Loans and financing	1,062,706	826,899	28.5%	901,900	-8.3%
Debentures	2,849,331	1,716,834	66.0%	2,358,244	-27.2%
Right of use - commercial leasing	56,750	73,898	-23.2%	51,209	44.3%
Public-private partnership	173,370	209,375	-17.2%	217,881	-3.9%
Provision for litigation	134,857	386,498	-65.1%	152,279	153.8%
Retirement benefit liabilities	34,370	113,426	-69.7%	235,205	-51.8%
Sundry obligations	98,213	87,424	12.3%	126,733	-31.0%
Technical cooperation agreement long term	-	-	n.m.	1,977	n.m.
Total Non-Current Liabilities	4,409,597	3,414,354	29.1%	4,045,428	-15.6%
SHAREHOLDERS' EQUITY					
Paid-up capital stock	3,402,385	3,402,385	-	3,402,385	-
Treasury shares	(8,576)	(8,576)	-	(8,576)	-
Profit reserve	3,856,600	3,404,279	13.3%	3,147,591	8.2%
Equity valuation adjustments	4,104	(36,469)	n.m.	(78,035)	-53.3%
retained earnings	636,593	429,383	48.3%	190,674	125.2%
Total Shareholders' Equity	7,891,106	7,191,002	9.7%	6,654,039	8.1%
Total Liabilities and Shareholders' Equity	14,001,294	12,454,700	12.4%	12,705,960	-2.0%

10.4. Quarterly Cash Flow

Cash Flow	3Q23	3Q22	3Q21
Cash flow from operational activities:			
Net Income (Loss)	437,114	227,168	16,369
Adjustments to reconcile net income and net cash			
Expected credit losses for trade receivables	33,660	51,113	51,866
Monetary and foreign exchange variation and charges, net	11,854	1,544	33,909
Interest income and expenses	47,691	13,958	76,640
Deferred income and social contribution taxes	77,080	(10,802)	(12,444)
Equity income	2,603	(107)	3,437
(Gain) loss on the write-off of intangibles and property, plant and equipment	58,982	(113)	5,109
Depreciation and amortization	193,007	178,805	170,822
Creation (reversal) of provisions	(246,385)	14,212	654
Provision for retirement benefits	14,404	16,391	17,003
Capitalization and gain (loss) for Financial assets	(16,397)	(14,929)	(10,895)
Others	(1,256)	337	-
Provision for inventories loss	398	(1,296)	(158)
Adjusted profit	612,755	476,281	352,312
Changes in assets:			
Accounts receivable from clients	(64,192)	(66,535)	(36,233)
Inventories	6,914	(1,212)	(6,533)
Taxes to be recovered	9,997	(74,381)	(97,542)
Other financial assets	-	102	-
Advancement of tariff transfer to municipalities	2,626	1,829	1,840
Technical cooperation agreement	(14,473)	(39)	(2,918)
Other	(3,318)	5,278	(3,074)
Changes in liabilities:			
Suppliers	19,900	(21,068)	5,954
Taxes, fees, contributions and social security and labor obligations	136,346	157,670	68,813
Provision for vacations and 13th salary	17,234	16,997	19,724
Employees' profit sharing	16,796	(4,804)	1,033
Technical Cooperational Agreement	(4,793)	(103)	(389)
Contingencies	(1,662)	(302)	(5,107)
Retirement benefit liabilities	(12,617)	(11,814)	(11,765)
Payroll payable - Collective Bargaining Agreement	-	(10,095)	-
Voluntary Separation Program - VSP	(44,032)	(14,099)	-
Others	(4,536)	44,750	281,261
Payment of actuarial liabilities	-	-	(1,363)
Cash from operations	672,945	498,455	566,013
Interest paid	(121,327)	(118,464)	(65,659)
Interest paid from the Public Private Partnership	(2,316)	(4,873)	(3,048)
Income Tax (IR) and Social Contribution (CSLL) payment	(66,507)	(69,889)	(78,953)
Net Cash from Operating Activities	482,795	305,229	418,353
Cash flow from investing activities:			
Public Private Partnership Payment	(10,769)	(4,448)	(12,239)
Subsidiary Capital Raise (Copanor)	(23,795)	(27,089)	(23,795)
Amount received from the sale of property, plant and equipment	599	727	946
Purchase of Contract Assets	(333,891)	(293,632)	(237,363)
Purchase of Intangible Assets	(133,592)	(54,536)	(37,142)
Purchase of property, plant and equipment	(11,602)	(15,465)	(3,055)
	2,259	-	-
Loan collateral deposits	2,084	2,785	6,934
Bank and financial investments of agreement	-	(1,573)	4,721
Net Cash used in Investing Activities	(508,707)	(393,231)	(300,993)
Cash flow from financing activities:			
Income from loans, financing and debentures	951,348	44,810	757,720
Amortization of loans, financing and debentures	(315,751)	(296,704)	(240,877)
Payment of Interest on Equity	(120,323)	(49,677)	(51,673)
Issuance Costs of Securities	(14,080)	-	(11,084)
Payment of leasing	(12,319)	(10,436)	(8,738)
Net Cash Used in Financing Activities	488,875	(312,007)	445,348
Net increase (decrease) in cash and cash equivalents	462,963	(400,009)	562,708
Cash and cash equivalents at beginning of the period	740,563	756,351	853,582
Cash and cash equivalents at end of the period	1,203,526	356,342	1,416,290

10.5. Debt

Debt –Funding Lines Consolidated Data	Index + Fixed Rate (Annual)	Issue Date	Maturity Date	Outstanding Balance	%
<u>In National Currency:</u>					
FGTS Funds ¹	TR + 7.30% to TR + 8.50%	08.16.2009	01.16.2043	728,167	15.7%
Finame	2.5% to 8.7%	03.28.2011	01.15.2025	4,256	0.1%
BNDES Loan	TJLP + 1.55% to 1.73%	01.15.2008	05.15.2025	20,189	0.4%
Caixa Debentures - 5th Issue	TR + 9.00%	09.20.2011	09.01.2031	140,712	3.0%
BNDES Debentures - 8th Issue					
1st Series	TJLP + 1.87%	06.15.2015	06.15.2028	39,452	0.9%
2nd Series	IPCA + 8.18%	06.15.2015	06.15.2028	24,219	0.5%
BNDES Debentures - 11th Issue					
1st Series	TJLP + 2.62%	01.15.2017	01.15.2031	104,562	2.3%
2nd Series	IPCA + 8.85%	01.15.2017	01.15.2031	59,765	1.3%
Market Debentures – 12th Issue					
1st Series	IPCA + 5.0642%	02.08.2018	01.15.2024	42,792	0.9%
2nd Series	IPCA + 5.2737%	02.08.2018	01.15.2026	69,064	1.5%
Market Debentures – 13th Issue					
3rd Series	IPCA + 6.50%	07.15.2018	07.15.2025	60,247	1.3%
Market Debentures – 14th Issue					
1st Series	106.15% of CDI	06.15.2019	06.15.2024	14,367	0.3%
2nd Series	IPCA + 4.30%	06.15.2019	06.15.2026	138,721	3.0%
Market Debentures – 15th Issue					
1st Series	CDI + 1.75%	12.16.2020	12.16.2025	347,864	7.5%
Market Debentures – 16th Issue					
1st Series	IPCA + 5.2306%	09.15.2021	09.15.2031	276,340	6.0%
2nd Series	CDI + 1.30%	09.15.2021	09.15.2026	469,743	10.2%
Market Debentures – 17th Issue					
Single Series	CDI + 1.30%	12.16.2022	12.16.2029	753,585	16.3%
Market Debentures – 18th Issue					
1st Series	CDI + 1.20%	09.15.2023	09.16.2030	113,685	2.5%
2nd Series	IPCA + 7.10%	09.15.2023	09.16.2030	786,802	17.0%
<u>In Foreign Currency:</u>					
KfW (11/2011) ²	Euro + 2.07%	11.29.2011	12.20.2023	29,616	0.6%
KfW (12/2018) ²	Euro + 1.41%	12.13.2018	05.15.2034	164,483	3.6%
BEI ²	Euro + Euribor + 0.55%	12.13.2019	09.20.2033	237,621	5.1%
Issuance Costs of Securities				(29,704)	
(=) Total Loans, Financing and Debentures				4,596,548	
(+) Leasing Liabilities				97,373	
(=) Total Gross Debt (Short + Long Term)				4,693,921	
(-) Cash and Cash Equivalents				(1,250,850)	
(=) Net Debt				3,443,071	

(1) FGTS Funds: Brazilian Savings Bank.

(2) Foreign-currency contracts are also subject to an availability rate (0.25% p.a.) on the balance disbursable.

About COPASA MG

Companhia de Saneamento de Minas Gerais – COPASA MG is a mixed capital company, controlled by the Minas Gerais State, whose stock has been traded since February 2006 in Novo Mercado, the highest corporate governance segment of B3 – Brasil, Bolsa, Balcão, under the ticker CSMG3. The Company’s activities are to plan, execute, expand, remodel and operate public sanitation services, involving water supply, sewage and solid waste services. Together with its subsidiary COPANOR, COPASA MG has concessions in about 75% of the municipalities of the Minas Gerais State, supplying water to approximately 11.8 million people, of which 8.6 million people are also served with sewage services.

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