

COPASA

Earnings Presentation 3Q15

November 9, 2015

Índice de Ações com Governança Corporativa Diferenciada IGC

IBrX ÍNDICE BRASIL

Índice de Ações com Tag Along Diferenciado ITAG

Índice de Governança Corporativa Trade IGCT

CSMG3 NOVO MERCADO BM&FBOVESPA

DISCLAIMER

This document may contain future considerations on COPASA's business prospects. These are mere projections. being. therefore. entirely based on COPASA's management expectations regarding the future of the business. Such forward-looking statements are subject to risks and uncertainties which depend on factors including economic. political. financial and commercial conditions in the markets where we operate. Investors are hereby advised that these forecasts are no guarantee of future performance since they involve risks and uncertainties.

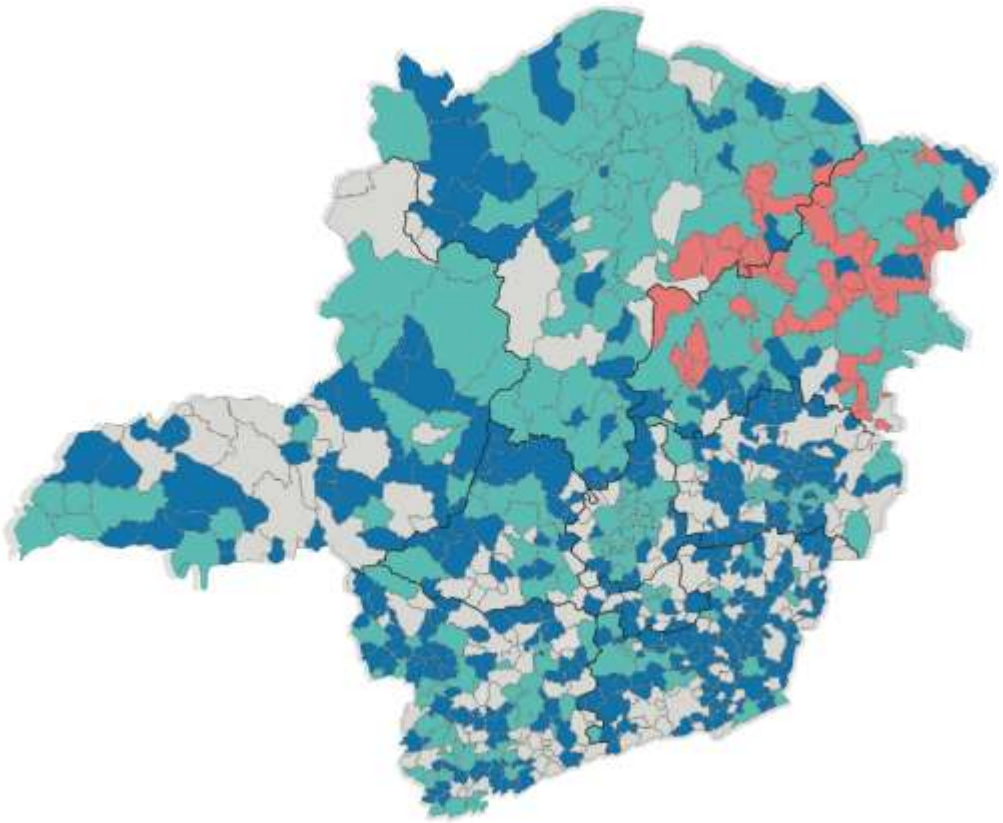
Agenda

1. Operational Performance
2. Water Situation
3. Financial Performance
4. Strategies

Operational Performance

Present in 634 of the 853 municipalities of Minas Gerais

- **342 concessions (Water)**
- **292 concessions (Water + Sewage)**
- **219 not covered by COPASA**
- **COPANOR**

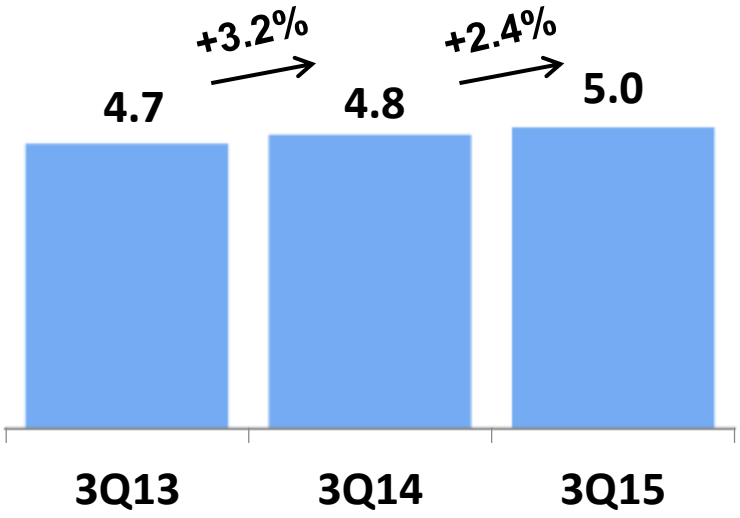


Number include concessions of COPASA MG and COPANOR.

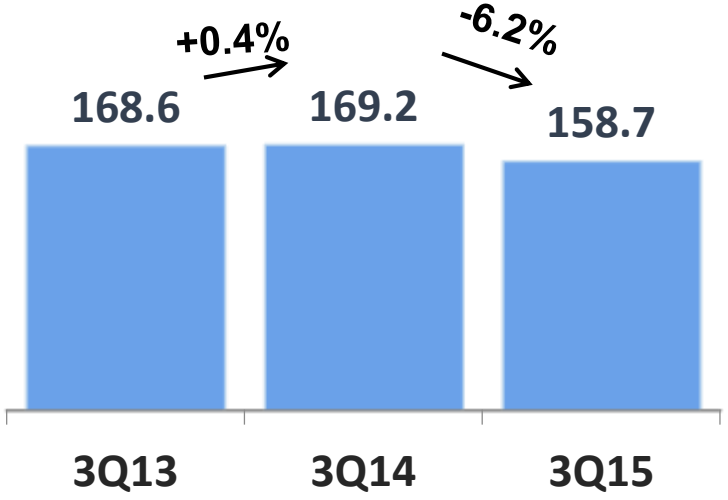
Operational Performance

Water

Units
(million)



Billed Volume
(million m³)

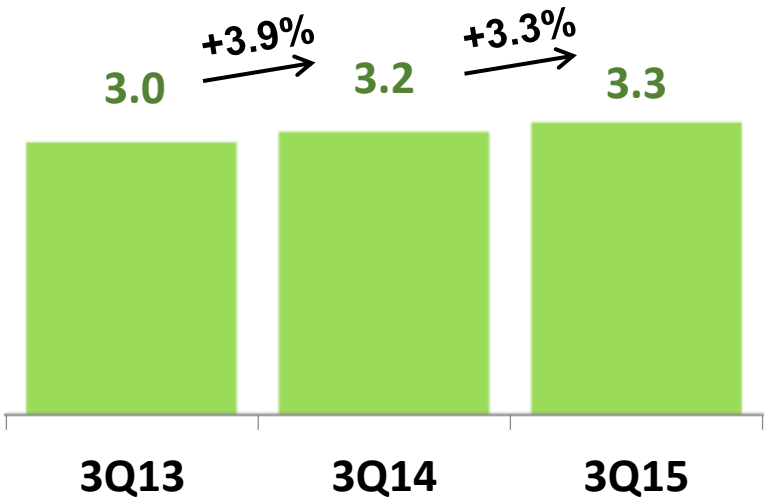


- Consolidated data (includes cities operated by subsidiary COPANOR).

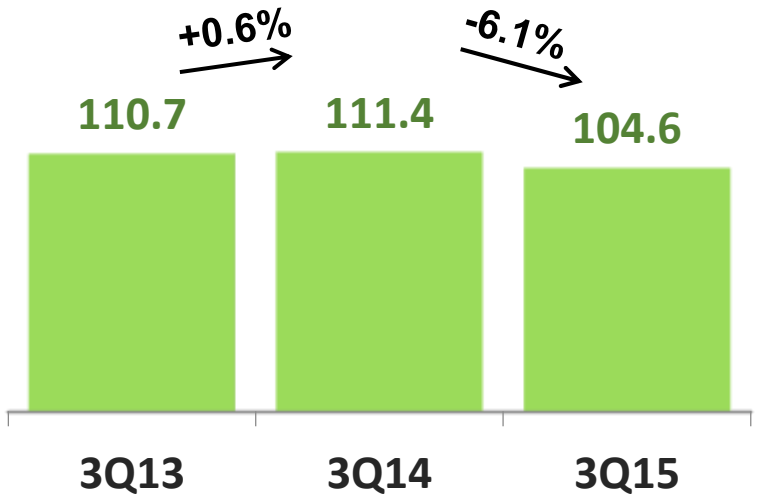
Operational Performance

Sewage

Units
(million)



Billed Volume
(million m³)



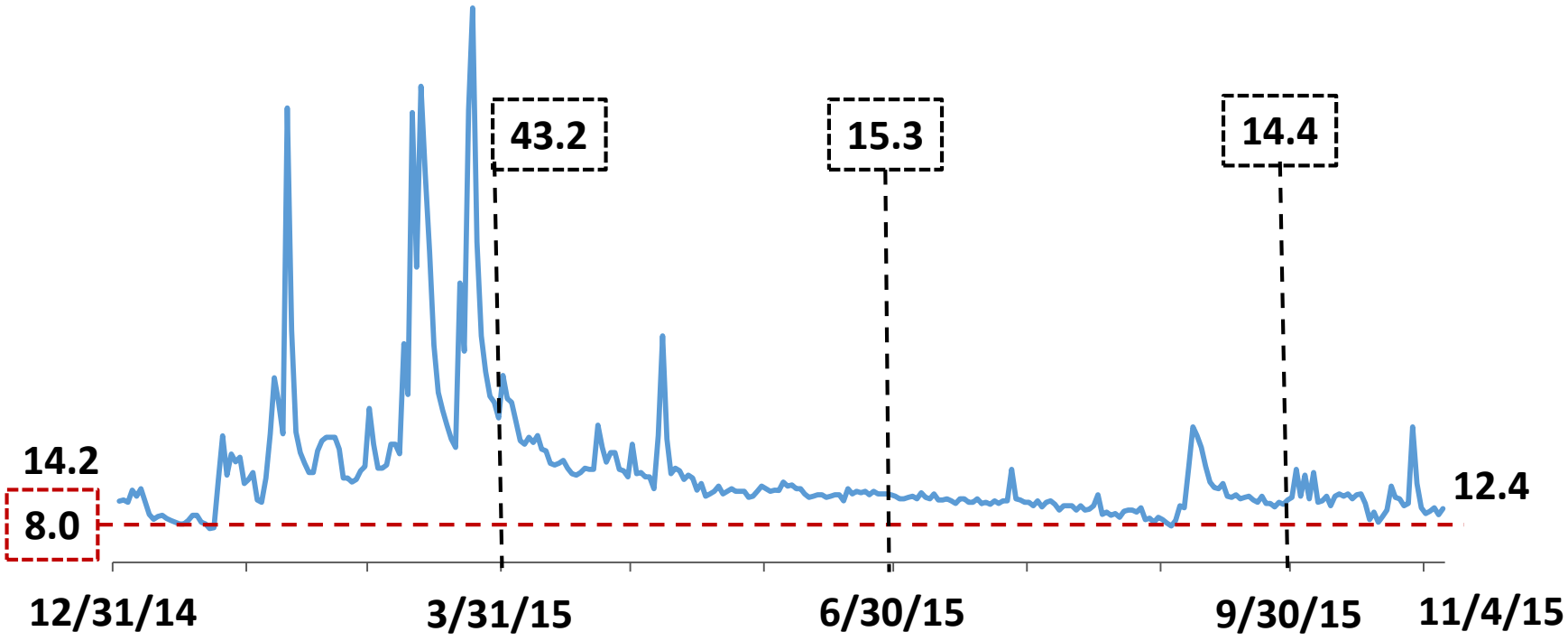
- Consolidated data (includes cities operated by subsidiary COPANOR).

Agenda

1. Operational Performance
2. Water Situation
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Water Situation

Das Velhas River (m³/s)



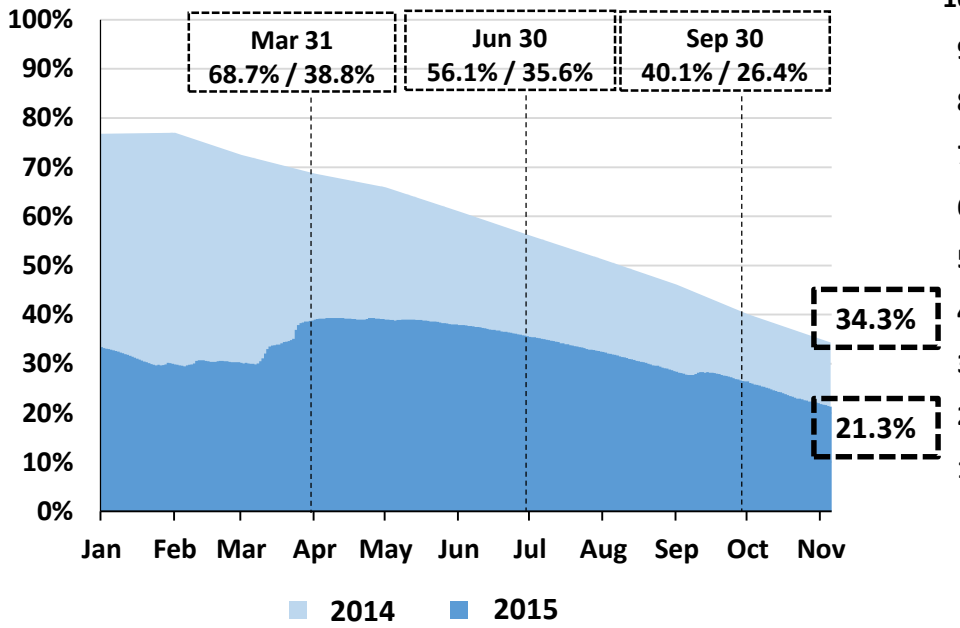
50% of Metropolitan Region Supply

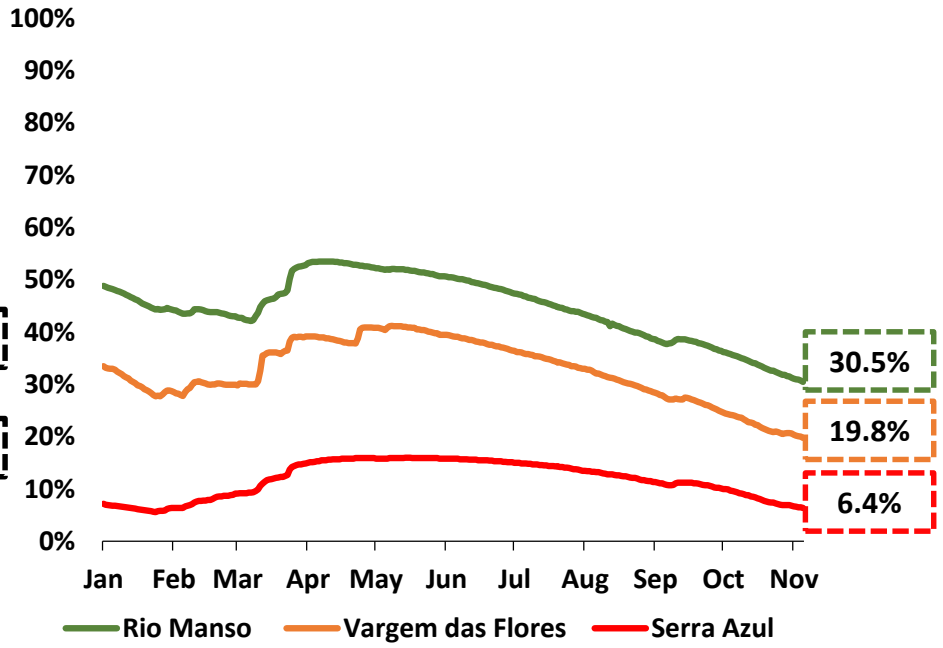
Source: Institutional COPASA website (Nov 5, 2015)

Water Situation

Reservoir Levels - 2015

Paraopeba System





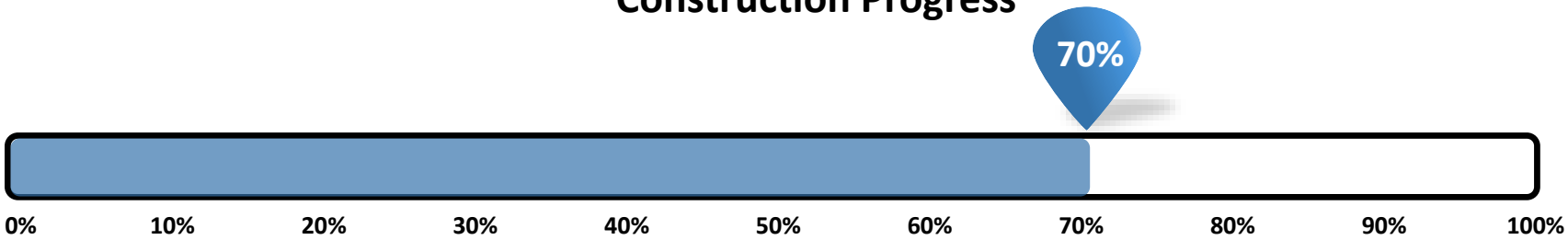
42% of Metropolitan Region Supply

Source: Institutional COPASA website (Nov 5, 2015)

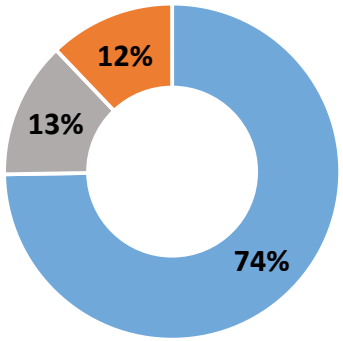
Water Situation

Emergency Structural Construction Works
Paraopeba River Water Collection

Construction Progress

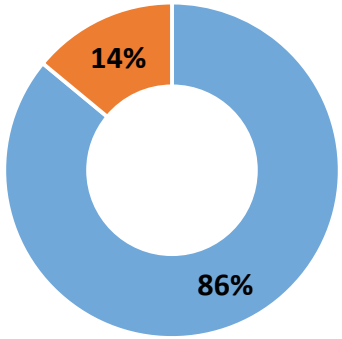


Pipeline assembling progress



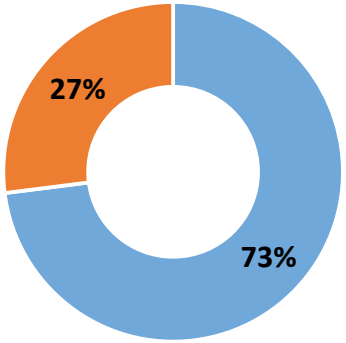
- External segment completed: 4,836 m
- Internal segment completed: 860 m
- Remaining segment: 799 m

Concrete usage progress



- Completed
- Remaining

Supplies
Equipment, pipes and valves

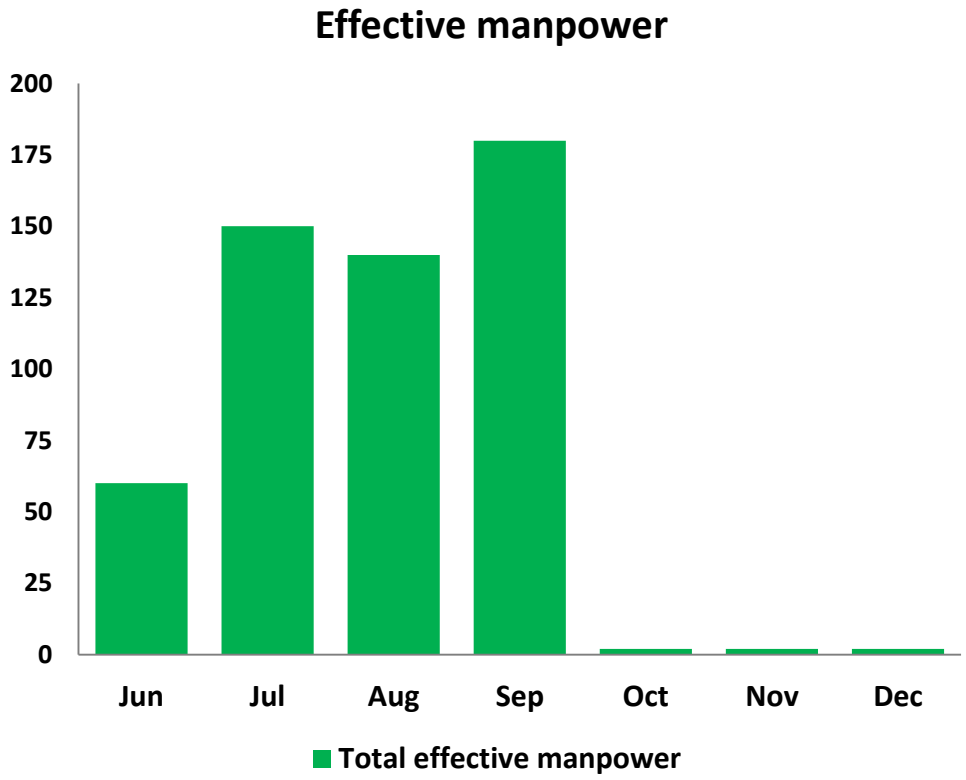


- Completed
- Remaining

Position: Oct 26, 2015.
Source: Institutional COPASA website and internal information

Water Situation

Emergency Structural Construction Works
Paraopeba River Water Collection



Overview



Source: Institutional COPASA website and internal information

Water Situation

Emergency Structural Construction Works
Paraopeba River Water Collection

Low Lifting Unit (EAB-4)



De-sander



Source: Institutional COPASA website

Water Situation

Emergency Structural Construction Works
Paraopeba River Water Collection

Collection Lifting Unit (EAB-3)



Low Lifting Unit (EAB-4)



Source: Institutional COPASA website

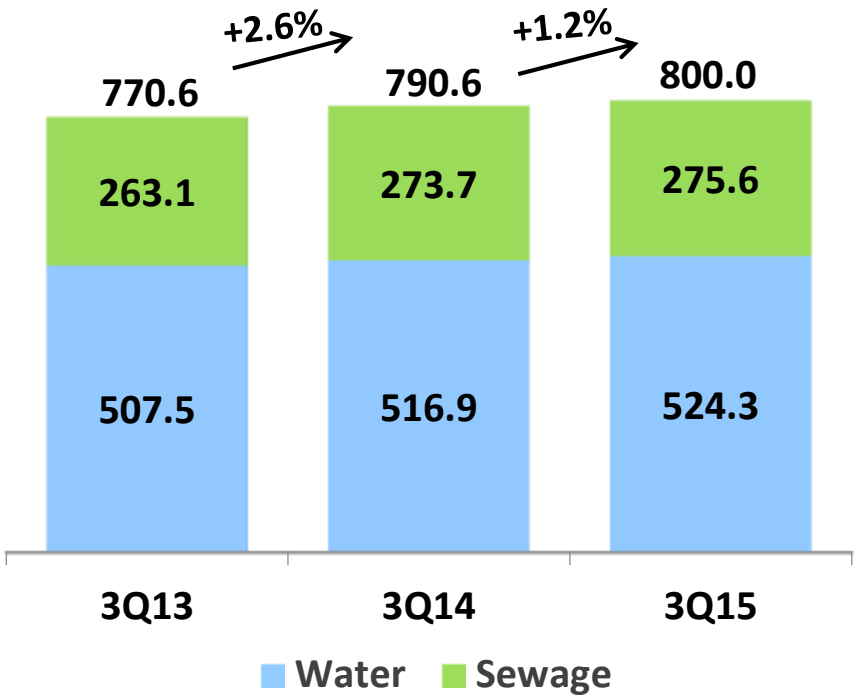
Agenda

1. Operational Performance
2. Water Situation
3. **Financial Performance**
4. Strategies

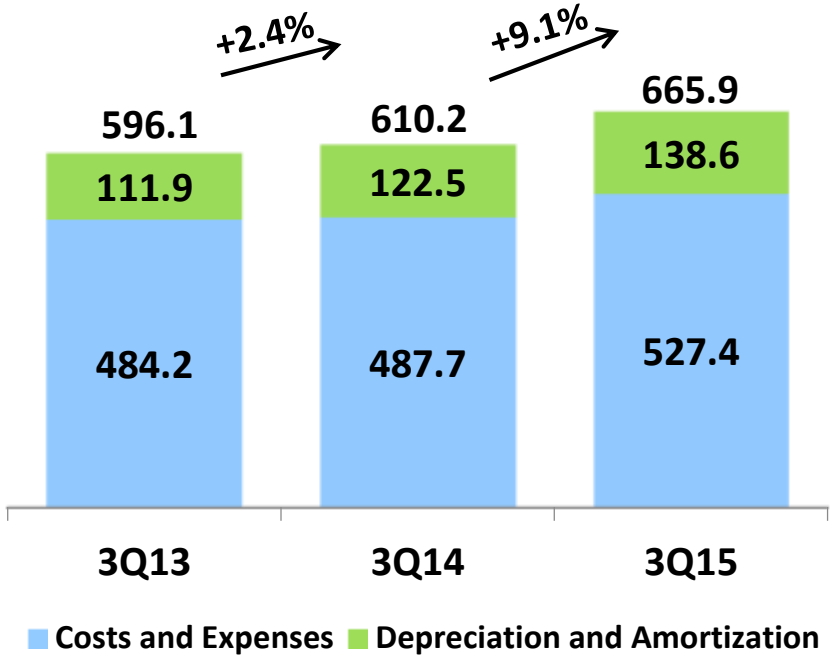
Financial Performance

Operating Revenue, Costs and Expenses

Net Operating Revenue
(R$ million)



Costs and Expenses[1]
(R$ million)

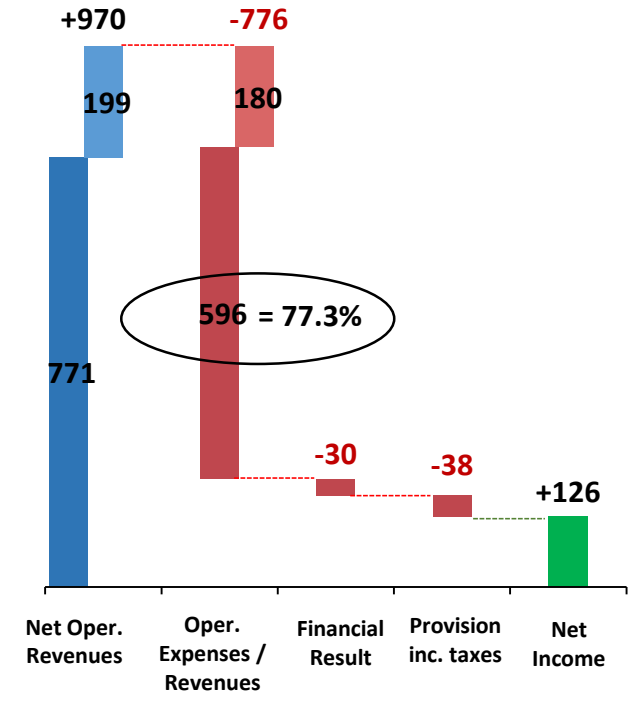


1. Cost of services rendered + selling + administrative expenses.

Financial Performance
Income Statements – 3rd quarters

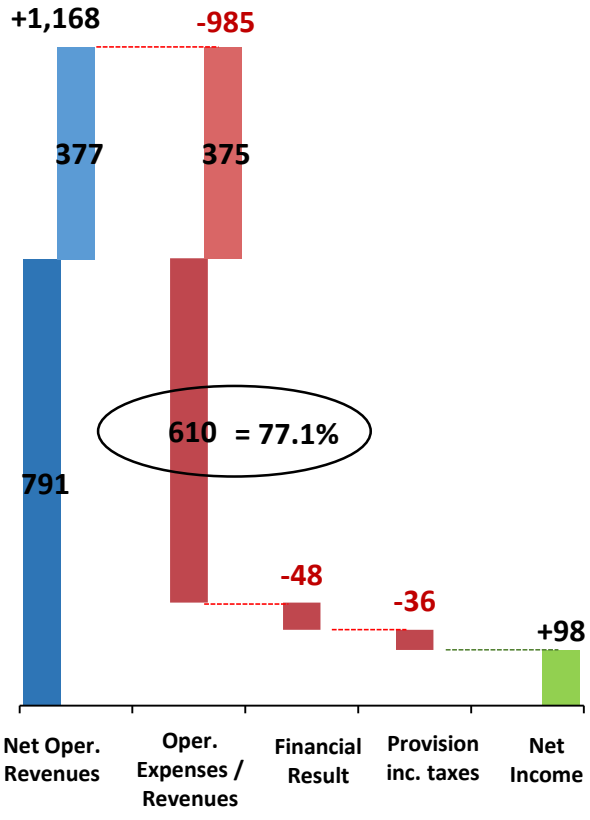
R$ million

3Q13



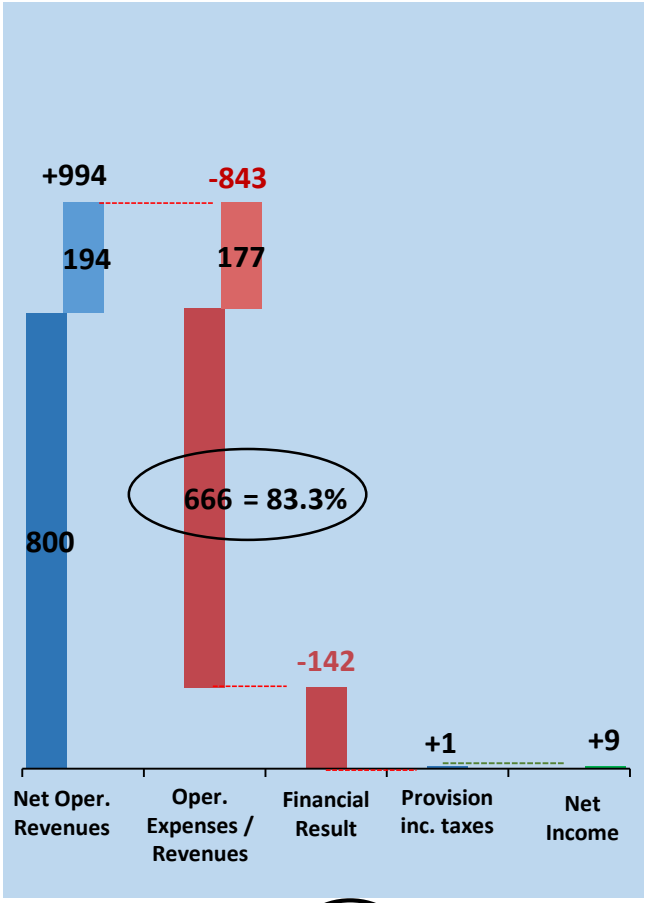
%	100%	80.0%	3.1%	3.9%	13.0%

3Q14



%	100%	84.4%	4.1%	3.1%	8.4%

3Q15



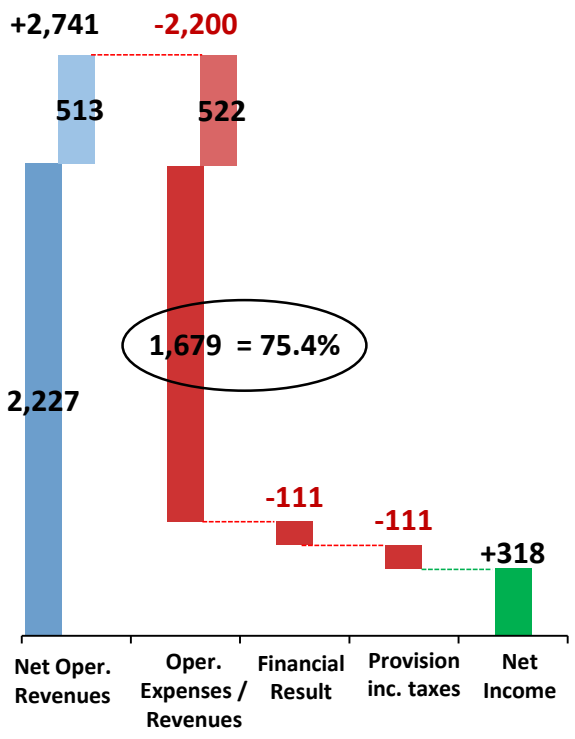
%	100%	84.8%	14.3%	0.1%	0.9%

Financial Performance

Income Statements – January to September

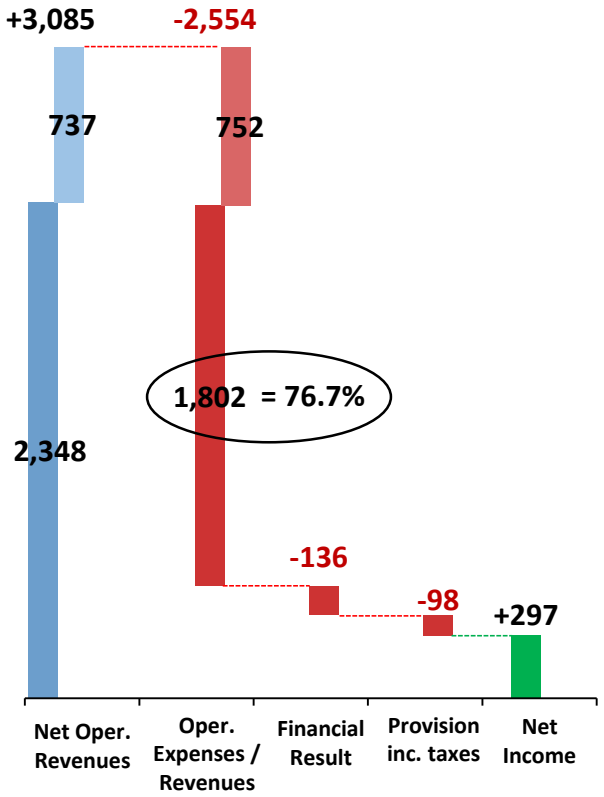
R$ million

9M13



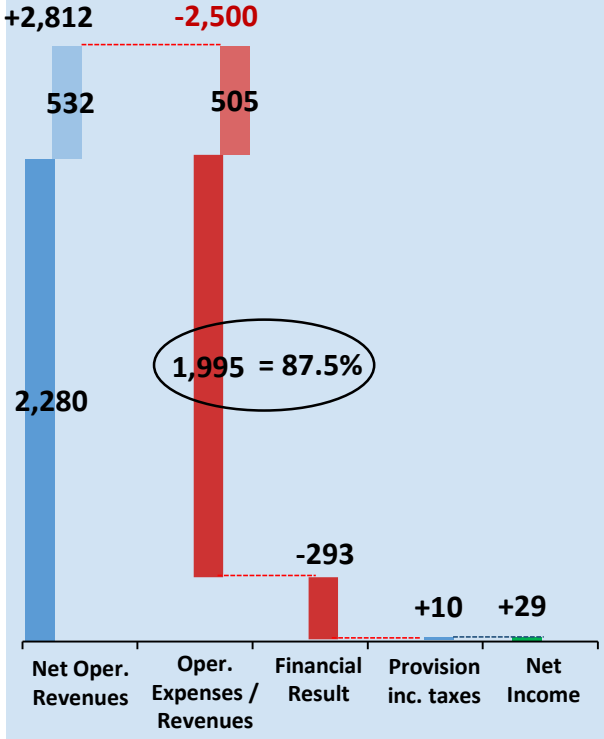
%	100%	80.3%	4.0%	4.1%	11.6%

9M14



%	100%	82.8%	4.4%	3.2%	9.6%

9M15

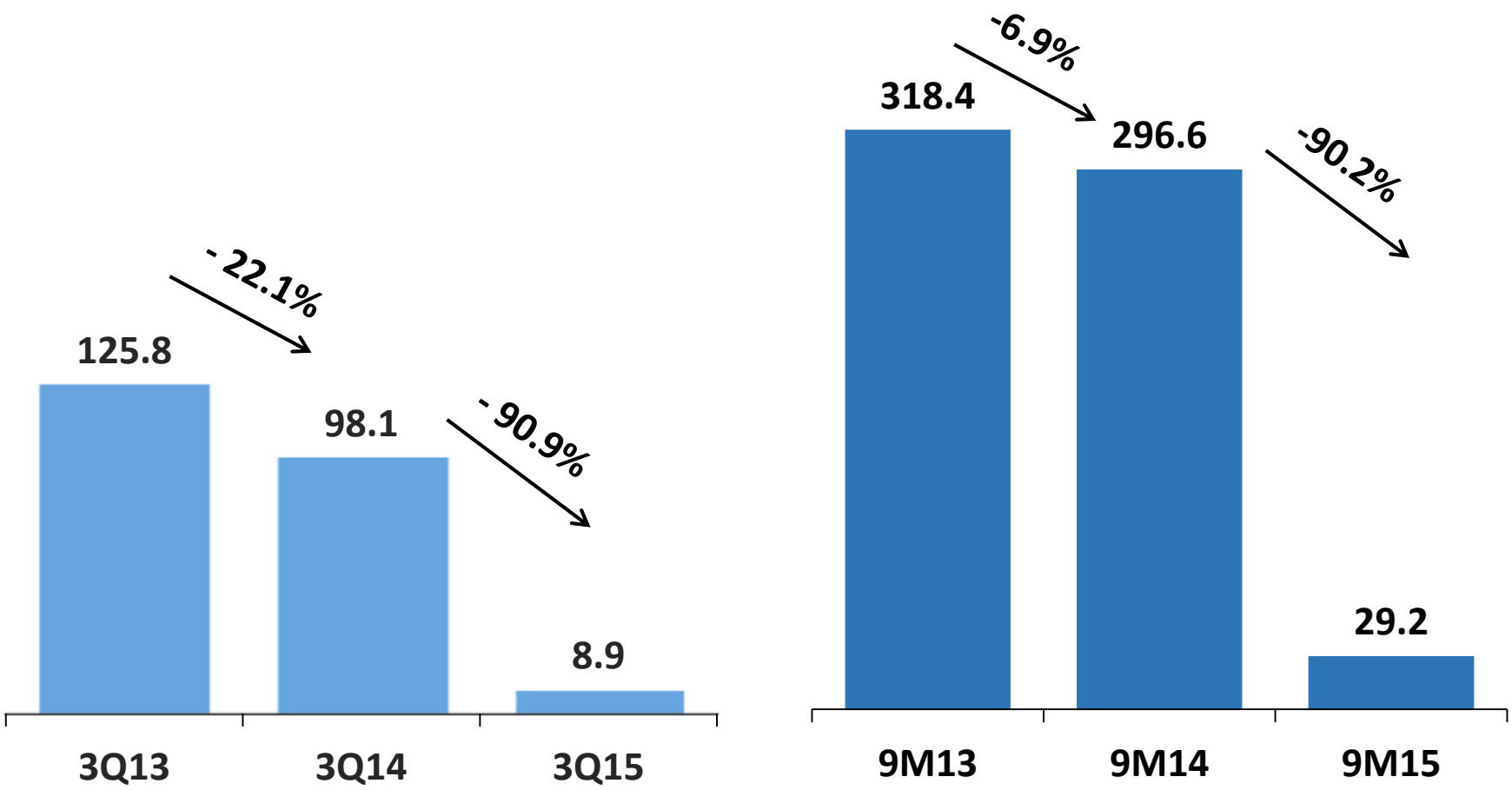


%	100%	88.9%	10.4%	0.4%	1.0%

Financial Performance

Net Income

R$ million

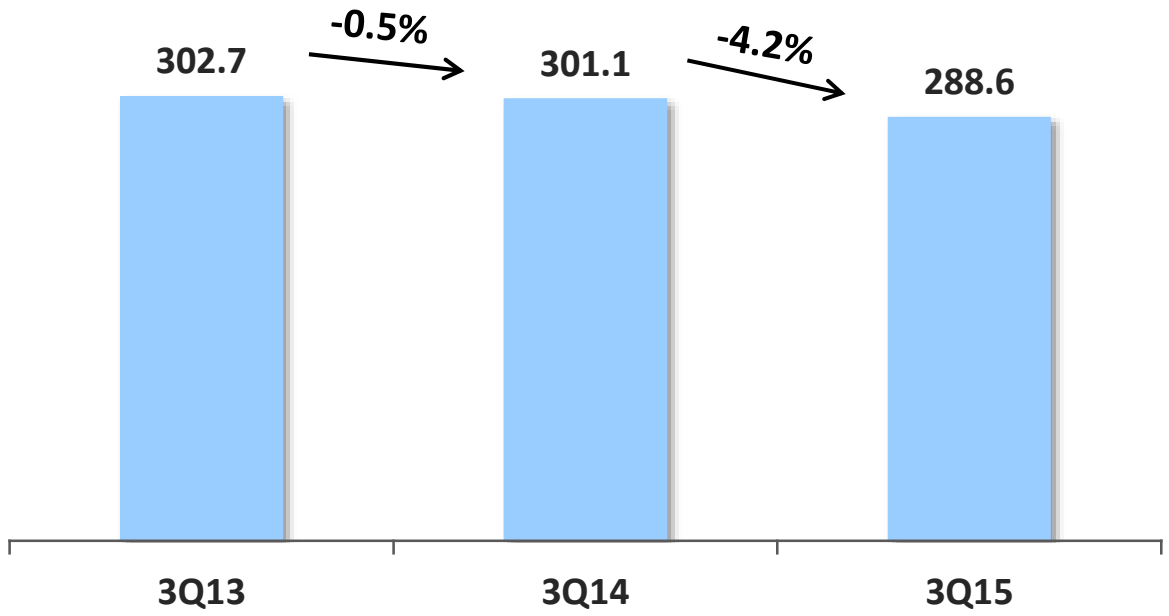


Financial Performance

Operational Cash Generation

R$ million

Adjusted EBITDA[1]



1. EBITDA is a non-accounting measure prepared by the Company, calculated in accordance with CVM Instruction 527/2012, consisting of net income plus taxes on income, financial result, depreciation and amortization and its subsidiaries' non-operating result. The EBITDA margin is calculated on total revenue (net water and sewage revenue, construction result, other operating income and revenue from the subsidiaries). Adjusted EBITDA excludes the construction result, and, from 3Q15, as per regulatory demands, the revenue construction margin will be zero.

Financial Performance

CAPEX

R$ million

	3Q13	3Q14	Δ%	3Q15	Δ%	9M15
Water	85.1	63.5	-25.4	36.9	-41.9	127.6
Sewage	175.8	134.3	-23.6	61.3	-54.4	176.9
Others	2.7	7.4	174.1	0.2	-97.3	3.6
Subtotal	263.6	205.2	-22.2	98.4	-52.0	308.1
PPP				48.7		250.4
PPP amendment – Paraopeba uptake				78.4		78.4
TOTAL				**225.5**		**636.9**

Financial Performance

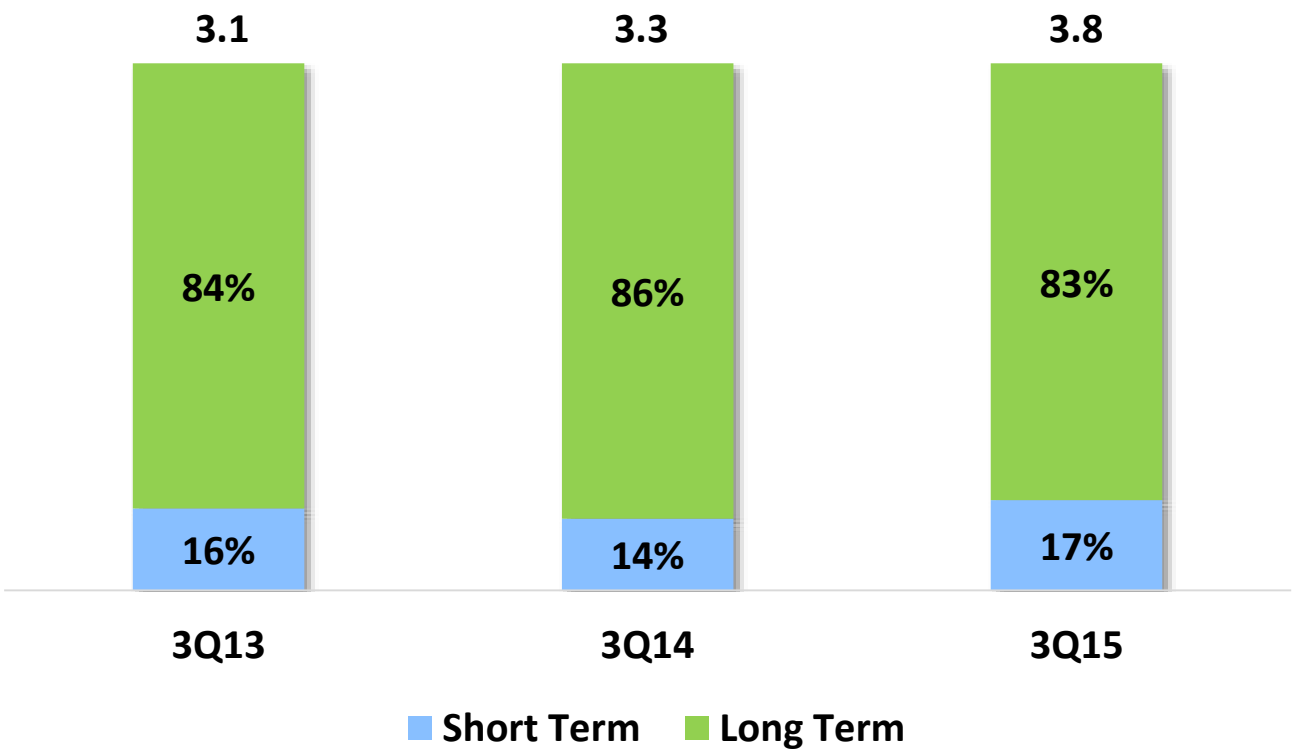
Shareholders' Remuneration - 2015

- Mandatory amount of 25% of Net Income distributed as Interest on Equity (IOE);
- Quarterly declared;
- The date of payment will be defined in the Annual Shareholders' Meeting that approves the Financial Statements for the fiscal year of 2015.

Financial Performance

R$ billion

Gross Debt

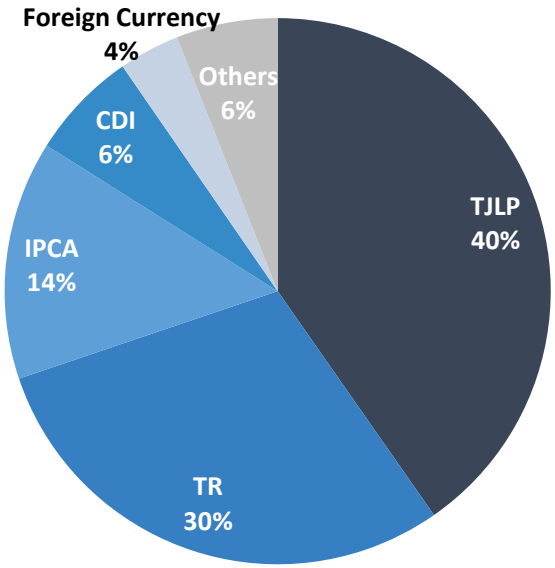


1. As of September 30, 2015, the Company had R$ 575.2 million in funds contracted from BNDES and Caixa Econômica Federal (CEF), to be disbursed and recorded in liabilities as investments are made. The Company also had a loan contracted with the KfW in the amount of €18.4 million.

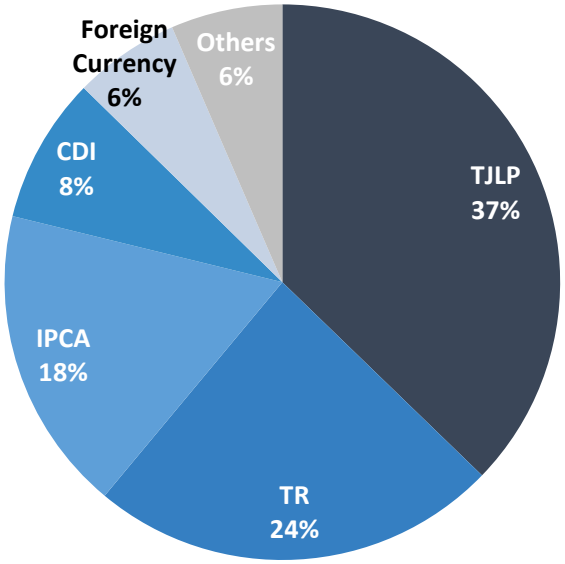
Financial Performance

Debt Indexes

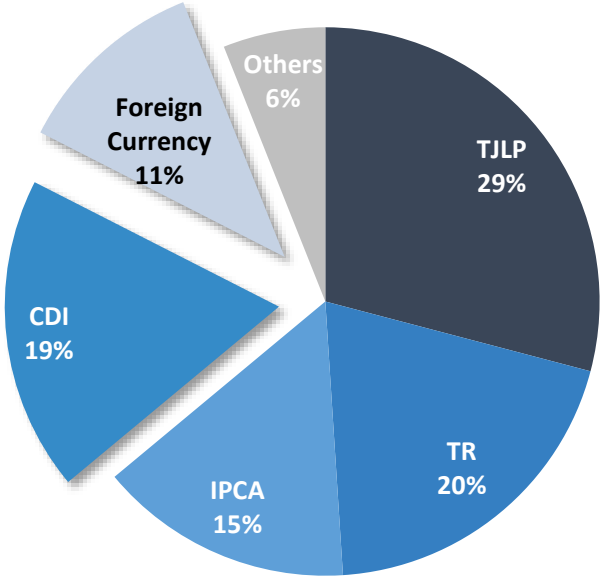
3Q13
Average rate: 7.62 % p.a.



3Q14
Average rate: 7.50% p.a.



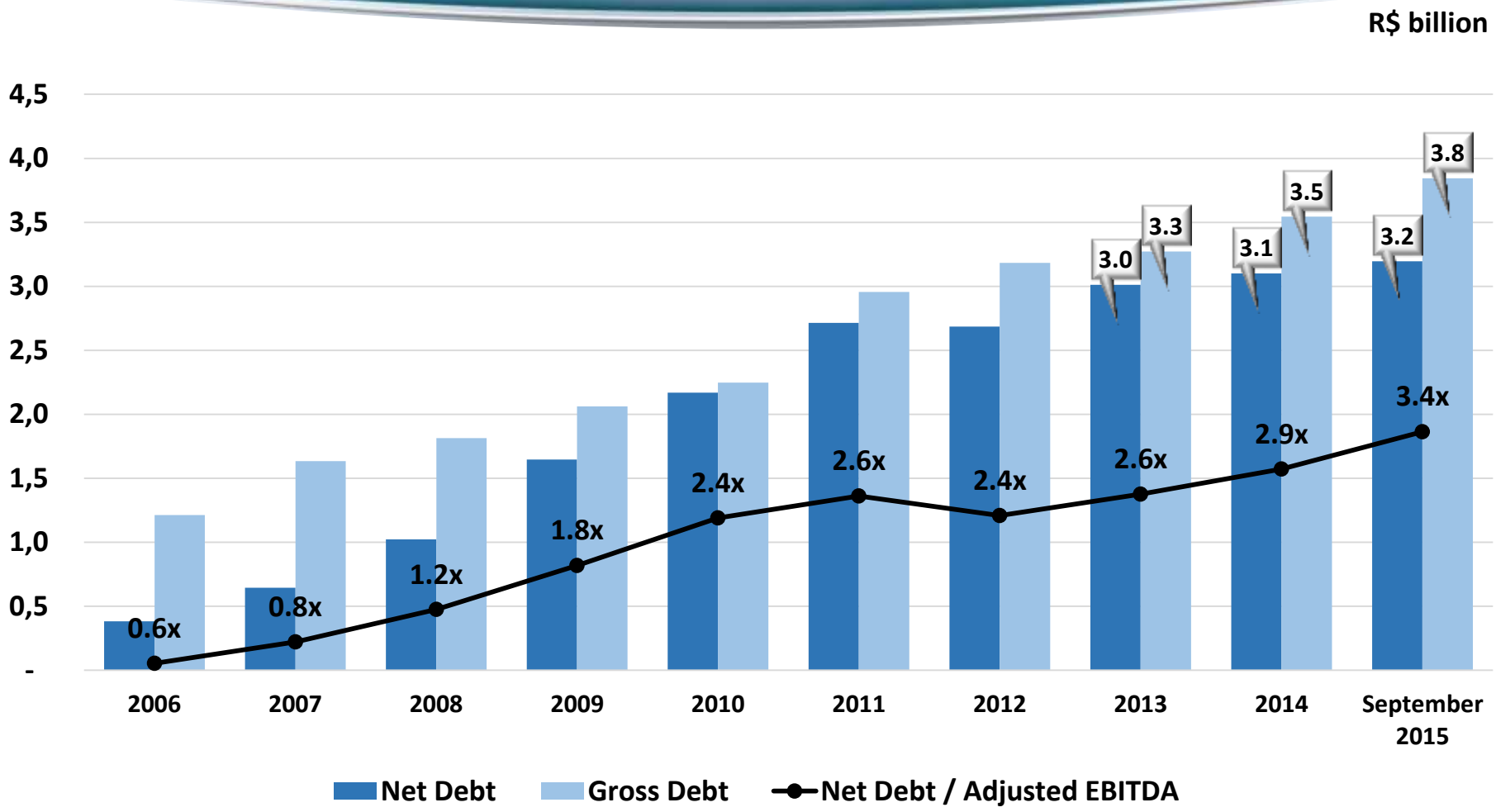
3Q15
Average rate: 8.85% p.a.[1]



1. In September 2015, the average rate of these loans was 8.85% p.a., while some funding lines also had their balances pegged to specific indices, such as TR, IPCA, INPC, CDI, US dollar and euro, as shown in debt chart from Earnings Release 3Q15.

Financial Performance

Evolution of Debt



Agenda

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Strategies

1 – Voluntary Termination Program 2015 - Closed

- Number of employees terminated: 489
- Expenses incurred: R$ 29.1 million
- Annual cost reduction: R$ 30 million

2 - Subsidiary Águas Minerais de Minas – AGMM

- Termination of commitment with CODEMIG as of June 1st.
- Compensation for assets and stocks: R$ 24 million
- Contracting of AGMM to operate and sell mineral water
- Year-to-date net income of R$ 4.3 million (as of Sep 30, 2015)

Strategies

3 – Renewal of concessions

- Expired concessions as of Sep 30, 2015: 93
- In final stage of renewal: 12
- Renewed: 6

4 – Tariff Revision

- Tariff revision filed at ARSAE-MG on Oct 16, 2015
- Discussion with ARSAE-MG: 2 stages
  - 2016: productivity gains and realignment of the Company's revenues in relation to the market
  - 2017: regulatory asset base

Strategies

5 – Restructuring of organizational structure and adjustment of cost curve

- Review of organizational structure and PDVI (voluntary incentived termination program)
  - Reduction of Board of Executive Officers from 11 to 8 positions
  - Reduction of 56 commissioned positions
  - Termination goal: 1,800 employees
  - Annual cost reduction target: R$ 200 million

6 – New business models: Law 21,728/2015

- Creation of SANPART

7 – Water loss reduction actions and energy efficiency

- Reduction of time for stopping the leak by 51% (from 9h to 4h23min)
- Pilot project for loss reduction (Vale do Aço and Ipatinga regions)

Contacts



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