

COPASA

Earnings Presentation 2Q16

August 12, 2016

Índice de Ações com Governança Corporativa Diferenciada IGC

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

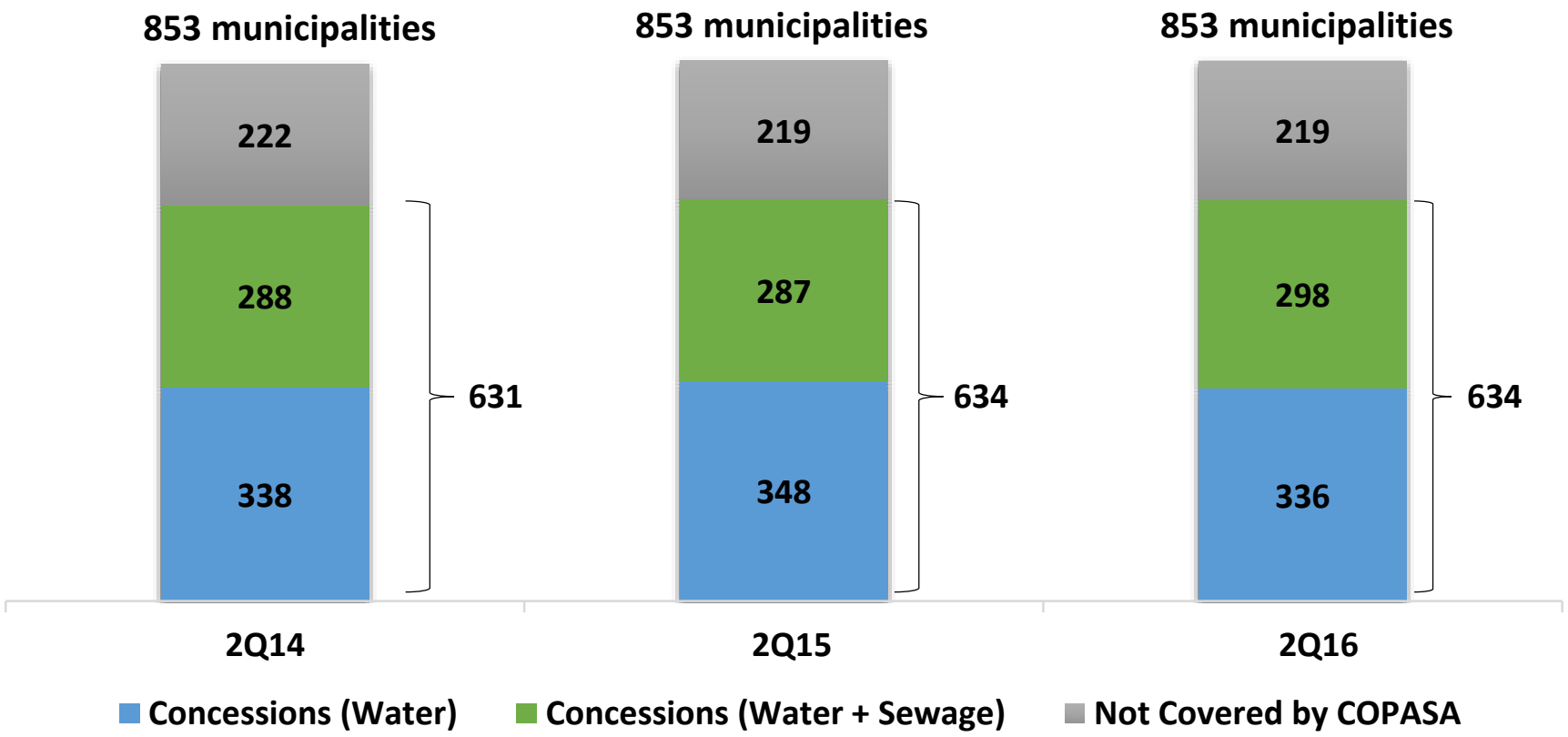
Operational Performance

Highlights 1H16

- **Concession Renewals:**
  - Water: 06
  - Sewage: 01
- **New Concessions:**
  - Sewage: 04
- **Improvement in the reservoir levels of the Belo Horizonte Metropolitan Area**
- **Conclusion of the 1st stage of the Tariff Revision:**
  - 13.9% tariff adjustment
  - Change in tariff structure: Fixed Tariff and Variable Tariff.

Operational Performance

Concessions Board

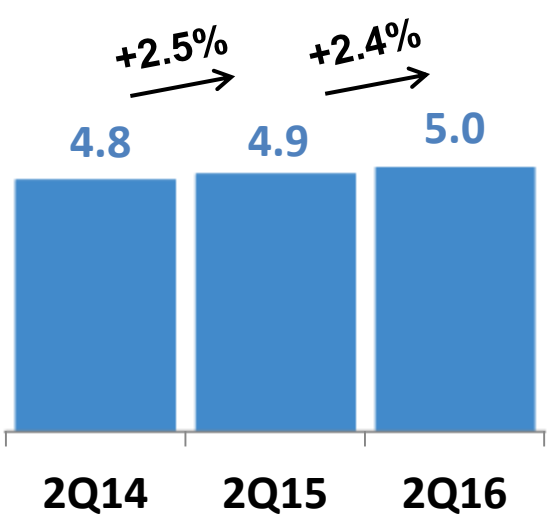


Numbers include COPASA and COPANOR concessions.

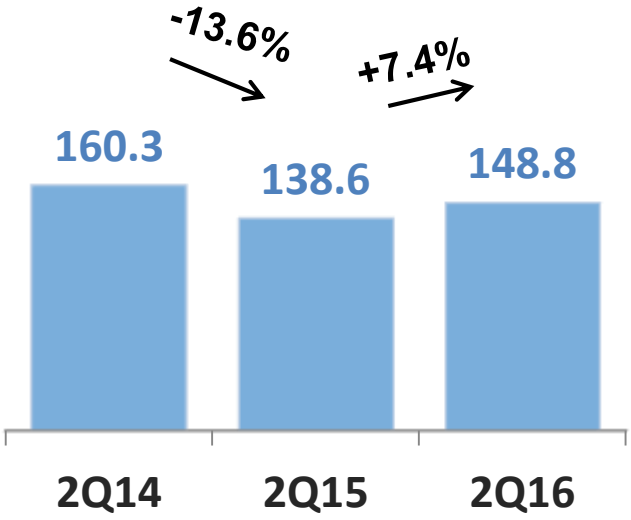
Operational Performance

Water

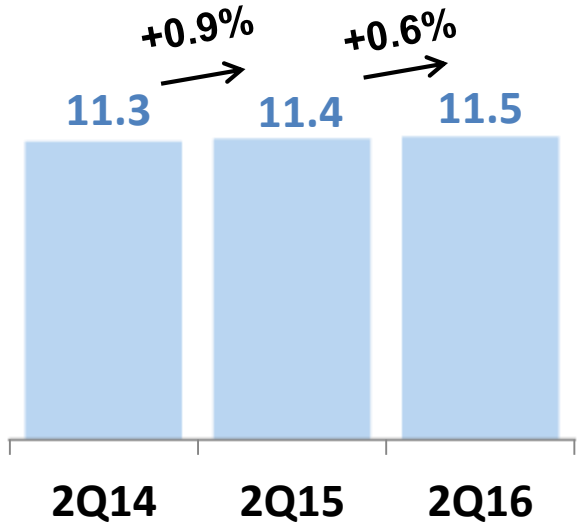
Units
(million)



Measured Volume
(million m³)



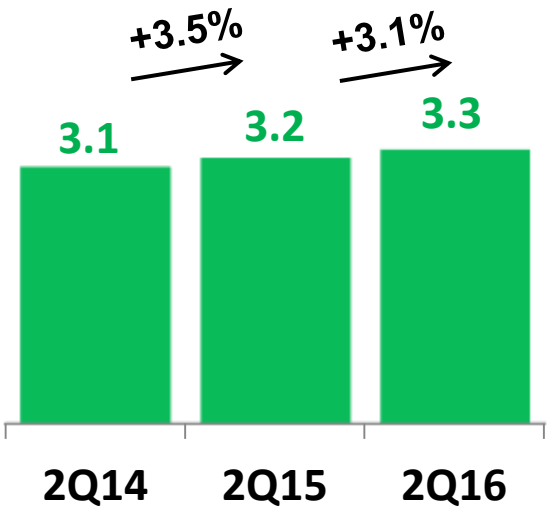
Population Served
(million)



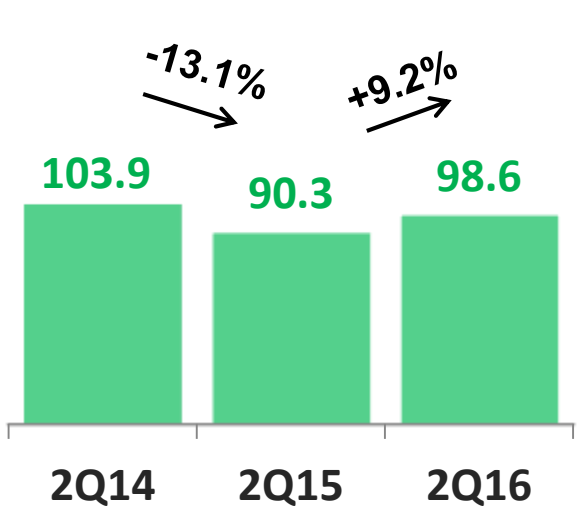
Operational Performance

Sewage

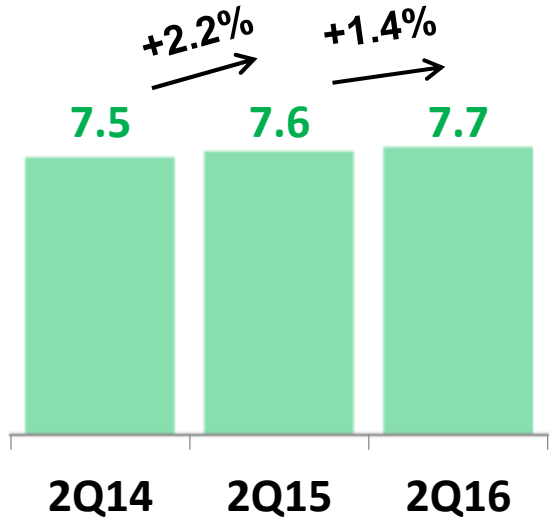
Units
(million)



Measured Volume
(million m³)



Population Served
(million)

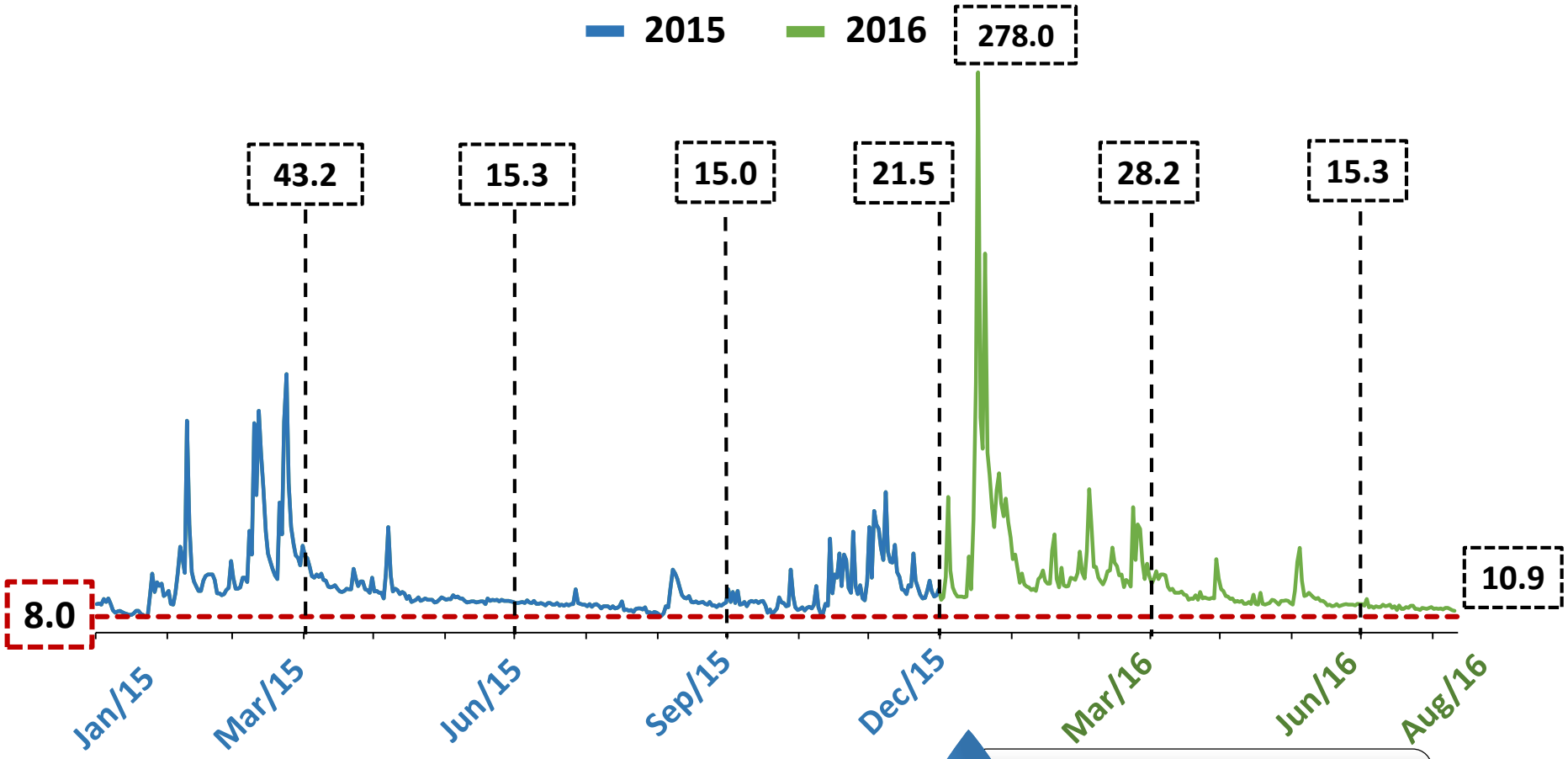


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Water Situation

Das Velhas River Flow (m^3/s)



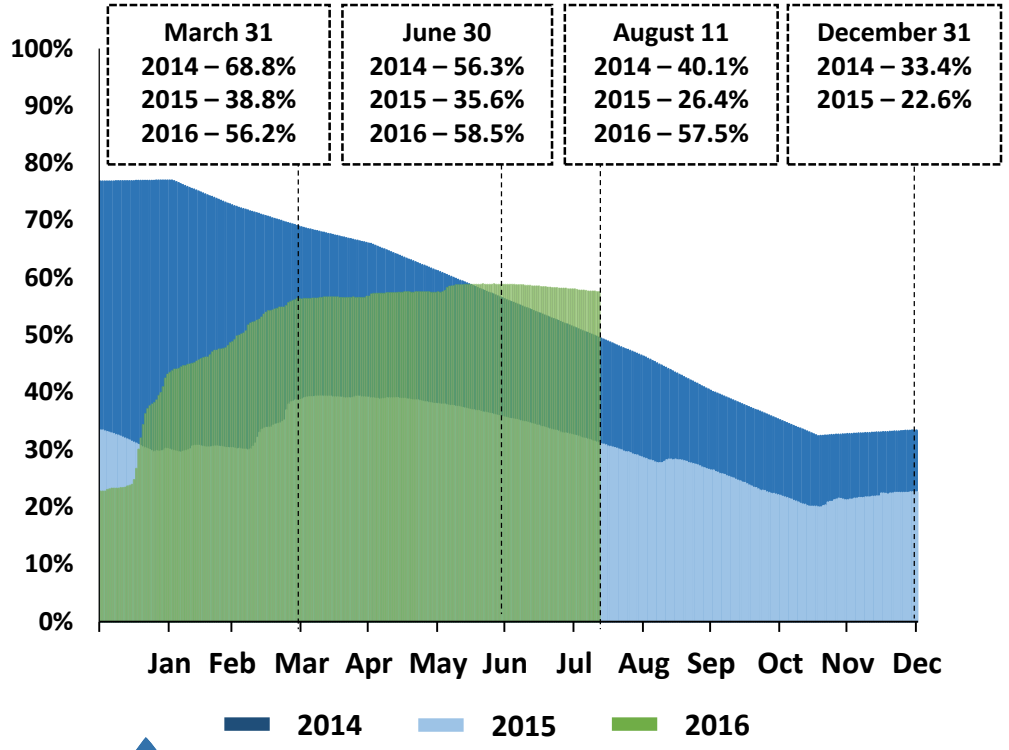
50% do abastecimento da RMBH

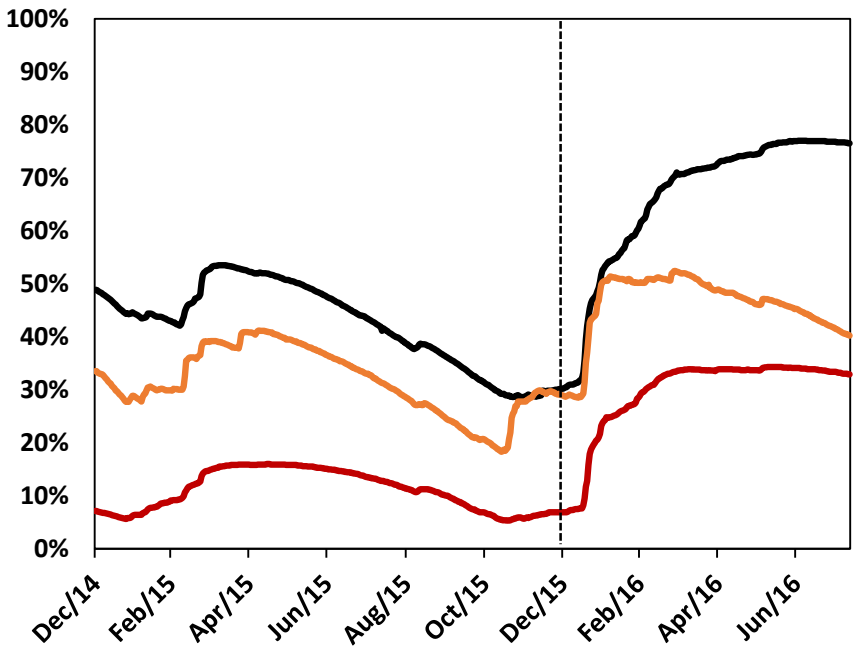
Source: Institutional COPASA website (August 11, 2016)

Water Situation

Reservoir Levels

Paraopeba System





42% of Metropolitan Region Supply

Reservoir	Jan/2015	Aug/2015	Dec/2015	Aug/2016
Rio Manso	48.9%	41.9%	30.2%	76.5%
Vargem das Flores	33.5%	31.4%	28.9%	40.2%
Serra Azul	7.1%	12.8%	6.9%	32.9%

Source: Institutional COPASA website (August 11, 2016)

Agenda

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Financial Performance

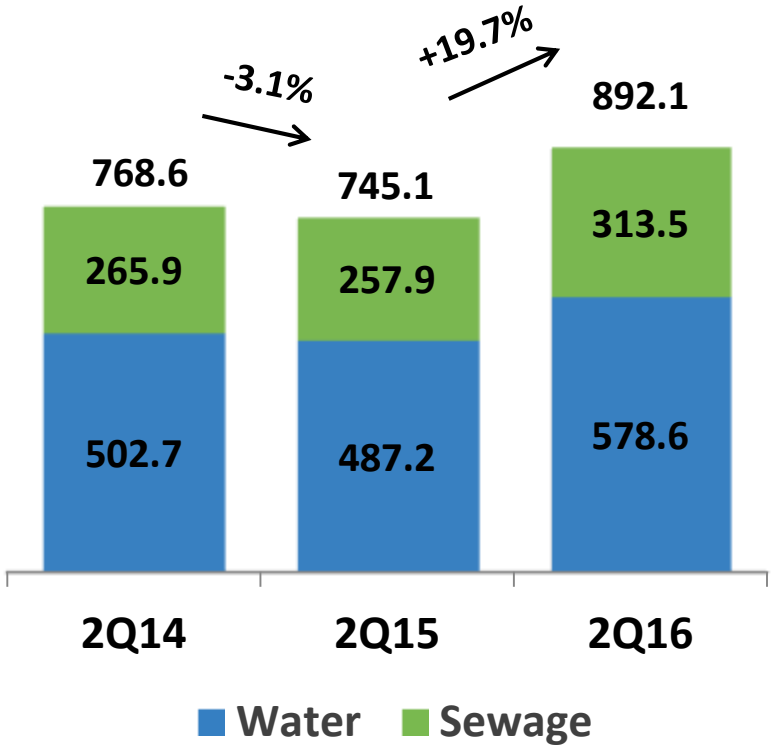
Highlights 2Q15 x 2Q16

- **Water and Sewage Net Revenues:** from R$745.1 million to R$892.1 million (+19.7%)
- **Costs and Expenses:** from R$695.1 million to R$694.0 million (-0.2%)
- **Financial Result:** from (R$68.9 million) to (R$24.8 million)
- **Adjusted EBITDA:** from R$197.5 million to R$326.0 million (+65.1%)
- **Adjusted EBITDA margin:** from 24.4% to 35.1%
- **Net Debt:** reduction from R$69.6 million (-2.2%).
- **Anticipation of payment of IOE declared in 1Q16 and 2Q16 from 2017 to 2016**

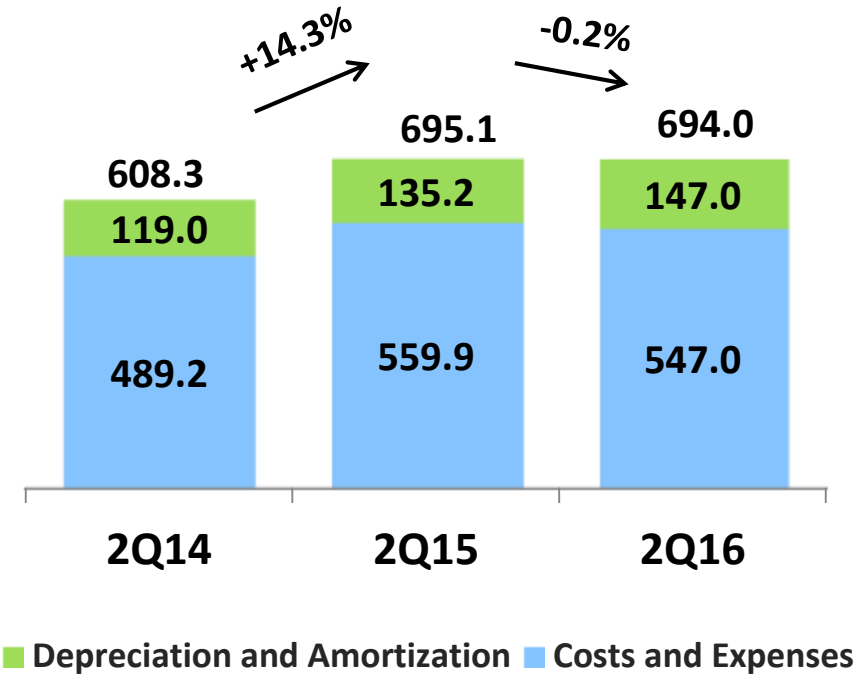
Financial Performance

Net Revenue, Costs and Expenses

Water and Sewage Net Revenues
(R$ million)



Costs and Expenses*
(R$ million)



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

Financial Performance

Operational Expenses

R$ million

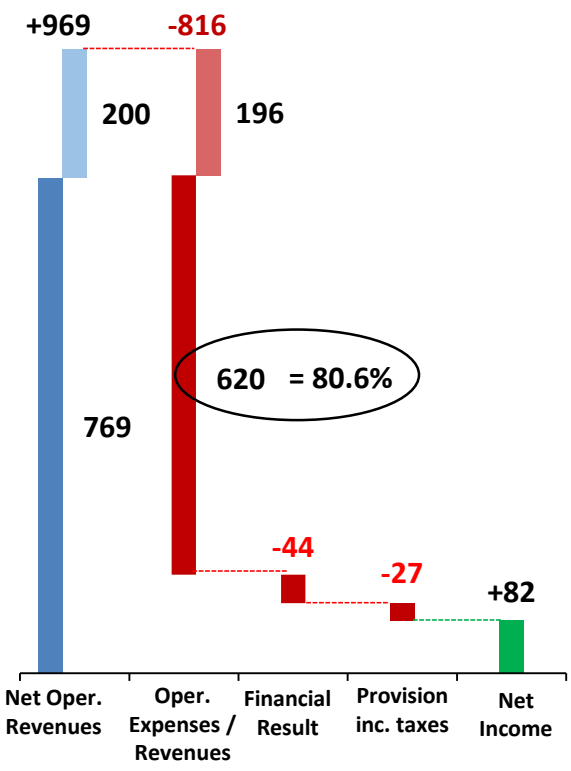
Specification	2Q14	2Q15		2Q16	
Personnel	269	304	+13.3%	286	-5.9%
Depreciation and Amortization	119	135	+13.6%	147	+8.7%
Outsourced Services	96	91	-4.6%	88	-3.6%
PPP Manso	-	-	-	16	-
Energy	63	98	+53.9%	87	-10.9%
Materials	30	31	+0.8%	33	+7.1%
Other Costs and Expenses	31	36	+15.9%	37	+3.5%
Total	608	695	+14.3%	694	-0.2%

Financial Performance

Income Statements

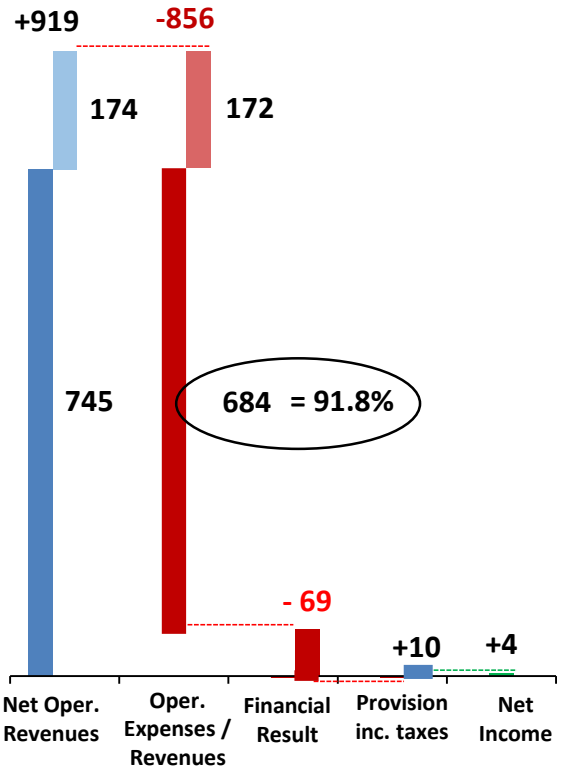
R$ million

2Q14



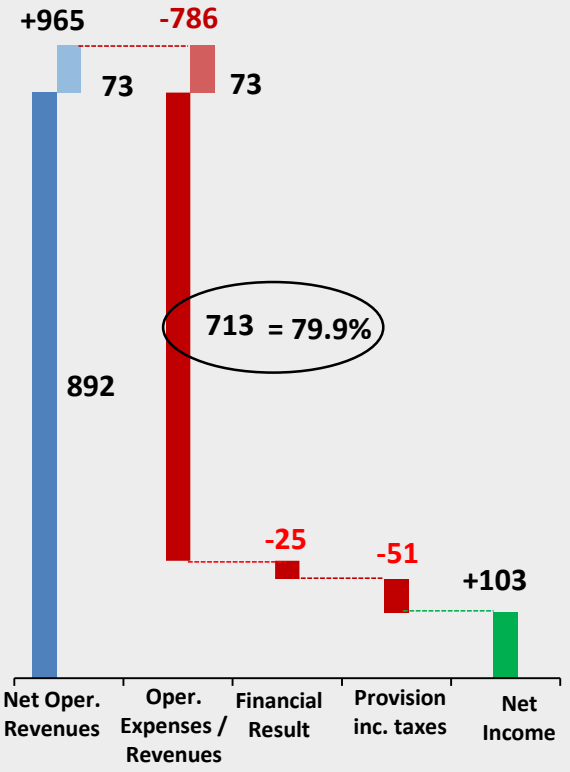
%	100%	84.2%	4.5%	2.8%	8.5%

2Q15



%	100%	93.1%	7.5%	1.1%	0.5%

2Q16

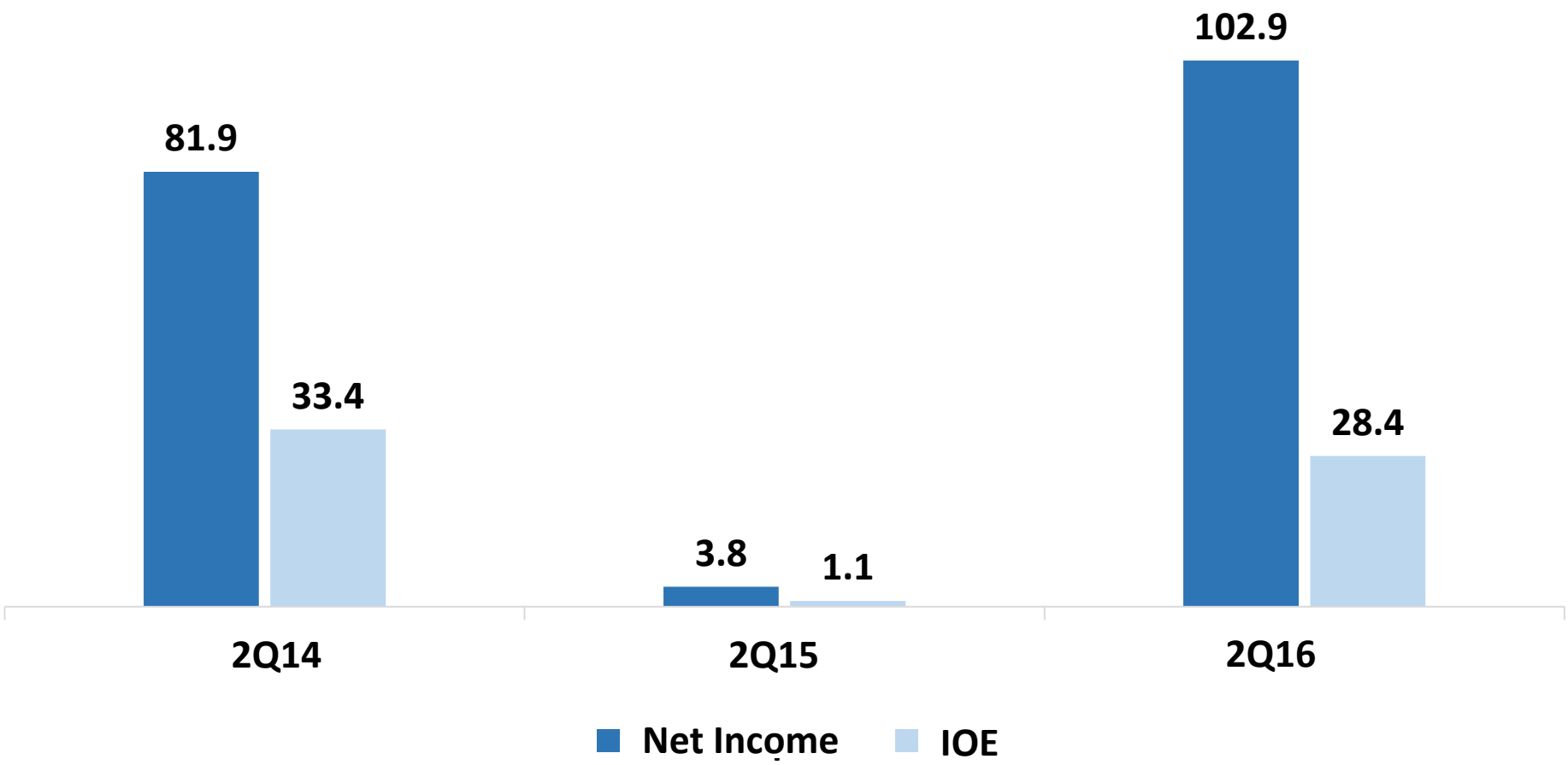


%	100%	81.5%	2.6%	5.3%	10.7%

Financial Performance

Net Income and IOE

R$ million

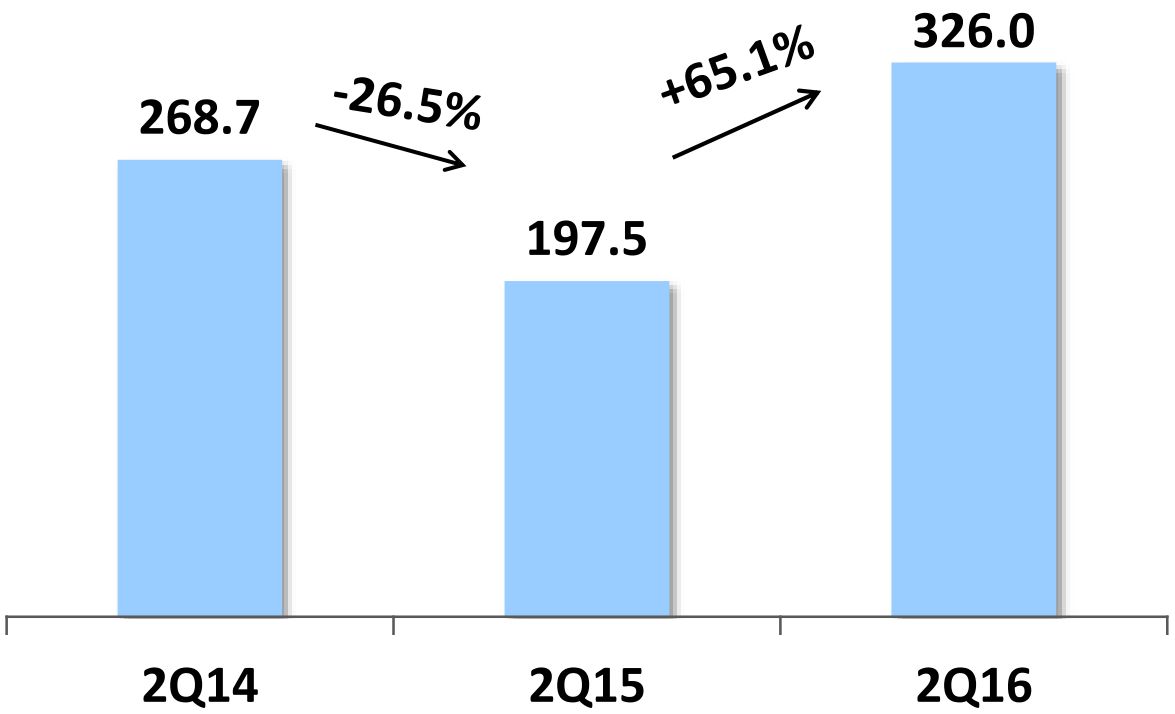


Financial Performance

Operational Cash Generation

R$ million

Adjusted EBITDA*



*Excluding construction result.

Financial Performance

Personnel chart

Evolution of Personnel chart	Number of Employees	Number of Interns	Total
Position as of June 30, 2015	12,272	87	12,359
Position as of June 30, 2016	11,239	56	11,295

On-leave employees to be dismissed	4

Financial Performance

CAPEX

R$ million

	2014	2015	2016	1H16	
			Annual Limit	Allocated	Realized
Water	280	201		171	72
Sewage	556	229		224	105
Paraopeba Withdrawal – Rio Manso PPP		115		6	6
Others	29	5		14	1
TOTAL	**865**	**550**	**600**	**415**	**184**
Rio Manso PPP	280	364			

Financial Performance

Shareholders' Remuneration

Dividend Policy 2016:

- **Mandatory amount of 25% of Net Income distributed as Interest on Equity (IOE)**
- **Quarterly declared**
- **Payment ~~to be defined in the Annual Shareholders' Meeting on 2017~~**

  - **1Q and 2Q:** until October 11, 2016
  - **3Q:** until 60 days after the declaration by the Board of Directors

IOE – 2Q16	
Amount (R$ million)	28.4
Amount per share (R$)	0.22473
Credit date	August 22, 2016

Financial Performance

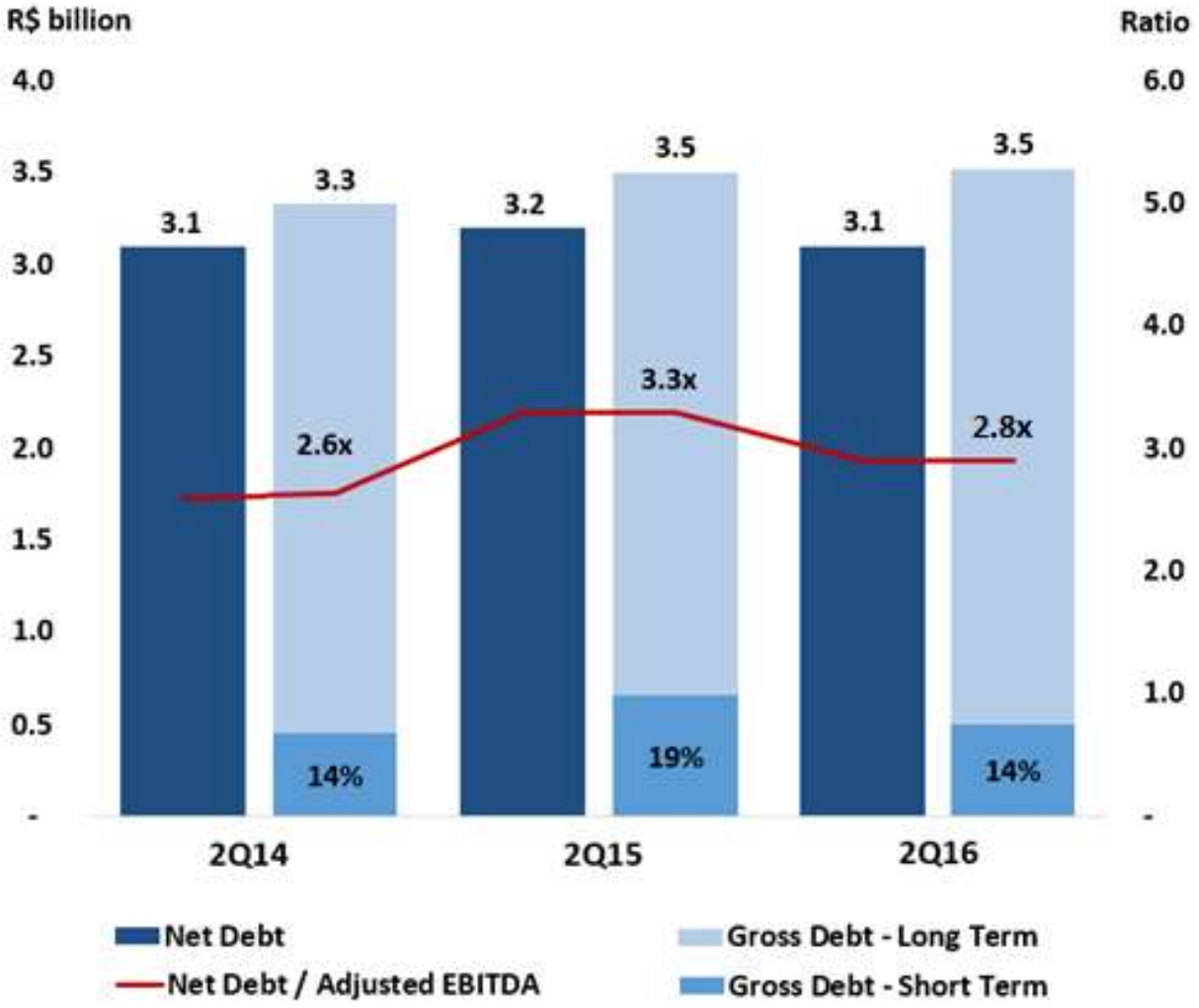
Shareholders' Remuneration

Dividend Policy from 2017 on

- **Amount:** from 25% to 50%, annually defined by the Board of Directors until March 31
- **Declaration:** quarterly
- **Payment:** in up to 60 days after the declaration by the Board of Directors, except in the 4Q (payment date will be defined in the Annual Shareholders' Meeting which resolves on the year's Financial Statements)

Financial Performance

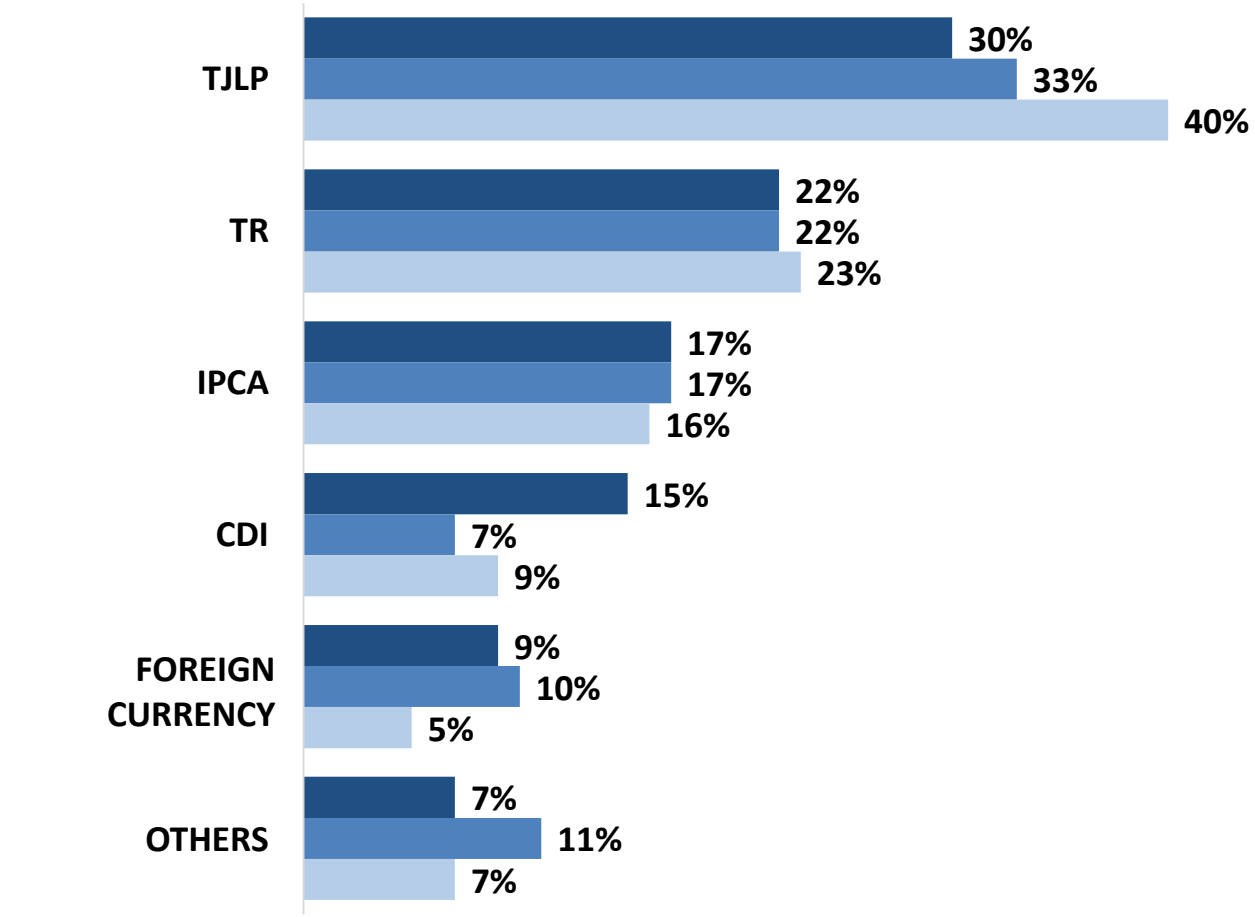
Debt Evolution



Financial Performance

Debt Indexes and Average Coupon

Debt Indexes



Average coupon (p.a.)	
2Q16	9.2%
2Q15	8.1%
2Q14	7.5%

Contacts



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