


COPASA

# Earnings Presentation 1Q17

## April 28, 2017

Índice de Ações com Governança Corporativa Diferenciada IGC

Índice de Ações com Tag Along Diferenciado ITAG

Índice de Governança Corporativa Trade IGCT

Índice Brasil IBRX

CSMG3 NOVO MERCADO BM&FBOVESPA

# DISCLAIMER

Any statements that may be made during this presentation regarding COPASA MG's business prospects, projections and operational and financial goals are premises and expectations of the Company's management, based on information currently available. They involve risks and uncertainties, since they refer to future events, and therefore depend on circumstances that may or may not occur. Changes in macroeconomic policy, legislation or other operating factors may affect the future performance of COPASA MG and lead to results that materially differ from those expressed in such considerations.

# Agenda

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

# Highlights

**1) Tariff revision**

- **1st Stage (Finished in April 12, 2016):**
  - 13.9% adjustment
  - Changes in the tariff structure
- **2nd Stage (Finished phases):**
  - **1st Phase:** Overall approach of the tariff revision, regulatory classification, regulatory remuneration basis and asset inventory.
  - **2nd Phase:** Operational costs, remuneration rate, tariff structure, working capital, other revenues, unrecoverable revenues and tariff incentives.

# Highlights

## 1) Tariff revision

- **3rd Phase (Started in April 19, 2017):** Disclosure of the preliminary results of the application of the methodologies discussed in the previous phases, in addition to the following matters:
  - watershed protection program;
  - tariff structure;
  - payment capacity;
  - market risk;
  - incentives to sewage treatment and loss reduction;
  - evaluation of assets in the tariff cycle;
  - tariff transfers to municipal funds; and
  - tariff subsidy to COPANOR.

# Highlights

## 1) Tariff revision

- **Public Hearing of the 3rd Phase :**
  - From April 19, 2017 to May 19, 2017
  - Presential sessions on 27 April, 2017 and 12 May, 2017
  - Final result: June 13, 2017

- **Points for reassessment**
  - Calculation of the Regulatory Asset Base;
  - Incorporation of the investments made within the tariff cycle;
  - Exclusion of the tax benefits of the Interest on Equity (IOE) in the calculation of the WACC;
  - Transfers to COPANOR; and
  - Tariff transfers to municipalities.

# Highlights

## 2) 2017 Shareholders' Remuneration

- 25% of Net Income, in the form of Interest on Equity (IOE) – Board of Directors meeting of March 9, 2017
- IOE 1Q17 - Board of Directors meeting of March 16, 2017

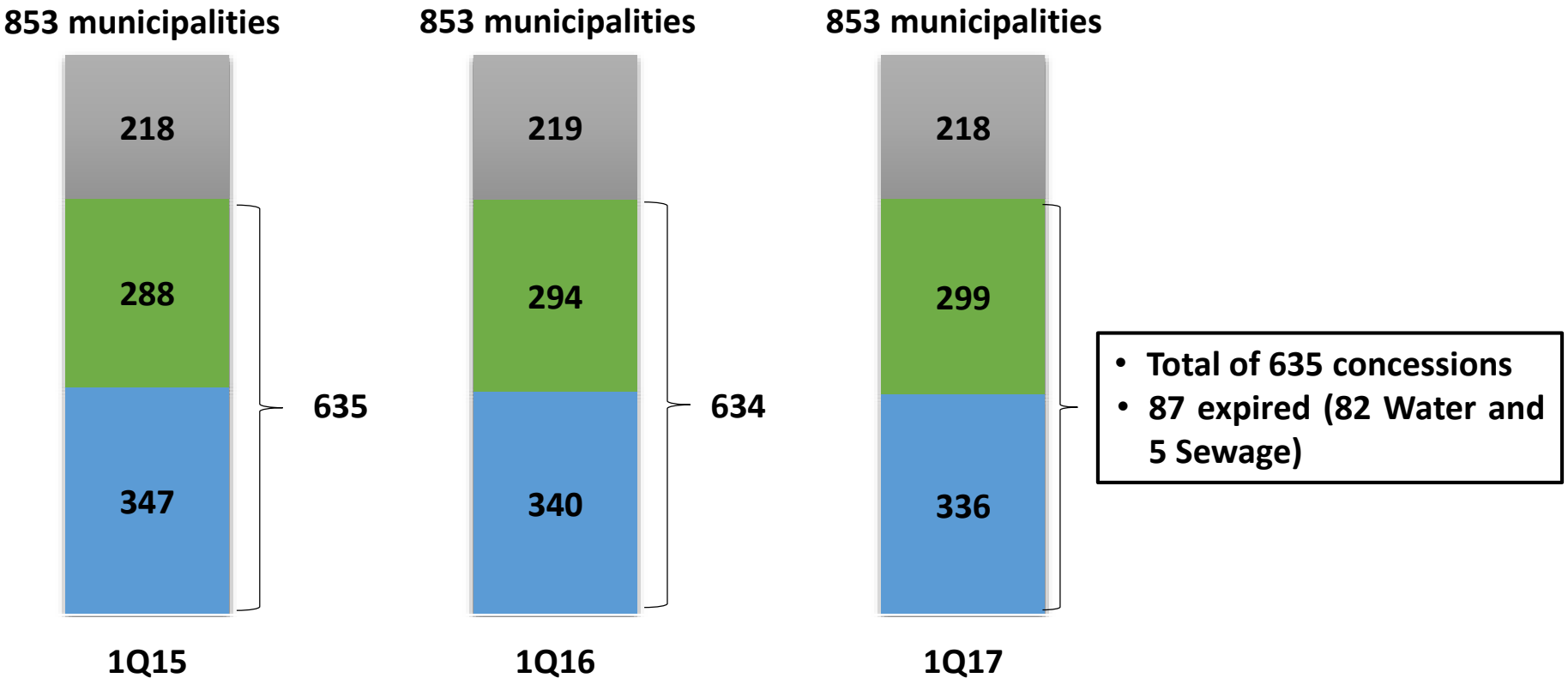
| Credit date | Payment date | Gross amount (R$ million) | Gross amount per share (R$) |
|---|---|---|---|
| Mar 22, 2017 | until May 15, 2017 | 32.0 | 0.2529 |

# Agenda

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# Operational Performance

## Concessions Board[1]




1) Numbers include COPASA and COPANOR concessions expired until march 2017

# Operational Performance

## Concessions Board

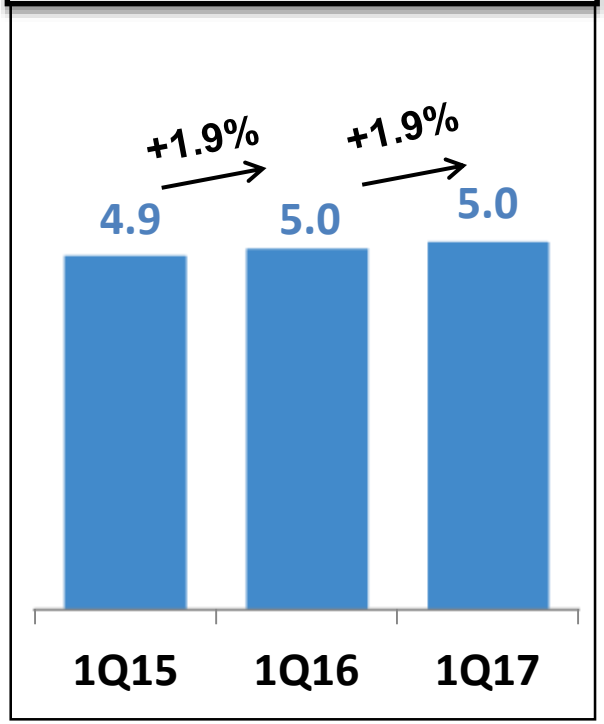
- **Renewal stages of expired concessions**

| | | |
|---|---|---|
| - Preliminary studies / negotiations: | **51** | |
| - Cooperation Agreement formalization stage: | **05** | |
| - Consultation and Public Hearing stage: | **07** | |
| - **Concessions with authorization law approved:** | **63** | **87** |
| - **Concessions without authorization law:** | **24** | |

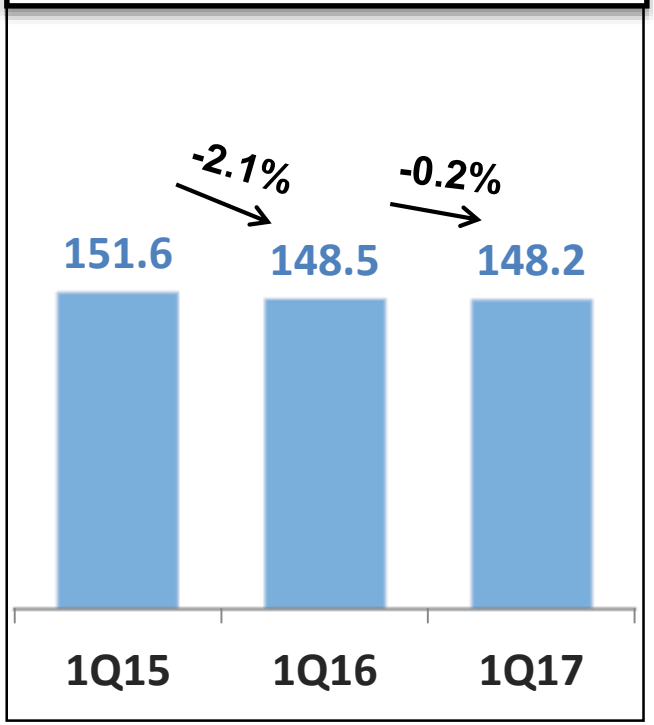
# Operational Performance

## Water

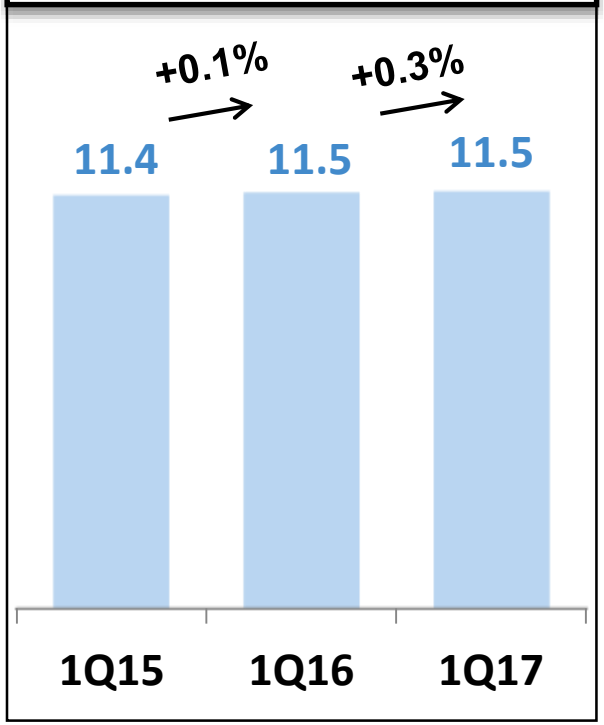
**Units**
*(million)*




**Measured Volume**
*(million m³)*

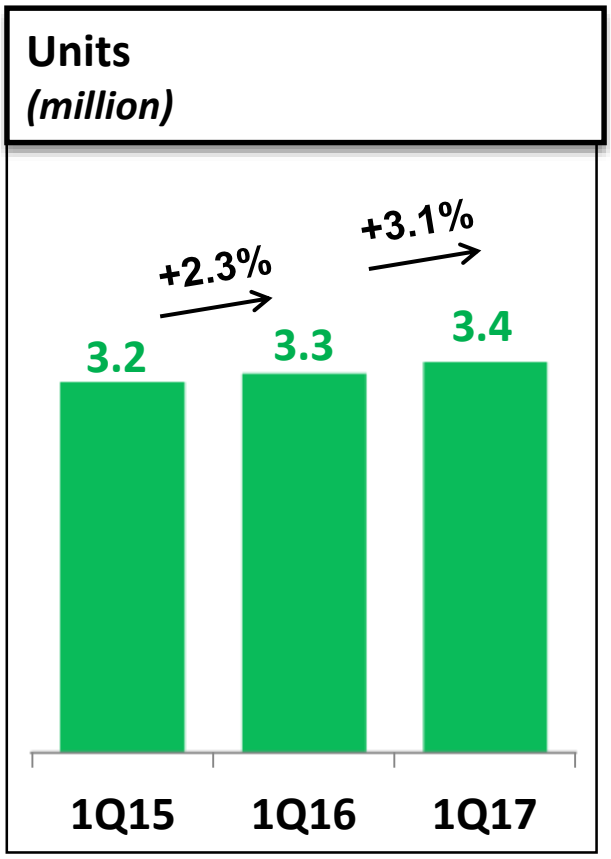


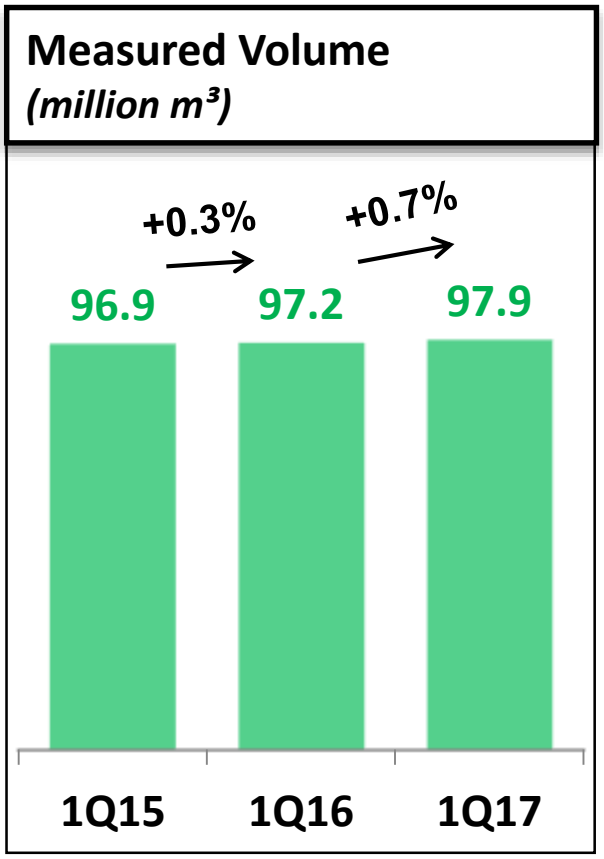

**Population Served**
*(million)*

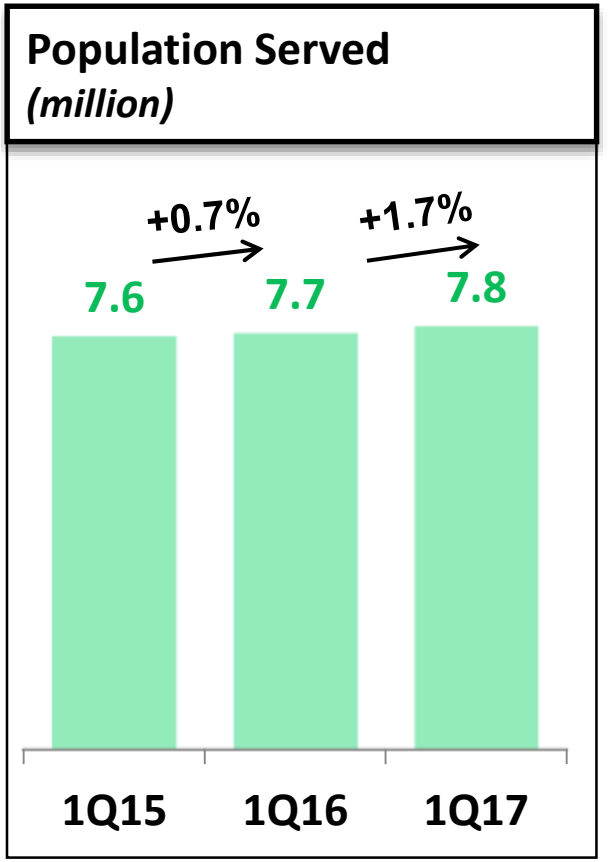


# Operational Performance

## Sewage



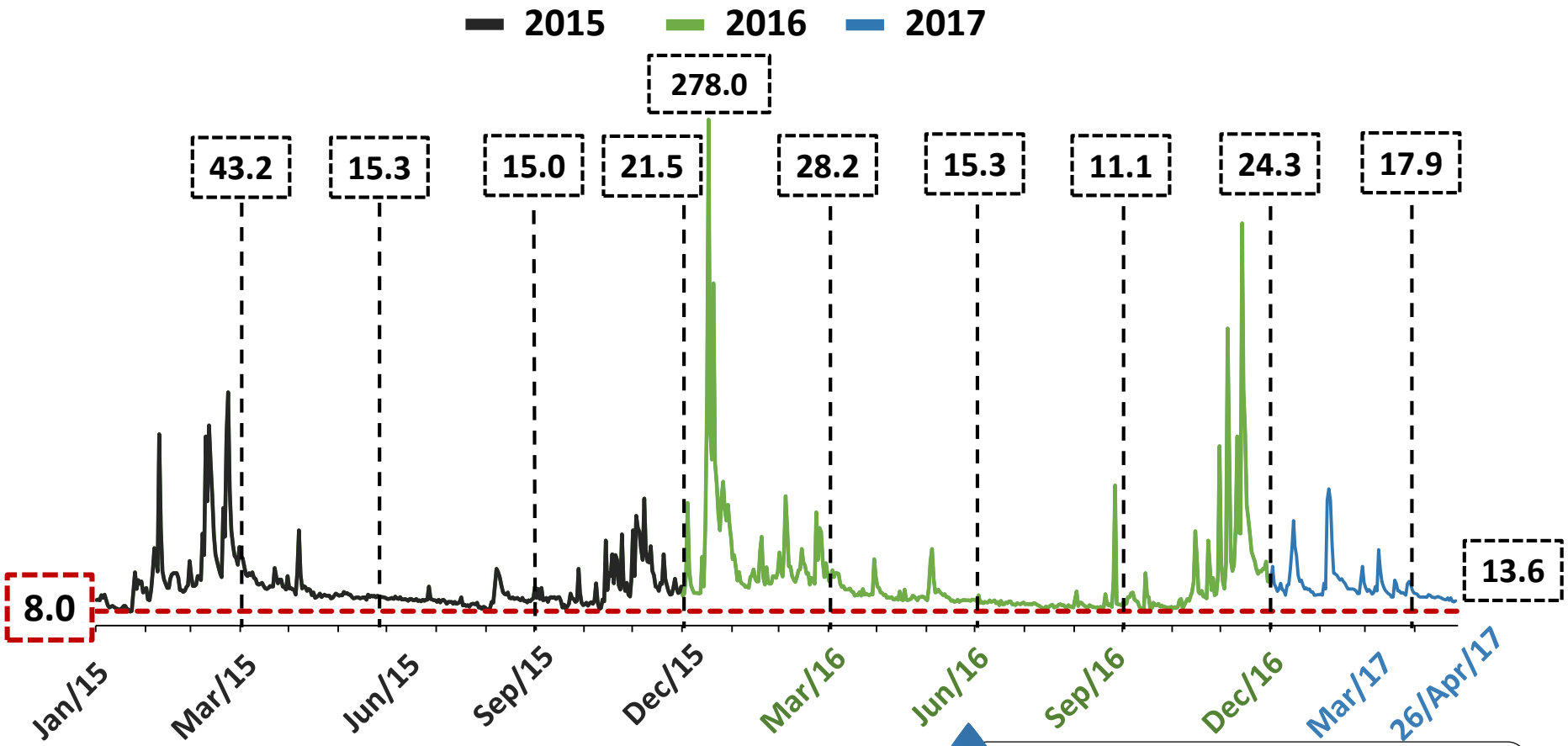



# Agenda

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

# Water Situation

## Das Velhas River Flow (m³/s)



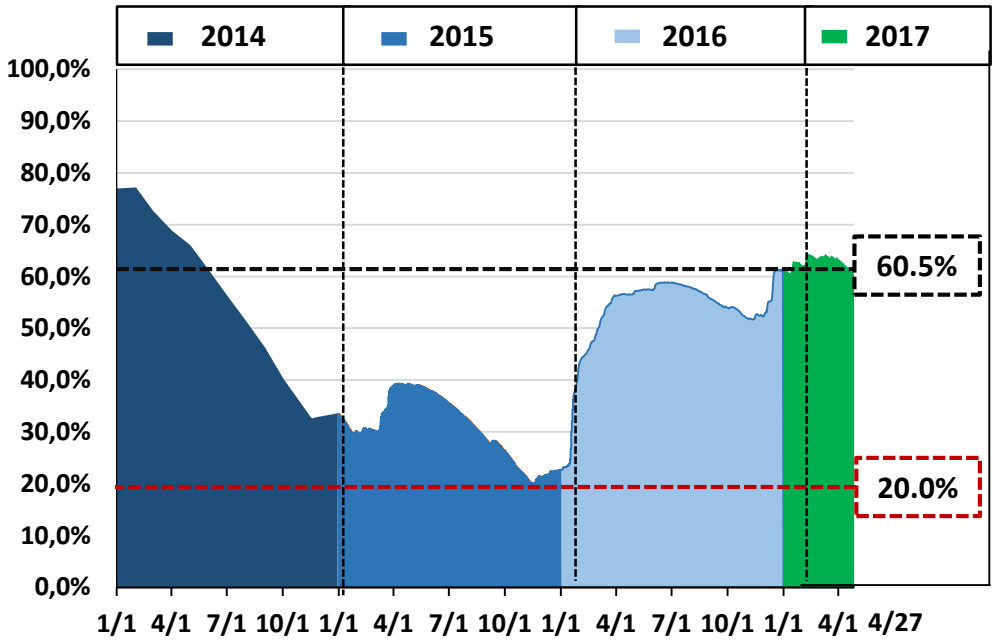

Source: Institutional COPASA website (April 27, 2017)

**50% of Belo Horizonte Metropolitan Area Supply**

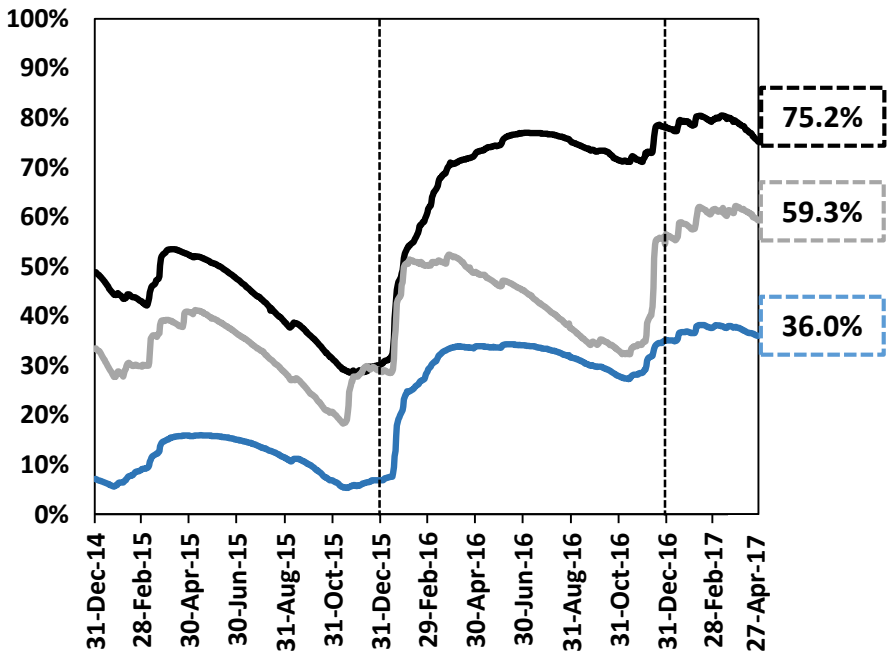
# Water Situation

## Reservoir Levels

### Paraopeba System




### Reservoir Levels




**42%** of Belo Horizonte Metropolitan Area Supply

| Reservoir | Dec/15 | Dec/16 | Apr/16 | Apr/17 |
|---|---|---|---|---|
| Rio Manso | 30,2% | 78,0% | 72,1% | 75,2% |
| Vargem das Flores | 28,9% | 56,3% | 48,8% | 59,3% |
| Serra Azul | 6,9% | 35,1% | 33,6% | 36,0% |

**Source: Institutional COPASA website (April 27, 2017)**

# Water Situation

## Rio Manso System Reservoir

Jan/2015



Apr/2017



# Water Situation

## Serra Azul System Reservoir

Jan/2015




Apr/2017

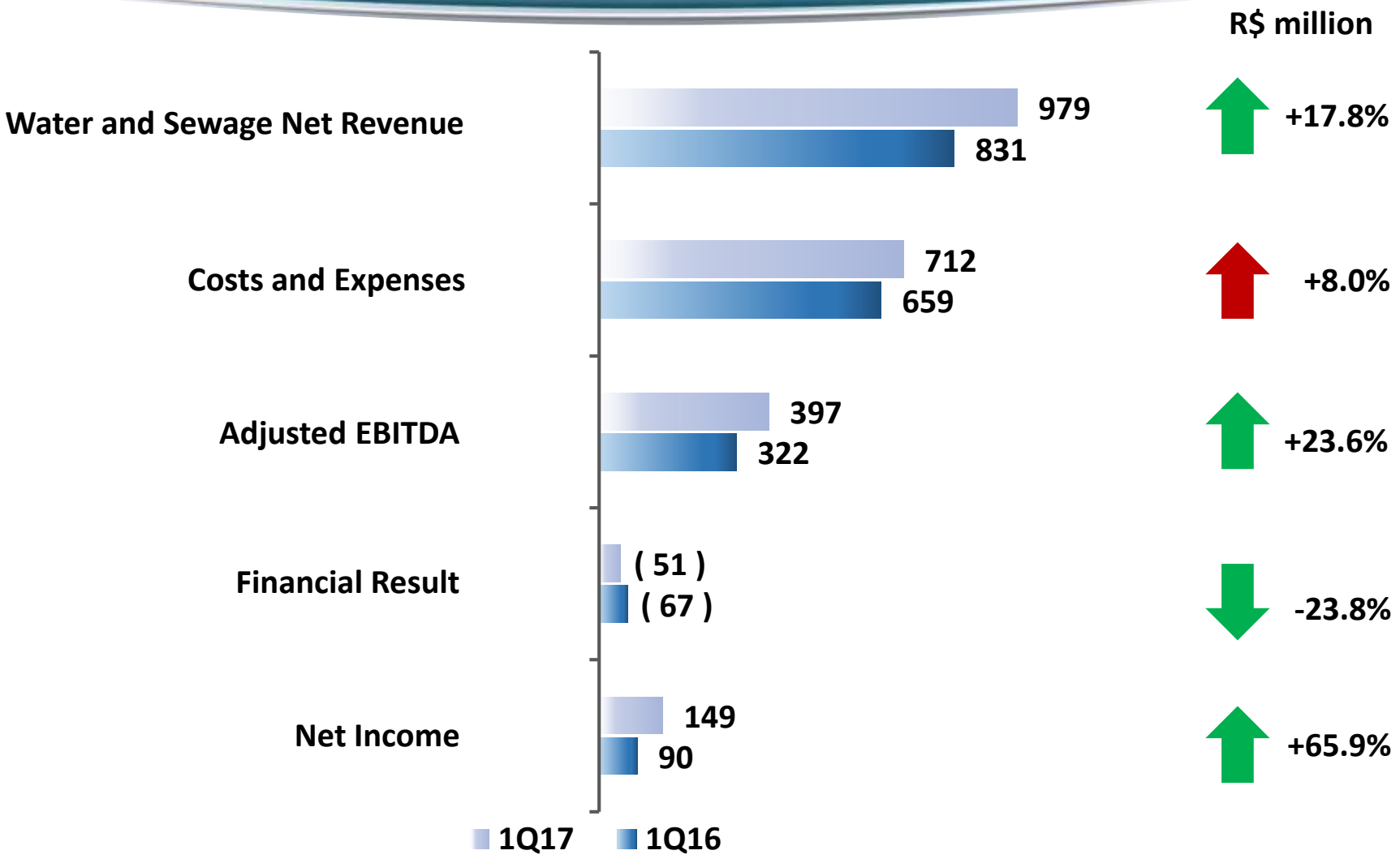


# Agenda

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

# Financial Performance

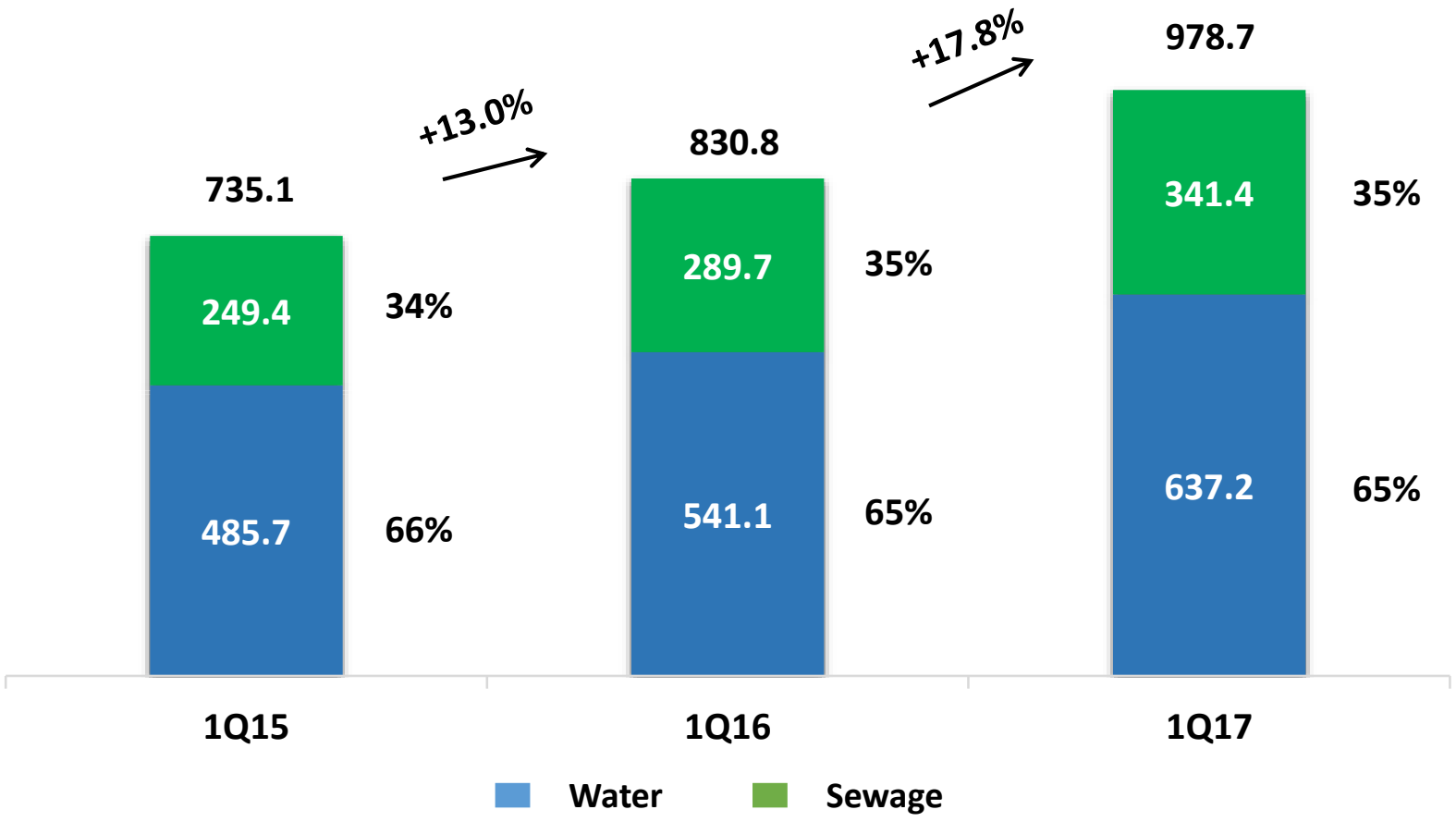
## Highlights



# Financial Performance

## Water and Sewage Net Revenues

R$ million



# Financial Performance

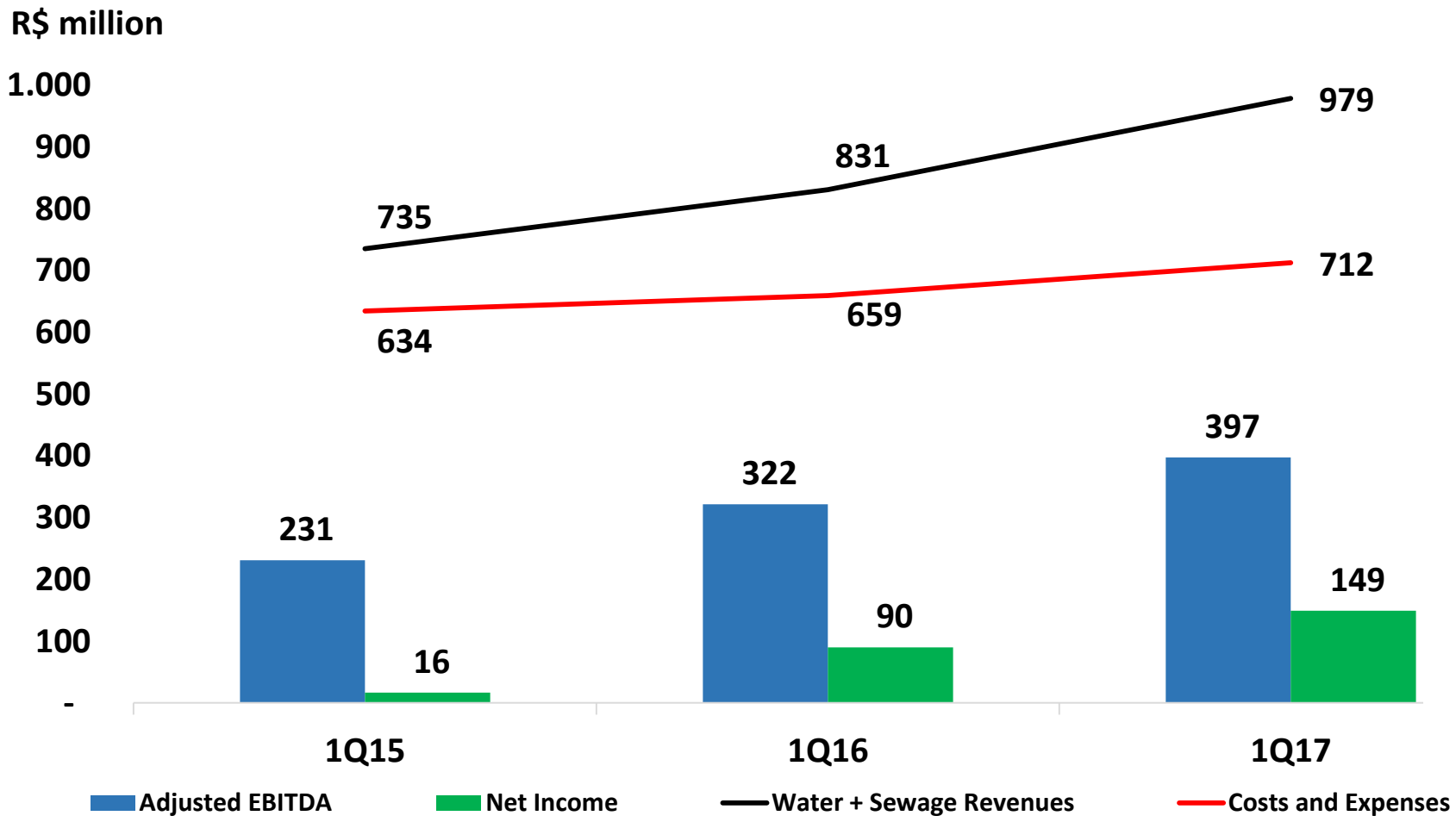
## Operational Expenses – Quarters

R$ million

| Breakdown | 1Q15 | 1Q16 | | 1Q17 | |
|---|---|---|---|---|---|
| Personnel | 293 | 266 | -9.1% | 286 | 7.5% |
| Depreciation and Amortization | 134 | 146 | +9.1% | 142 | -2.9% |
| Energy | 69 | 91 | +31.9% | 92 | +1.1% |
| Outsourced Services | 86 | 89 | +3.9% | 99 | +11.0% |
| PPP Manso | - | 13 | - | 11 | -18.4% |
| Materials | 34 | 34 | -1.5% | 35 | +5.9% |
| Other Costs and Expenses | 18 | 20 | +8.5% | 47 | - |
| Total | 634 | 659 | +4.0% | 712 | +8.0% |

# Financial Performance

## Revenues, Costs and Expenses, EBITDA and Income
## Quarters

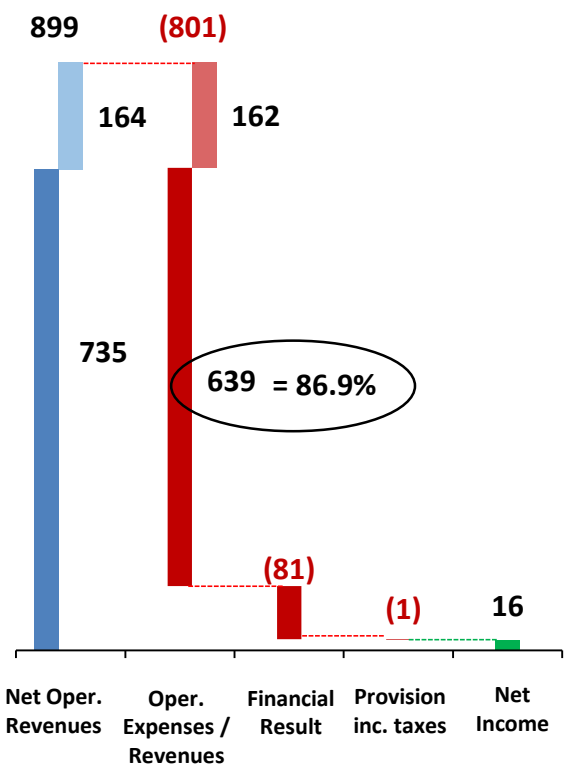


# Financial Performance

## Income Statements - Quarters

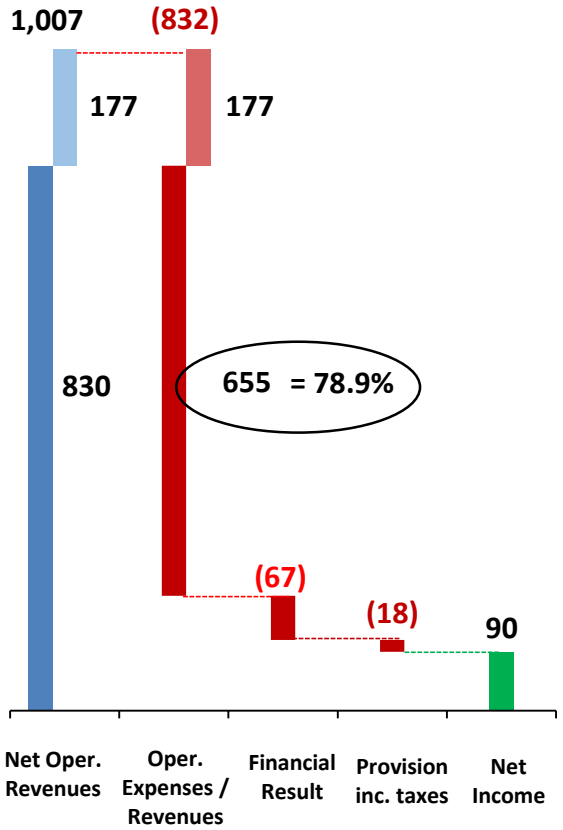
R$ million

### 1Q15



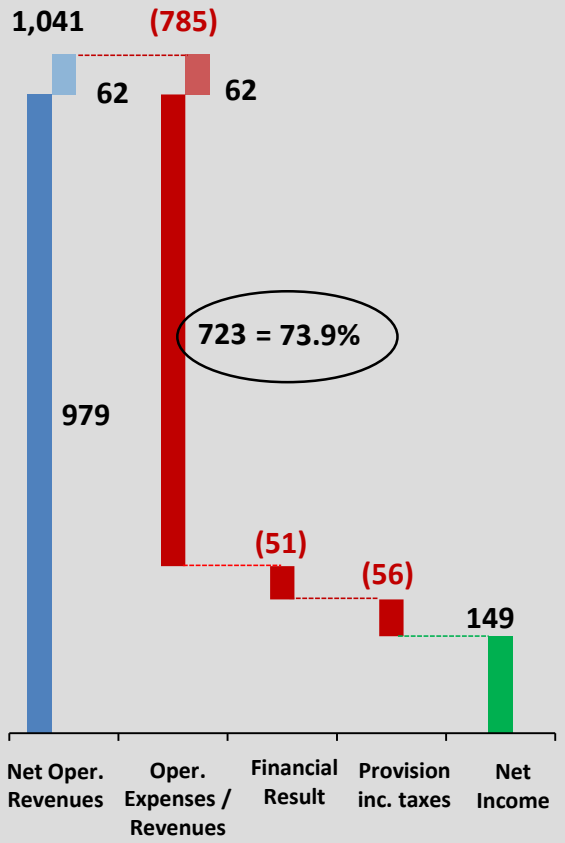

| % | 100% | 89.1% | 9.0% | 0.1% | 1.8% |
|---|---|---|---|---|---|

### 1Q16




| % | 100% | 82.6% | 6.6% | 1.8% | 8.9% |
|---|---|---|---|---|---|

### 1Q17

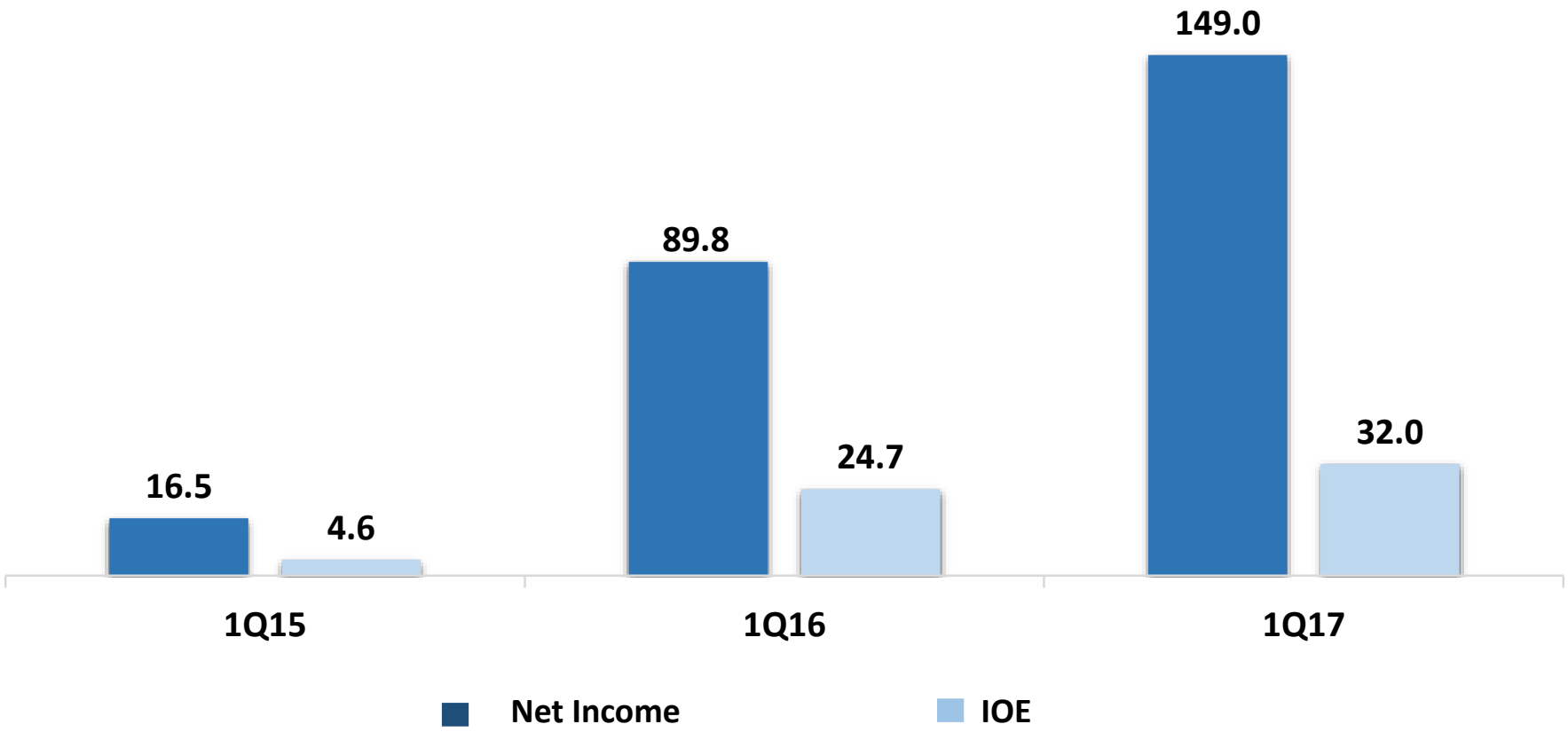



| % | 100% | 75.4% | 4.9% | 5.4% | 14.3% |
|---|---|---|---|---|---|

# Financial Performance

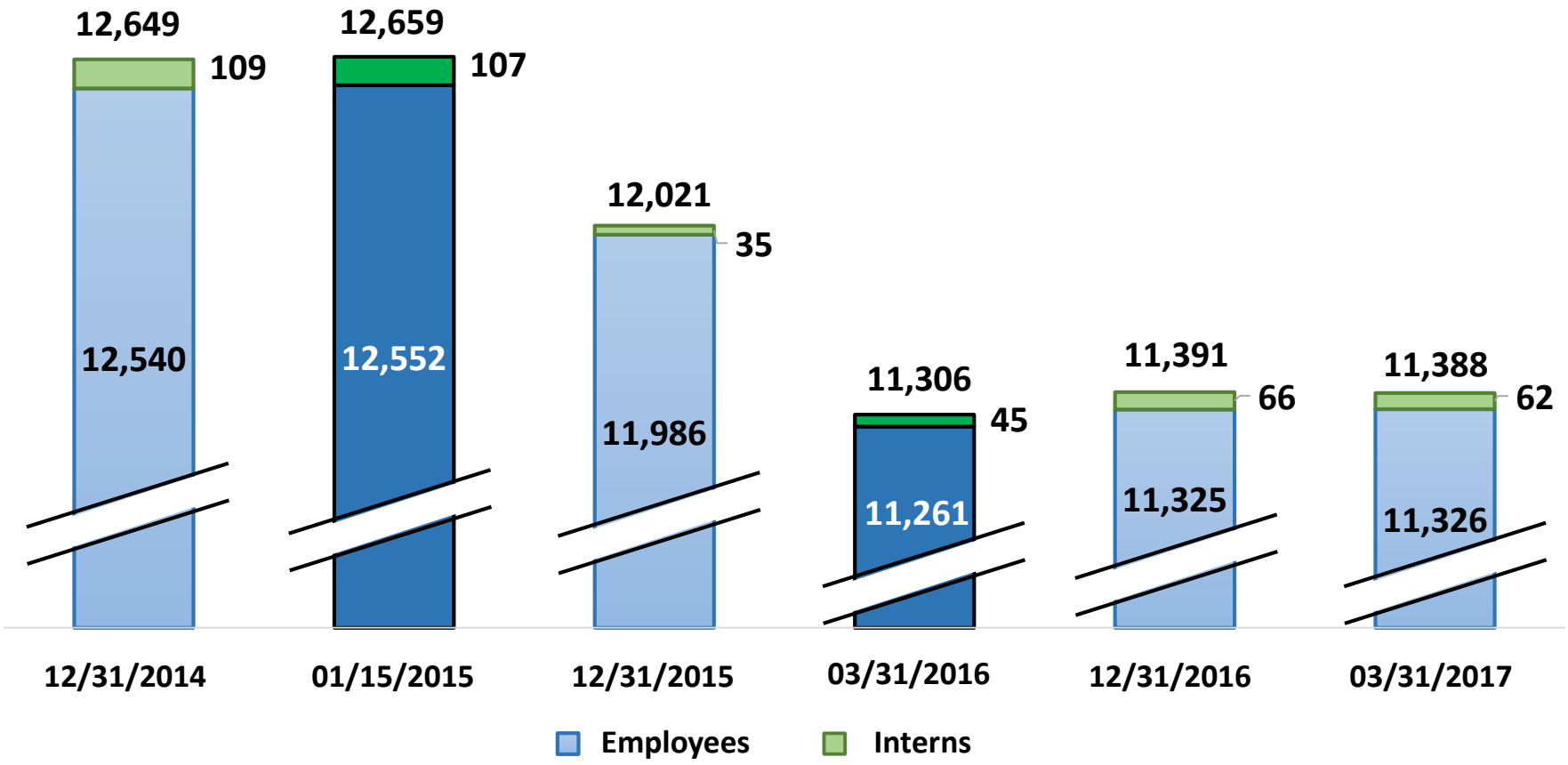
## Net Income and Interest on Equity (IOE)

R$ million



# Financial Performance

## Staff – Parent Co.



# Financial Performance

## CAPEX

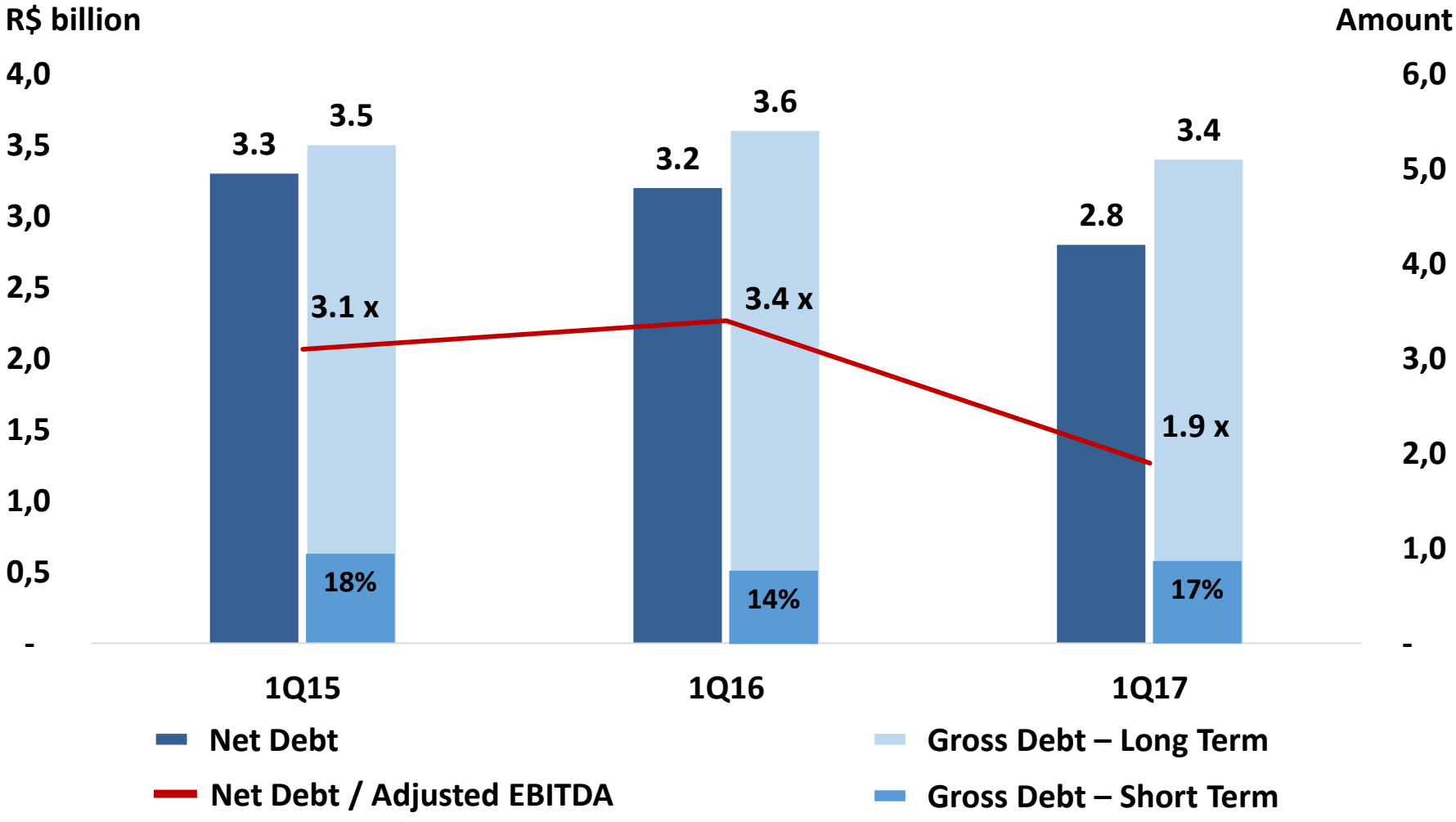
R$ million

| Breakdown | 2015 | 2016 | 1Q17 |
|---|---|---|---|
| Water | 201 | 164 | **38** |
| Sewage | 229 | 218 | 55 |
| Paraopeba Withdrawal – Rio Manso PPP | 115 | 7 | - |
| Others (1) | 5 | 6 | 8 |
| **COPASA TOTAL** | **550** | **395** | **101** |
| Rio Manso PPP | 364 | - | - |
| COPANOR | 49 | 33 | 3 |
| **MAIN TOTAL** | **963** | **428** | **104** |

**(1) Corporate and operational development programs.**

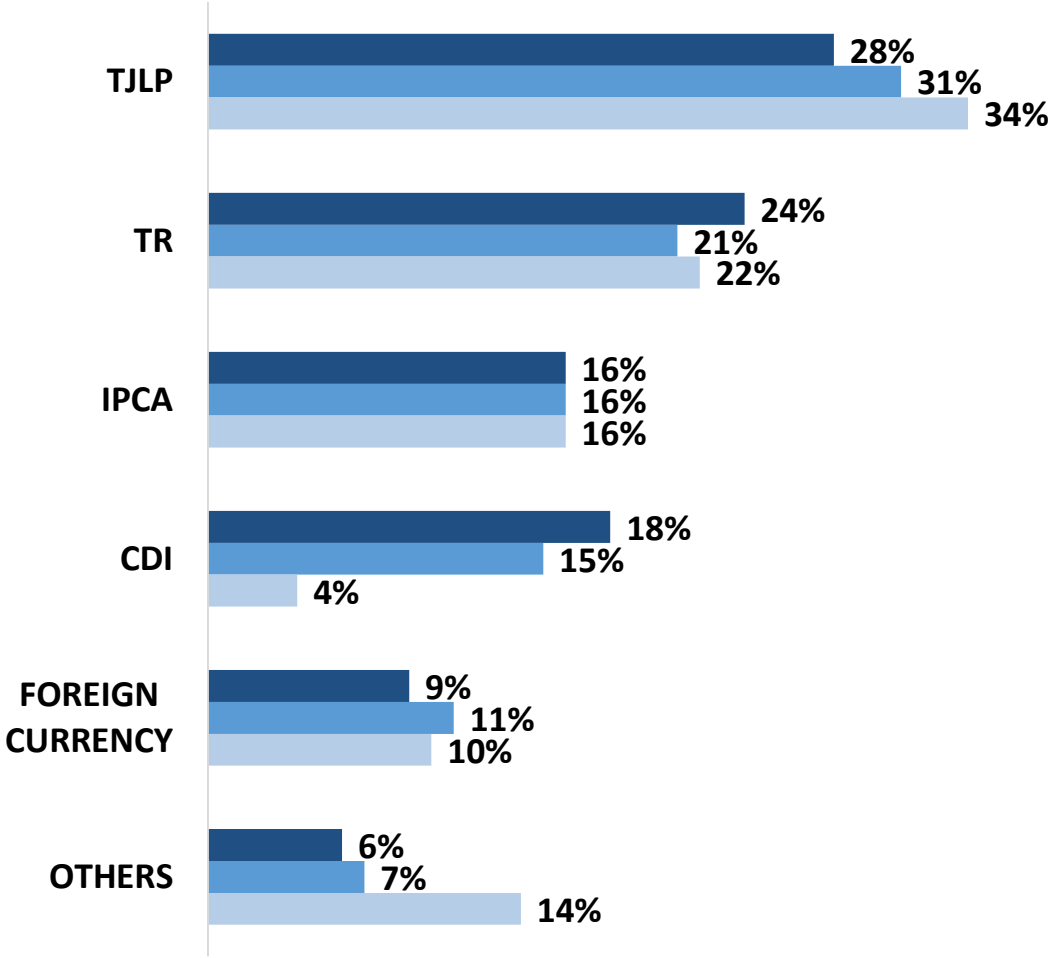
# Desempenho Financeiro

## Evolução da Dívida



# Financial Performance

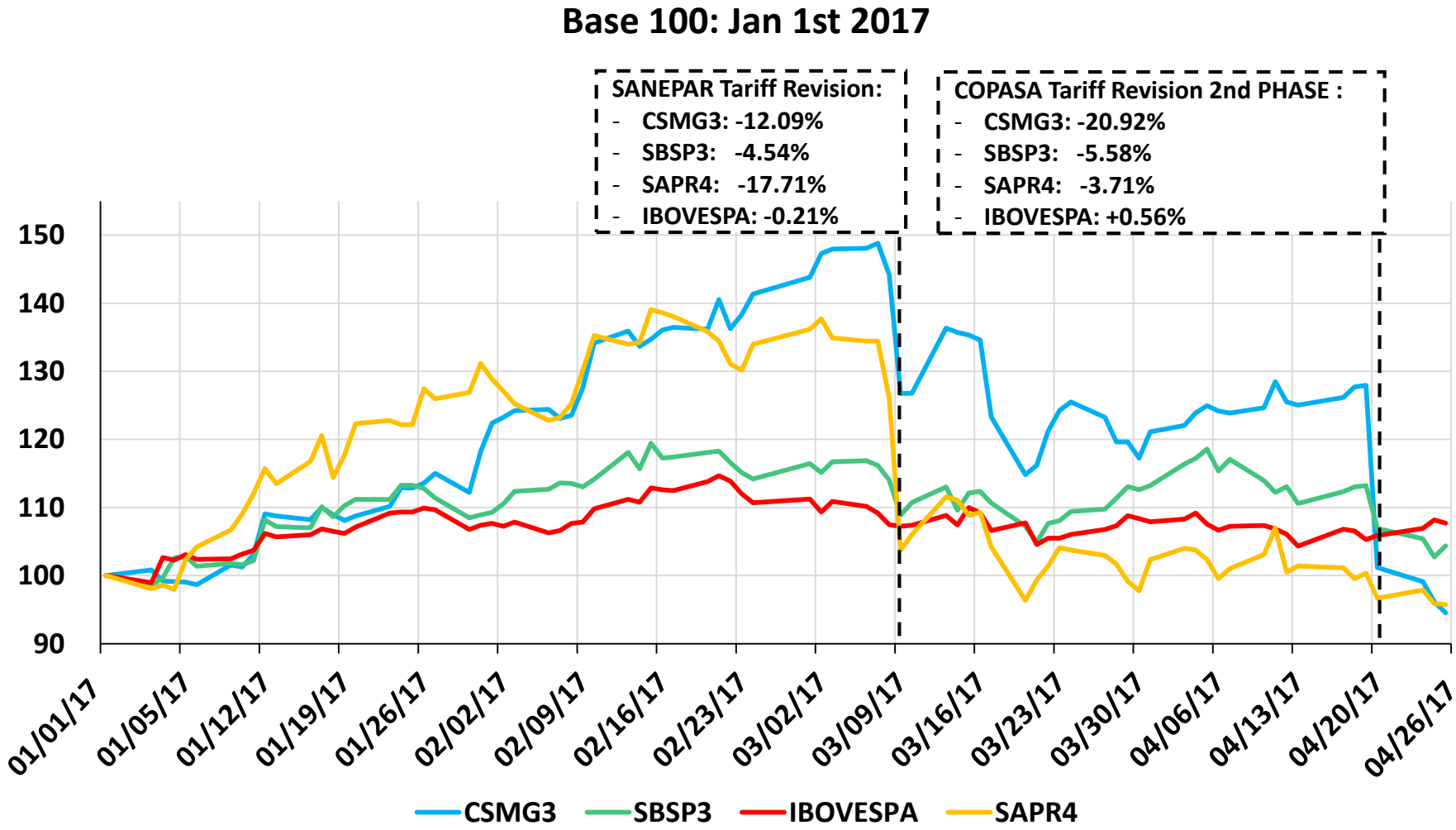
## Debt by Index and Average Coupon




| Average Coupon (p.a.) | |
|---|---|
| 1Q17 | 8.9% |
| 1Q16 | 9.0% |
| 1Q15 | 7.6% |

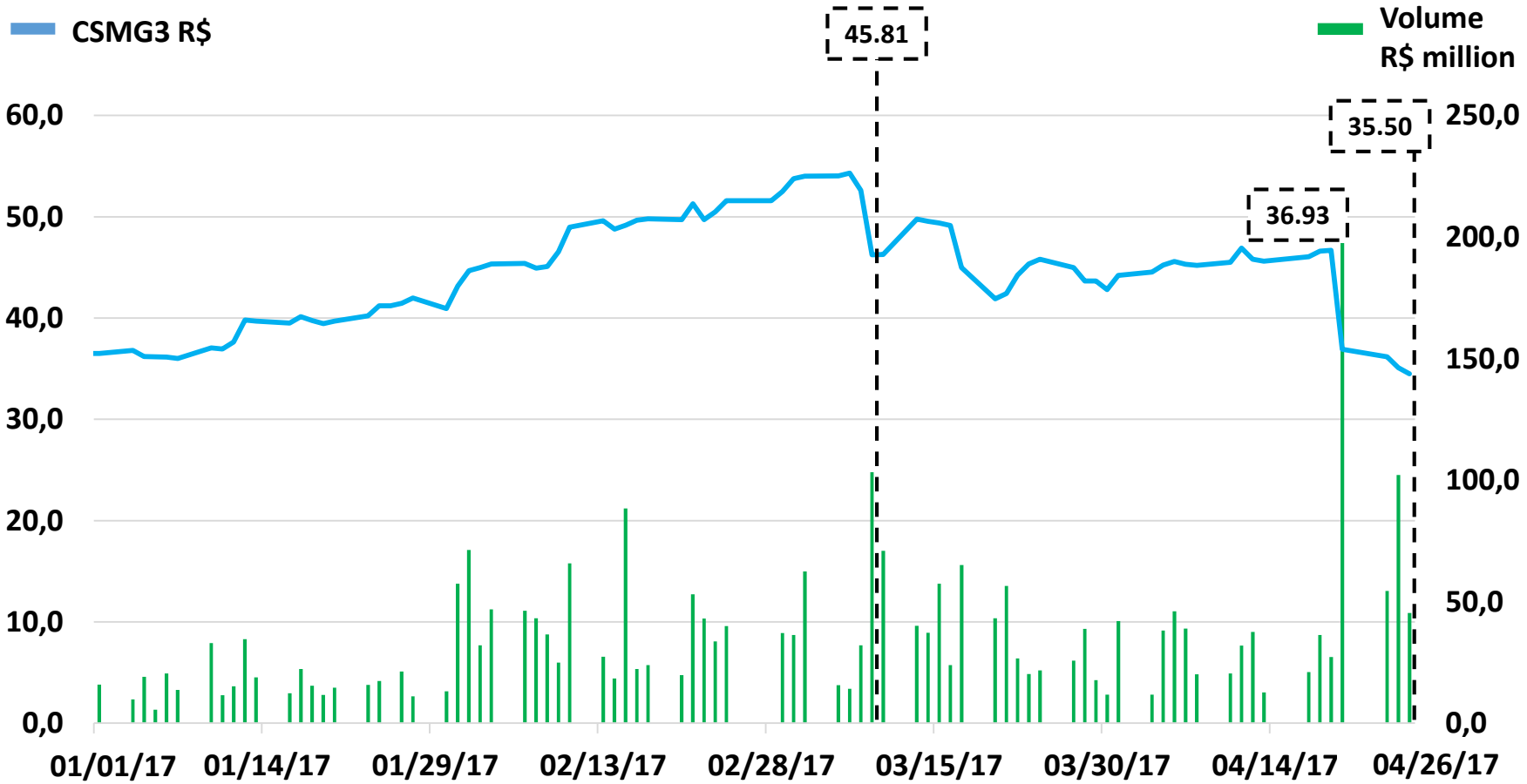
# Financial Performance

## Stock performance



# Financial Performance

## Stock performance



# Contacts




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