

Rio Manso System Reservoir

COPASA

Earnings Presentation 3Q18

31 October 2018

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

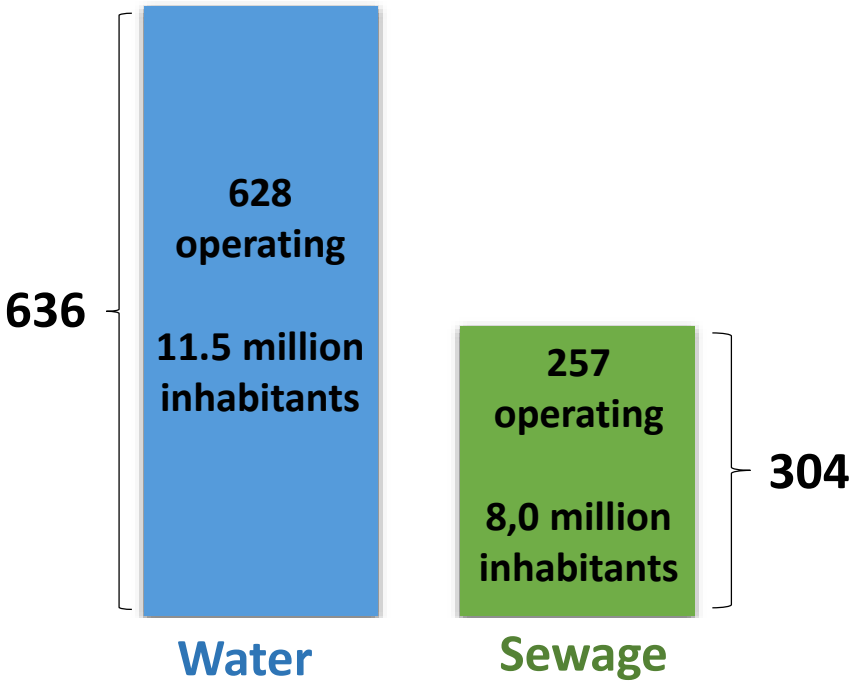
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Agenda

1. Operational Performance
2. Financial Performance
3. Initiatives
4. Q&A Session

Concessions

Consolidated

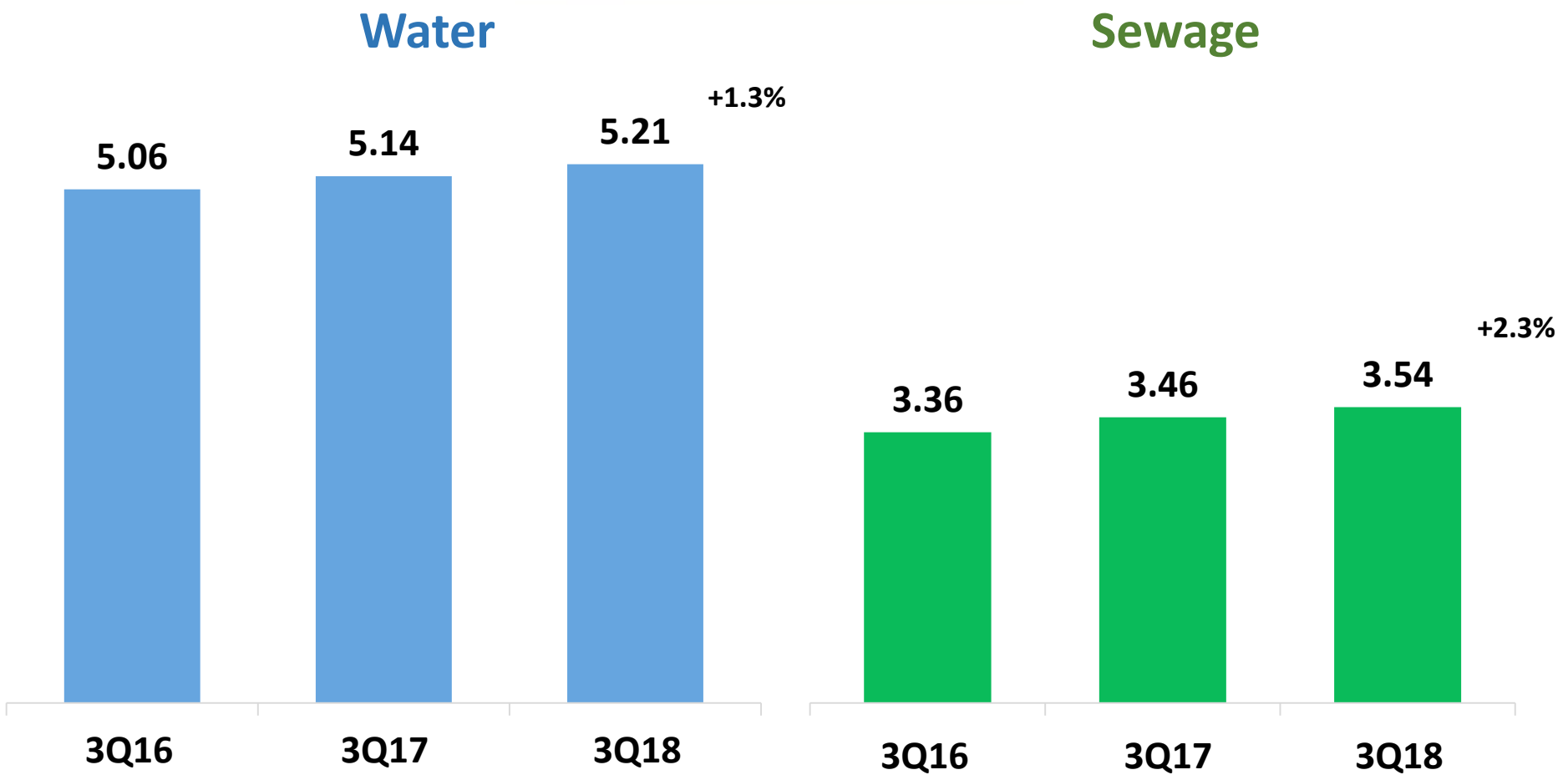


- Expired concessions: 75 (4.4% of revenues)
- Number of concessions to expire until Jun/2020: 0
- % of revenues from concessions to expire from Jan/2034: 77.8%
- Expiration of 8 largest concessions: 50% of revenues
  - Belo Horizonte – 2034
  - Contagem – 2073
  - Betim – 2042
  - Montes Claros – 2048
  - Ipatinga – 2022
  - Divinópolis – 2041
  - Ribeirão das Neves – 2034
  - Pouso Alegre – 2046

Number of Units

Consolidated

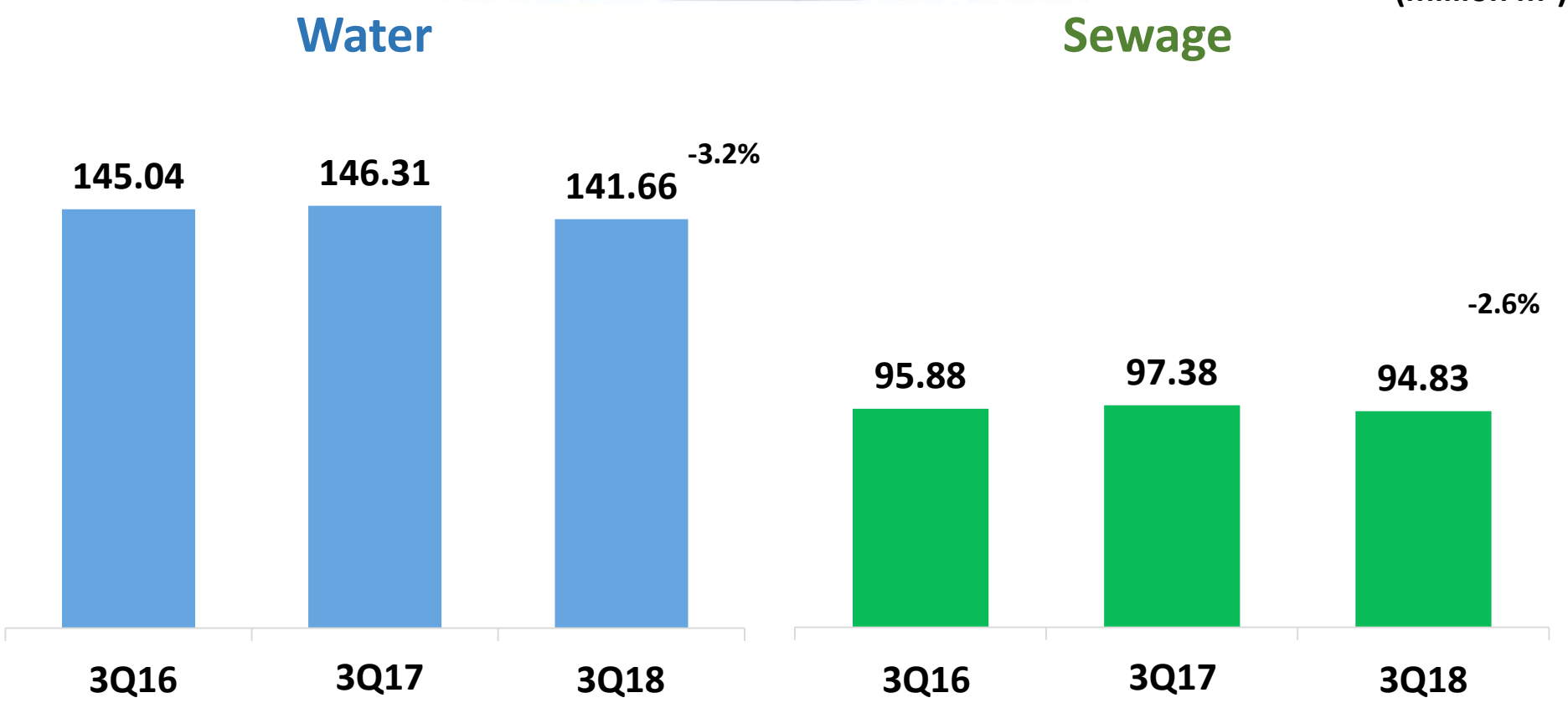
(millions)



Measured Volume

Consolidated - Quarters

(million m³)

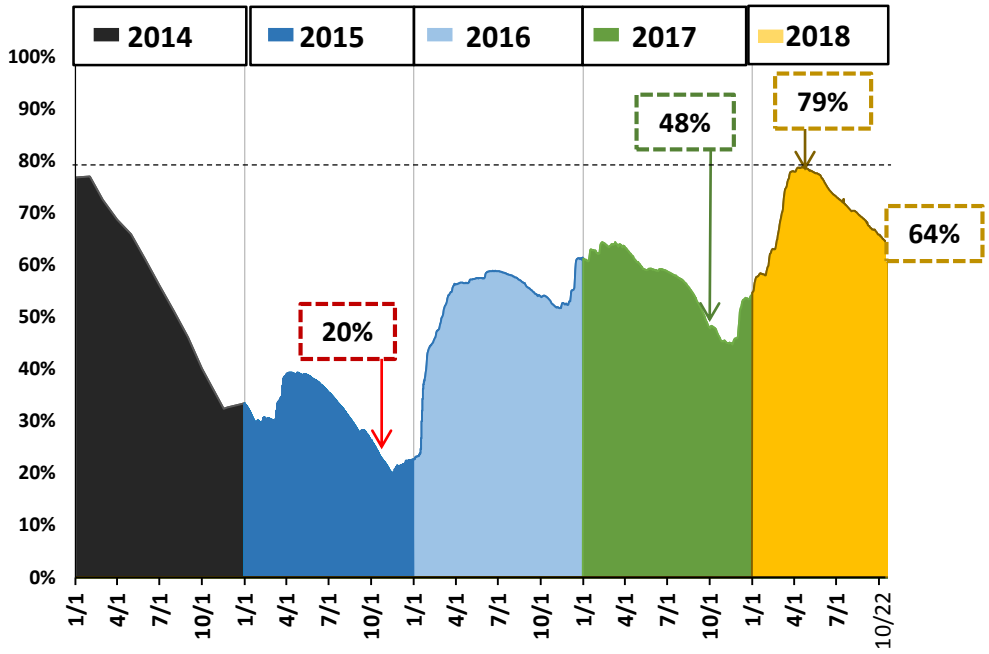


Consumption Days				
3Q16	*Var (%)*	3Q17	*Var (%)*	3Q18
90.35	*+1.11%*	91.35	*-2.41%*	89.15

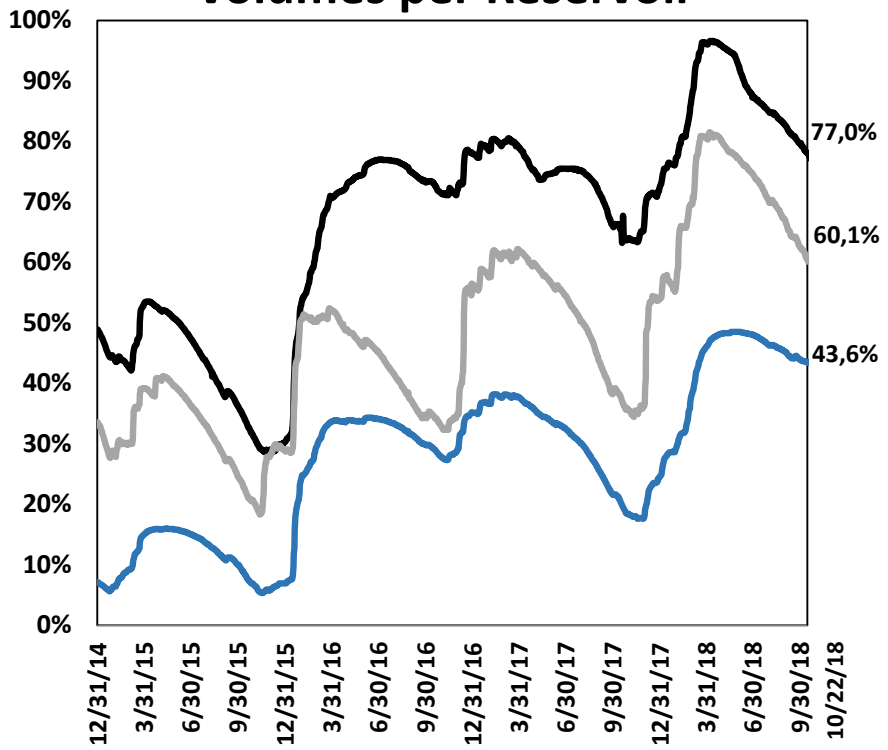
Reservoir Levels

Belo Horizonte Metropolitan Area

Paraopeba System



Volumes per Reservoir



45% of Belo Horizonte Metropolitan Area Supply

Reservoir	Dec/15	Oct/16	Dec/16	Oct/17	Dec/17	Oct/18
Rio Manso	30,2%	73.2%	78,0%	65.5%	72,3%	77.0%
Vargem das Flores	28,9%	34.7%	56,3%	38.0%	53,9%	60.1%
Serra Azul	6,9%	29.3%	35,1%	20.6%	24,5%	43.6%

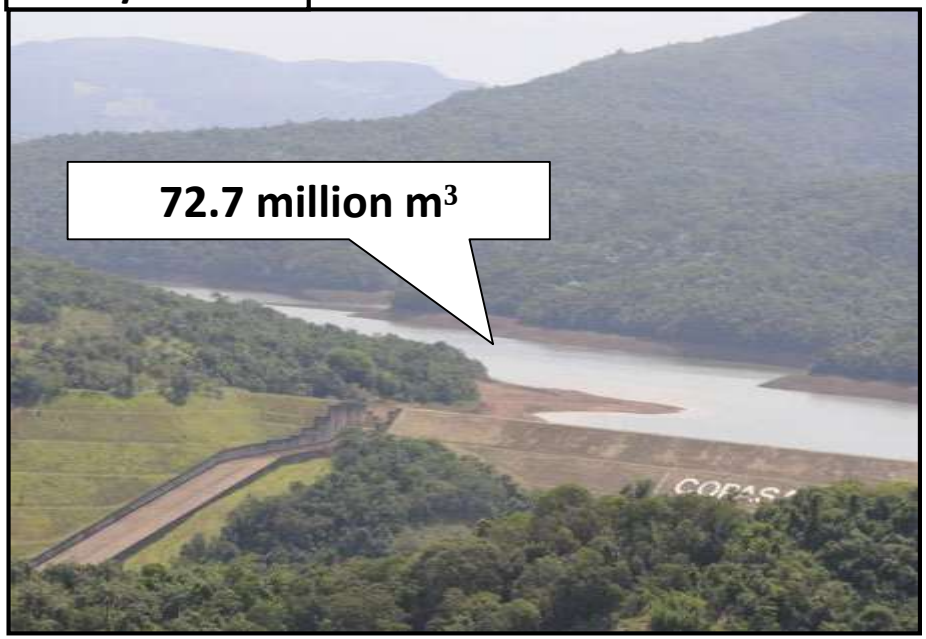
Reservoir Levels

Belo Horizonte Metropolitan Area

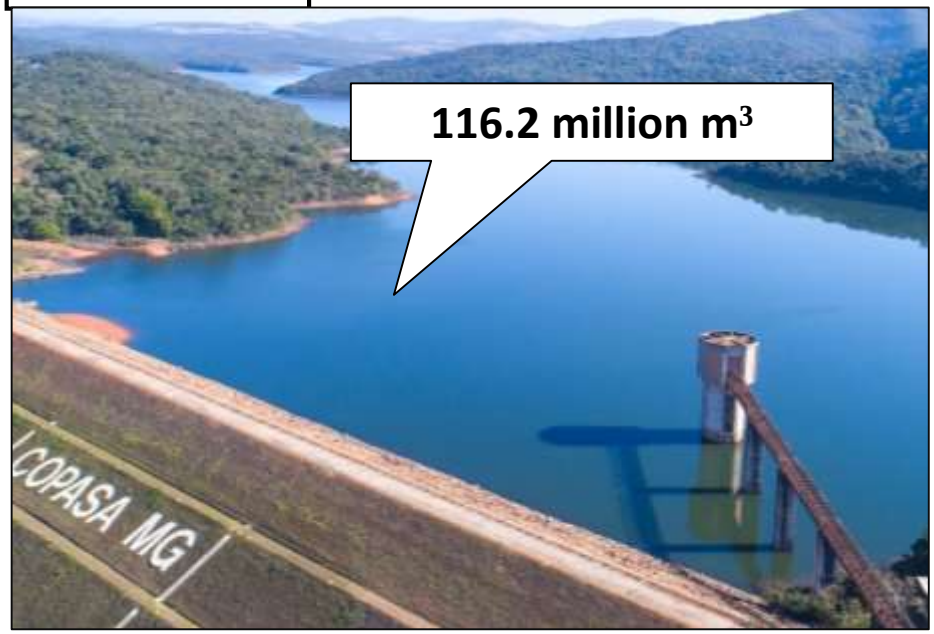
Rio Manso System Reservoir

Collected volume from Paraopeba River (Dec/15 to Sep/18): 208 million m³

Jan/2015



Current



Reservoir Levels

Belo Horizonte Metropolitan Area

Serra Azul System Reservoir

Jan/2015



Current



Reservoir Levels

Belo Horizonte Metropolitan Area

Vargem das Flores System Reservoir

Jan/2015

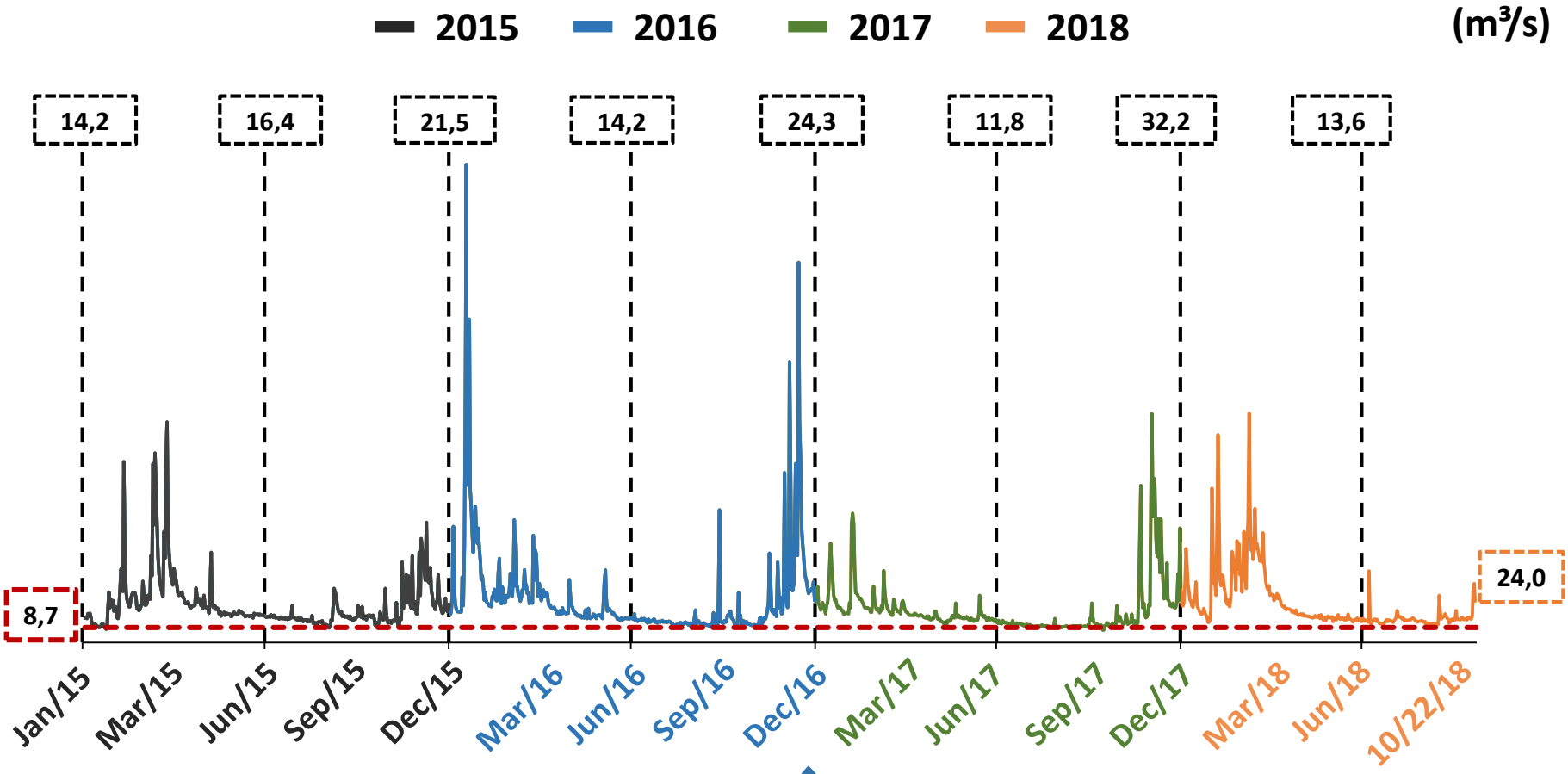


Current



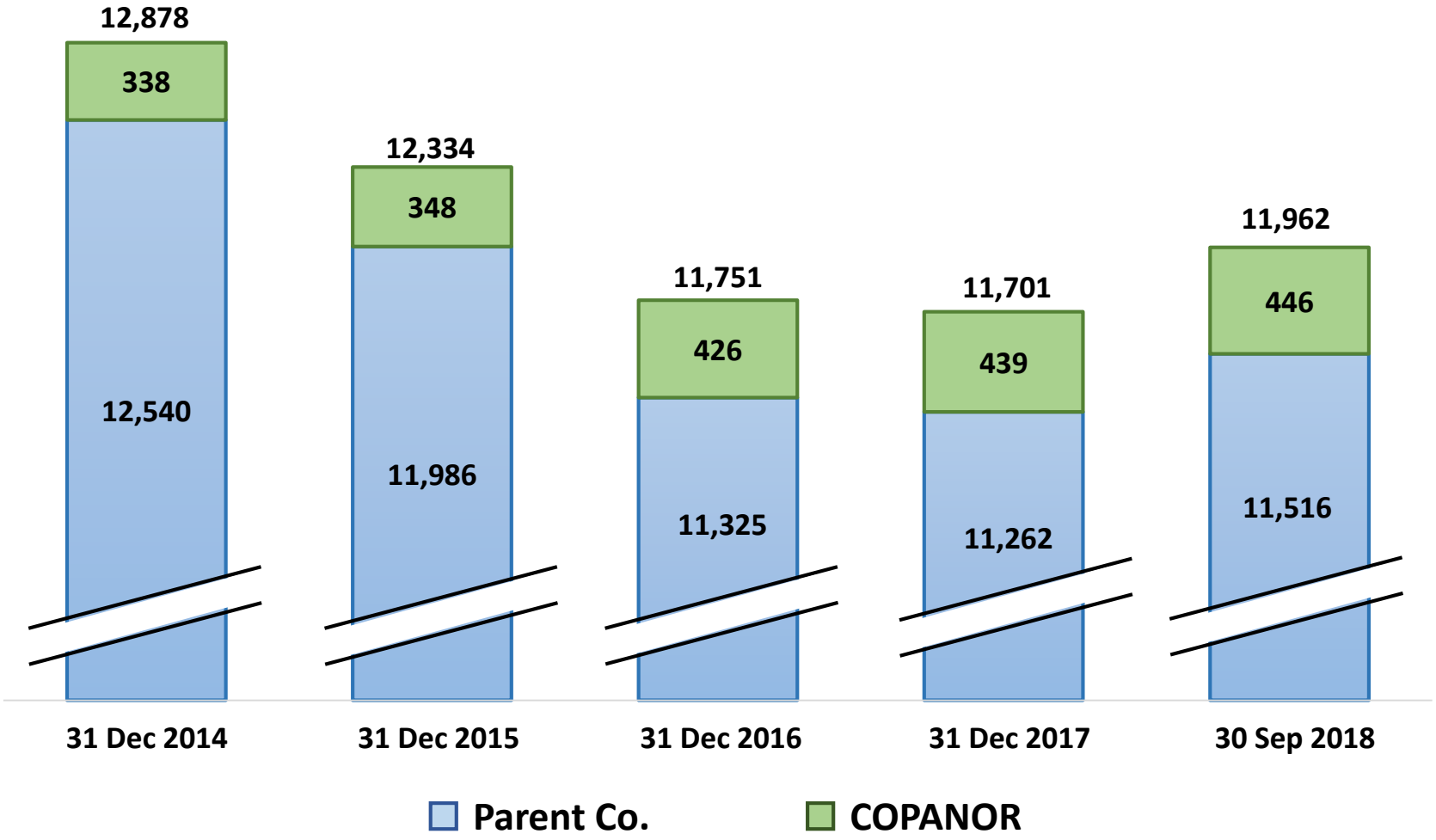
Das Velhas River Flow

Belo Horizonte Metropolitan Area



43% of Belo Horizonte Metropolitan Area Supply

Number of Employees



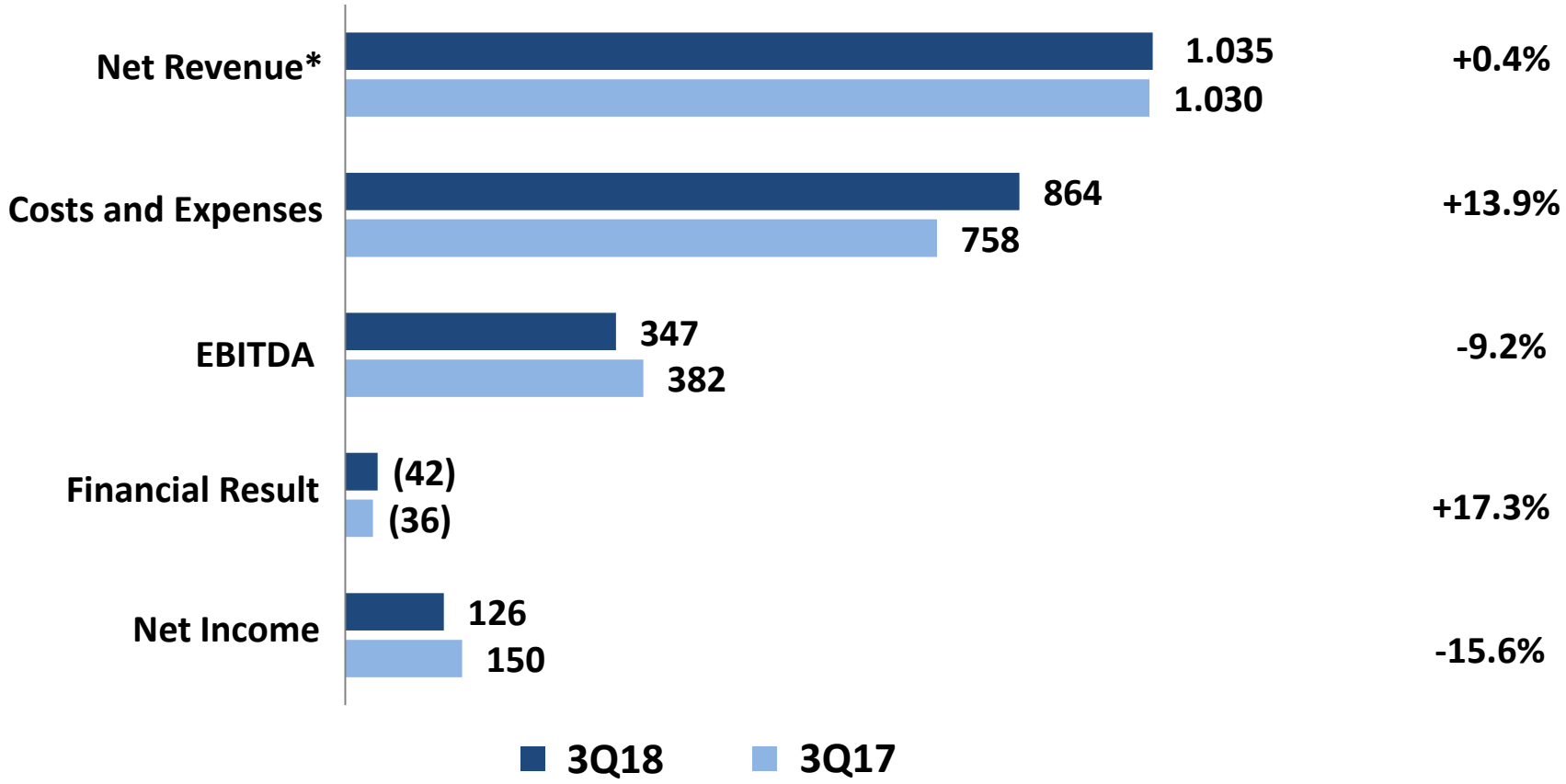
Agenda

1. Operational Performance
2. Financial Performance
3. Developing Actions
4. Q&A Session

Financial Highlights

Parent Co.

(R$ million)

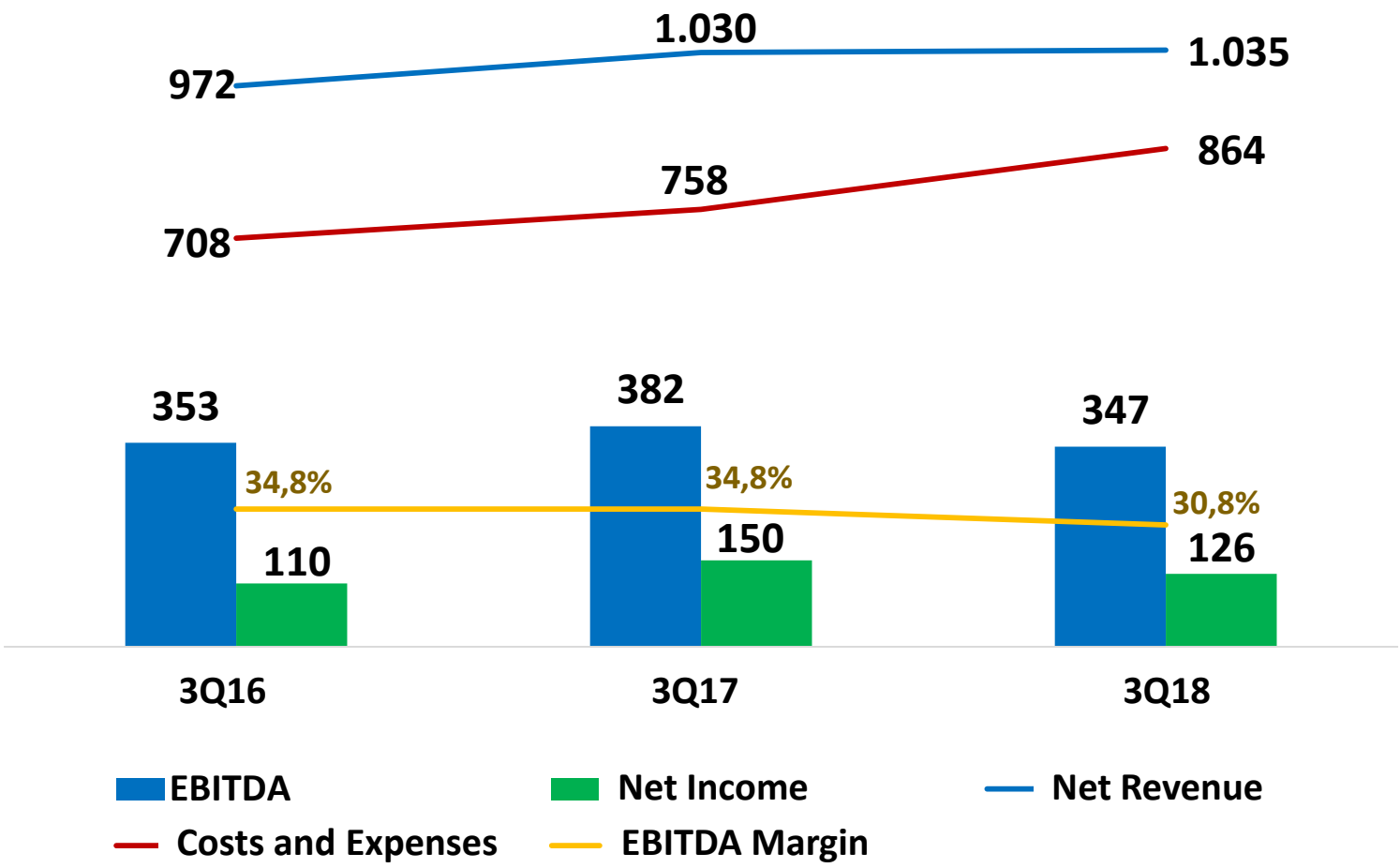


* Includes Net Revenues of Water, Sewage and Solid Waste

Revenues, Costs and Expenses, EBITDA and Income

Parent Co.

(R$ million)

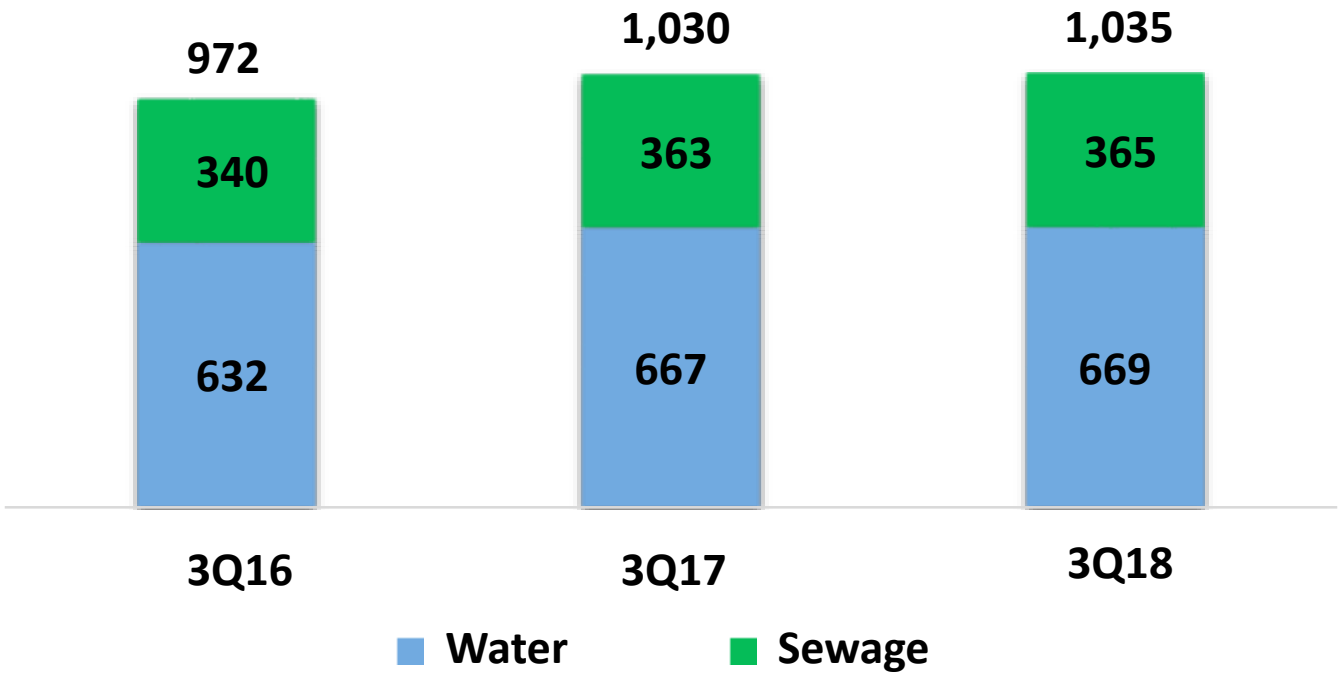


Net Revenues

Parent Co.

(R$ million)

+0.4%



- 3Q18: Includes R$605 thousand from solid waste

Manageable Costs

Parent Co.

(R$ million)

Breakdown	3Q16	3Q17		3Q18	
Personnel	282	307	+9.0%	337	+9.7%
Outsourced Services (exclud. non manageable)	95	99	+4.1%	108	+10.0%
Rio Manso PPP	12	21	+71.7%	26	+20.2%
Materials (exclud. non manageable)	13	14	+7.1%	13	-1.8%
Provision for doubtful accounts	41	53	+26.9%	80	+51.7%
Tariff transfers to municipalities	19	21	+11.3%	23	+6.8%
Sundry Operational Costs	6	9	+53.7%	8	-16.3%
Subtotal	468	524	+11.9%	595	+13.5%

Other Costs

Parent Co.

(R$ million)

Breakdown		3Q16	3Q17		3Q18	
Non Manageable Costs	Electricity	95	97	+1.8%	129	+33.1%
	Telecomm.	4	4	-7.7%	3	-28.0%
	Treatment Chemicals	15	14	-8.3%	14	+2.4%
	Fuels and Lubricants	5	6	+8.4%	7	+11.2%
	Tax Credits	(32)	(30)	-3.9%	(29)	-5.6%
Subtotal		89	90	+2.0%	124	+37.2%
Others	Charge for use of hydric resources	3	3	-11.3%	4	+47.2%
	Depreciation and Amortization	148	141	-4.6%	141	-
Total		708	758	+7.1%	864	+13.9%

Operational Cash Generation

EBITDA and Adjusted EBITDA (Non-Manageable Items)

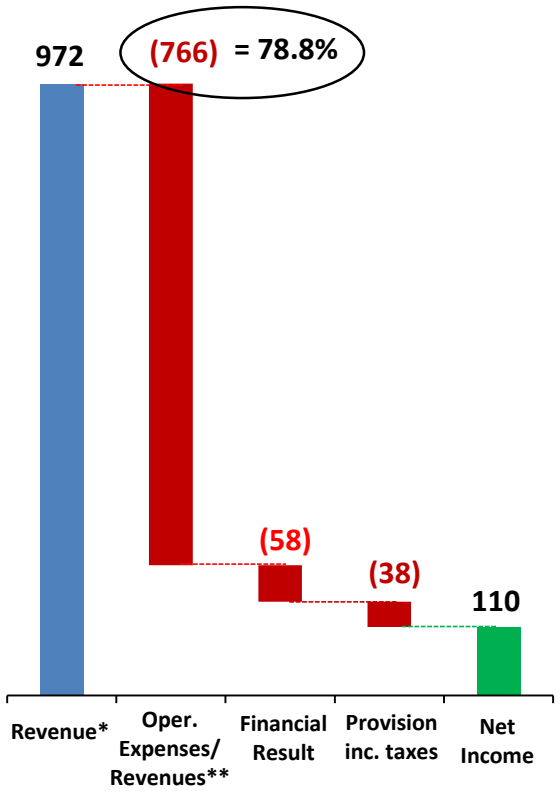
Breakdown (R$ thousands)	3Q18
EBITDA (a)	**346,849**
EBITDA Margin	***30.8%***
Electricty	20,397
Treatment Chemicals	549
Fuels and Lubricants	101
Telecommunications	(30)
Taxes and Fees (except income tax and social contribution)	2,983
Estimated compensation (b)	**23,999**
EBITDA with adjustments for non-manageable items (a)+(b)	**370,848**
EBITDA with adjustments Margin	***32.9%***

Income Statements

Parent Co.

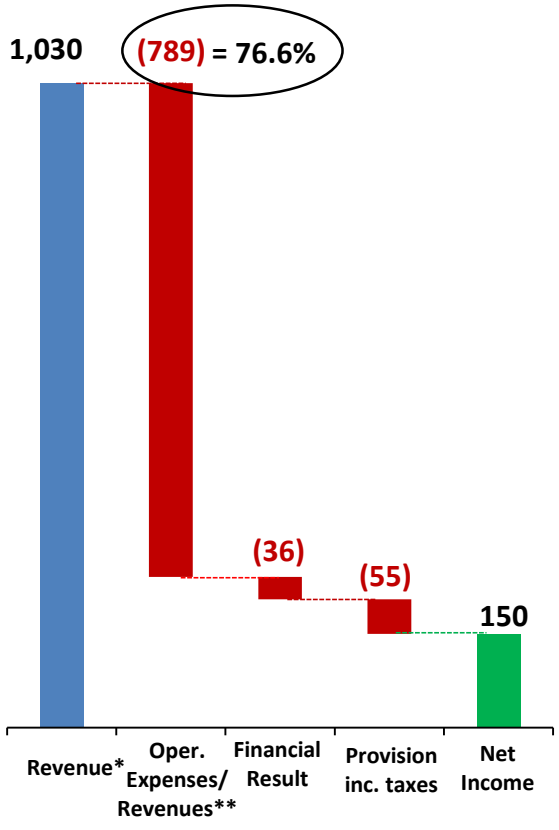
(R$ million)

3Q16



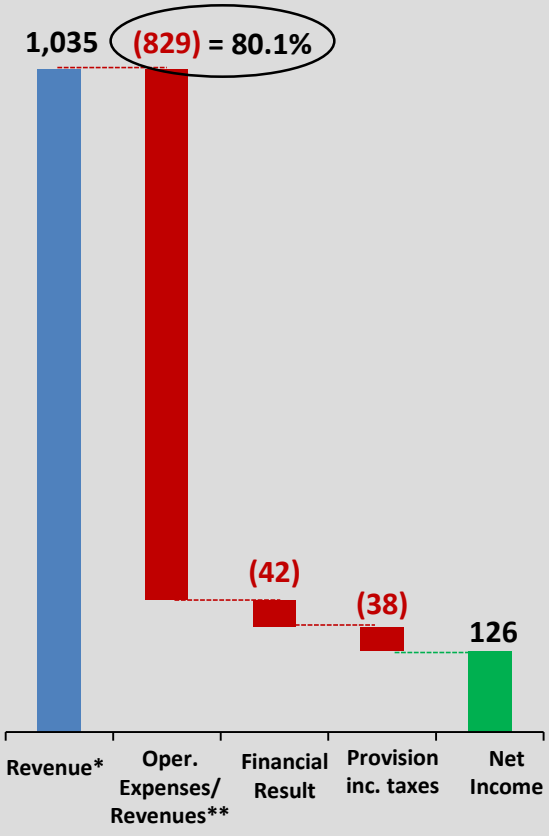
%	100%	78.8%	6.0%	4.1%	11.1%

3Q17



%	100%	76.6%	3.5%	5.3%	14.6%

3Q18



%	100%	80.1%	4.1%	3.7%	12.2%

* **Revenues:** Net Water, Sewage and Solid Waste Revenues.

** **Operational Expenses/Revenues:** Costs and Expenses + Other Operational Revenues (Expenses) + Profit Sharing + Equity Income.

Investment Program

CAPEX

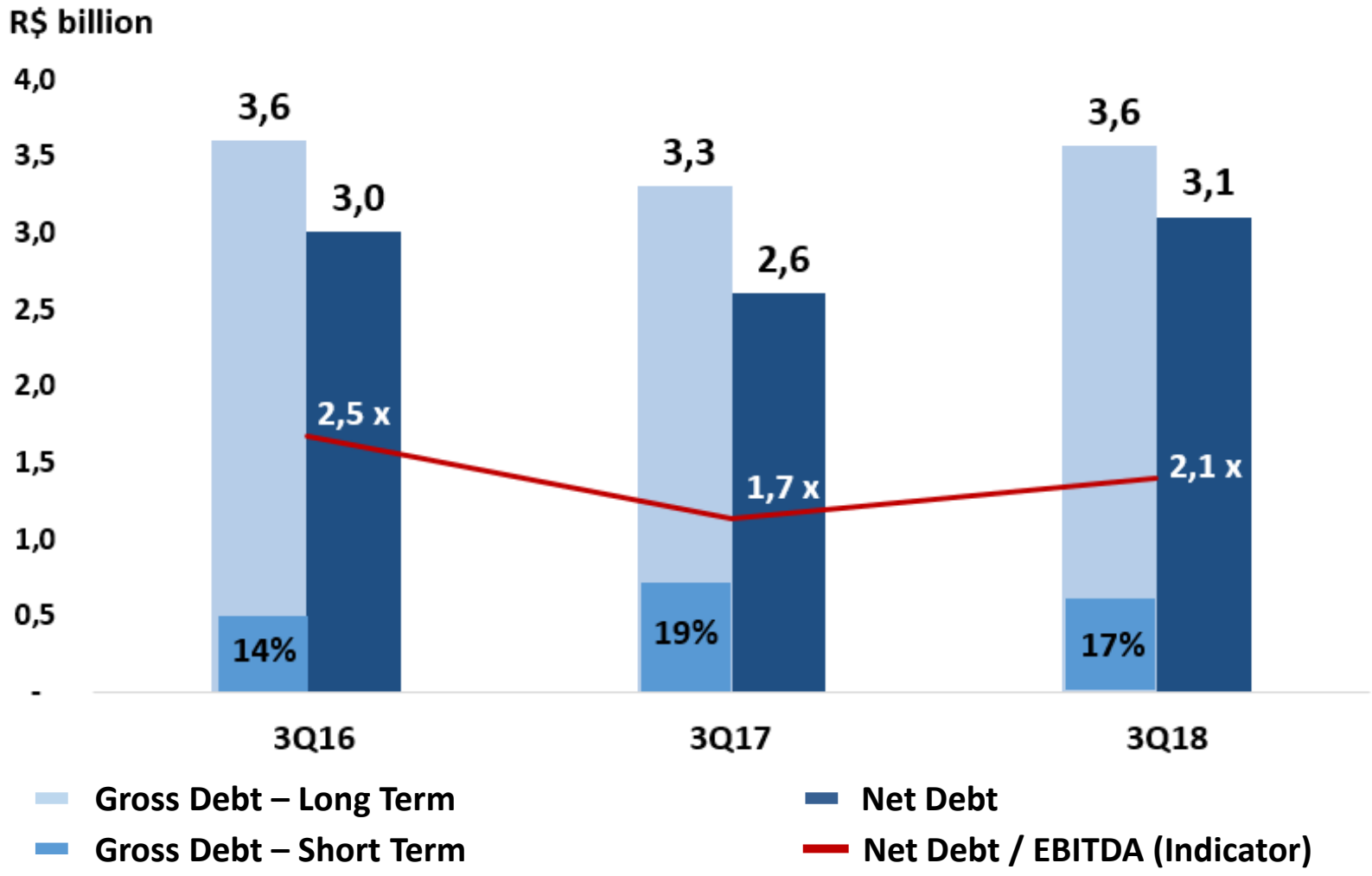
(R$ million)

	Annual		January to September		
Breakdown	**2016**	**2017**	**9M16**	**9M17**	**9M18**
Water [1]	171	239	126	160	199
Sewage	218	252	169	165	267
Others	6	20	4	15	17
COPASA TOTAL	**395**	**511**	**299**	**340**	**483**
COPANOR	33	28	30	18	29
MAIN TOTAL	**428**	**539**	**329**	**358**	**512**

(1) Includes investments of the Paraopeba Water Collection System (Rio Manso PPP), whose amounts in 9M18, 9M16 and 2016 were of R$ 3 million, R$ 6 million and R$ 7 million, respectively.

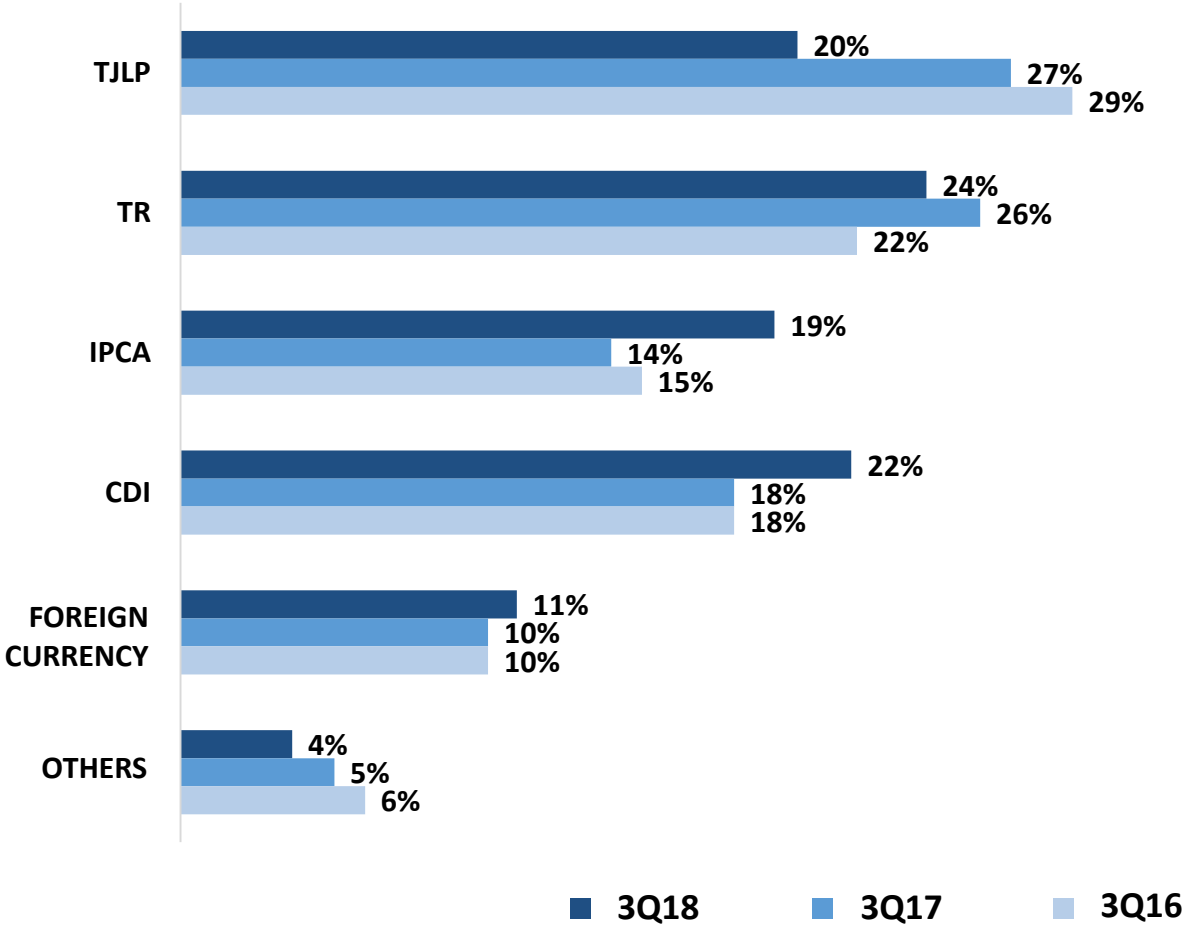
Debt

Gross Debt, Net Debt and Leverage



Debt

Debt by Index and Average Coupon



Average Coupon (p.a.)	
3Q18	6.8%
3Q17	8.0%
3Q16	9.3%

Shareholders' Remuneration

Dividend Policy

Regular Dividends

- **Between 25% and 50% of Net Income:** for 2018, defined at 50%, in the form of IOE.
- **Quarterly declarations, with payment in up to 60 days (except referring to 4Q).**

Extraordinary Dividends: must observe the Efficient Margin of Regulatory Leverage of 2.1x Net Debt/EBITDA (with a margin of 0.1x up or down).

Below 2.0x	Between 2.0x and 2.2x	Above 2.2x
After conducting semiannual studies that indicate that a payment of "Extraordinary Dividends" will not jeopardize the financial health, the Investment Plan or current liquidity, the Board of Directors may propose the payment of "Extraordinary Dividends".	Payout will comply with the "Regular Dividends" criteria.	Mandatory minimum (25%).

Shareholders' Remuneration

Declared Dividends

Regular Dividends

Reference period	Date of Board of Directors' Meeting	Date of Payment	Gross Amount (R$ million)
1Q18	21 Mar 2018	6 Apr 2018	76.7
2Q18	20 Jun 2018	17 Aug 2018	51.4
3Q18	19 Sep 2018	(to be defined)	54.5
Accumulated until Sep/2018			**182.6**

Extraordinary Dividends

Date of Shareholders' Meeting	Date of Payment	Gross Amount (R$ million)
7 May 2018	17 May 2018	280.0

Regulatory Framework

- **Tariff Adjustment 2018 (ARSAE-MG Resolution no. 111/2018):**
  - **Average adjustment of 4.31%:** applied from 1 August 2018

- **Tariff Transfers to Municipalities (ARSAE-MG Resolution no. 110/2018)**

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Finished Actions

Montes Claros – Water Collection from Pacuí River

Start of construction: Aug/2017
Start of operation: Sep/2018

- Collection capacity: 350 L/s
- In Sep/2018 water rationing was discontinued in the municipality





Developing Actions

Main Investments

- **Sewage Systems:**
  - **Sabará:** R$ 126 million
  - **Divinópolis:** R$ 142 million

Images of the construction site in Divinópolis:







Developing Actions

Main Investments

- **Water Metering (2018):** R$ 30 million
- **Water and Sewage Vegetative Growth (2018):** R$125 million

Developing Actions
Operational Efficiency

Digital Service Order Management

- Deployment of an online system for Service Order Management
- Automated scheduling with geo-tracking
- **Investment:** R$2.2 million
- **Configuration, tests and trainings stage:** Apr/18 to Oct/18
- **Deployment in the operational units (assisted operation):** Oct/18 to Nov/18
- **Project Duration:** Apr/18 to Jul/19

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Contacts



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