

BUSI NESS

ORIENTED

We honor commitments and focus on exceeding our goals. We recognize that all of us contribute to the strategic objectives of the company, both in the short and long term.

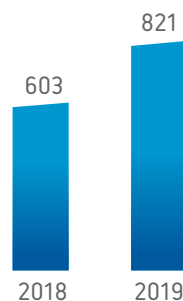


VALUE generation

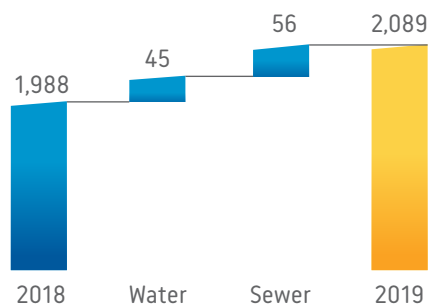
Supported by the purpose of transforming people's lives, our business model is achieved through the investments we make in the units to expand the supply and collection networks, effluent treatment structures and actions for the universalization of basic sanitation in Brazil. The efficient allocation of financial resources, under centralized management and process standardization, is crucial for the execution of the company's strategic planning and value generation capacity.

In 2019, we invested R\$ 821 million in our operations, an increase of 36% compared to the previous year, under more efficient management with the centralization and standardization of processes related to engineering and supplies, combined with well-established governance policies and procedures. These resources enabled an increase of 759 kilometers of water and sewage networks and an increase of 101,000 new units served (active savings).

INVESTMENTS EXECUTION (R\$ MILLION)



ACTIVE ECONOMIES (THOUSAND)



In 2019, net revenues totaled R\$ 2,263 million, representing growth of 17% compared to 2018, driven by the increase of 101,000 new active water and sewage savings from the company's investment program, and tariff increases, both through the application of inflationary readjustments and economic-financial rebalancing.

Costs and expenses, excluding construction, depreciation and amortization costs, totaled R\$ 900 million, representing stability in relation to the same period of the previous year due to various operational efficiency initiatives such as optimization of personnel costs, third-party services, and implementation of the energy efficiency program.

Adjusted EBITDA* of R\$ 564 million in 2019, representing an increase of 27% in relation to 2018 and adjusted EBITDA margin of 40%, an increase of 6 percentage points.

The sale of industrial assets in 2019, guided by the strategy of focusing on sanitation operations, contributed to increase the liquidity of the company, which presents a cash availability of R\$ 886 million. The company's gross debt totaled R\$ 4.5 billion in December 2019, with an average financing term of 10 years (long term). This debt profile mitigates the 6.5 times leverage of net debt/EBITDA, which is in line with the maturity level of the most relevant assets of the company.

On October 22, 2019, the company obtained the registration as a publicly-held company with the Brazilian Securities and Exchange Commission (CVM) for category "B", allowing access to a wider range of investors in fixed income financial operations and strengthening its institutional image before creditors.



FINANCIAL HIGHLIGHTS (R\$ MILLION)			
	2019	2018	Δ (%)
Net Revenue	2,263	1,928	17%
Net Operating Revenue	1,425	1,312	9%
Net Construction Revenue	838	616	36%
Costs and Expenses	-1,925	-1,666	16%
Costs of Services Rendered and General and Administrative Expenses	-900	-897	0%
Construction Costs	-821	-603	36%
Depreciation and Amortization	-205	-167	23%
Financial Result	-265	-252	5%
Equity in Earnings (Loss)	21	14	48%
IR/CSLL (current + deferred))	-39	-45	-14%
Net Profit	336	66	411%
Profit (Loss) Adjusted*	55	-22	-
EBITDA	945	672	41%
Adjusted EBITDA*	564	442	27%
Adjusted EBITDA Margin**	40%	34%	6 p.p.

* Considers Continued Operations

** Adjusted EBITDA Margin = Adjusted EBITDA / Net Operating Revenue

SANITATION in the 21st century

The universalization of basic sanitation – aimed at having 100% of the population served with water supply and sewage collection – is one of the greatest challenges in Brazil this century. Today, more than 100 million people (twice the population of Argentina) do not have access to collecting systems and almost 35 million Brazilians (more than three times the number of inhabitants of Portugal) do not receive treated water in their taps.

Estimates made by specialists in the sector indicate the need for an investment of between R\$ 10 billion and R\$ 50 billion per year to achieve the goal of universal sanitation by 2033, a deadline established by the Brazilian government in National Plan for Basic Sanitation (Plansab). Signatory of the Sustainable Development Goals (SDGs), proposed by the UN, Brazil has also committed itself to the goal of universalization by 2030 defined in SDG 6 – Ensure availability and sustainable management of water and sanitation for all.

The Brazilian State does not have the budgetary conditions to conduct exclusively the execution of such a significant volume of investments. The participation of private companies in this collective effort is essential so that the country can eliminate the delay in serving the population with water and sewage services. Currently, only 6% of Brazilian municipalities are served by companies without state participation, and most of them have less than 20 thousand inhabitants.



SPC: Uruguaiana



SPC: Tocantins

The expansion of the business initiative in Brazilian sanitation depends, above all, on updating the regulatory framework of the sector. The recently approved Basic Sanitation Regulatory Framework (Law no. 14,026/2020) proposes the modernization of the regulatory framework and will make the national scenario more favorable for the investments required for universalization.

Our company has participated in discussions around the modernization of legislation since the beginning of the debates and this work continues with the challenges of the new regulatory agenda for the sector. This performance, based on ethics and our values, also occurs through the participation in sector

associations recognized and trained for the articulation of solutions and public policies in partnership with federal, state and municipal governments.

In this sense, our contributions to the Brazilian Association of Infrastructure and Basic Industries (ABDIB), the Brazilian Association of Private Concessionaires of Public Water and Wastewater Service (ABCON) and the Brazilian Association of State Basic Sanitation Companies (AESBE) stand out. Besides, our company is a partner and part of Instituto Trata Brasil's board of trustees, a non-profit civil society institution that promotes studies, reflections and tools to foster the universalization of sanitation in Brazil.