

COPASA

Earnings Release 3Q10

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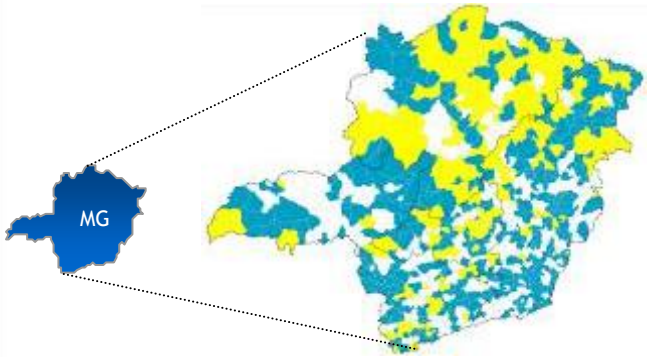
Índice de Ações com Governança Corporativa Diferenciada IGC

Índice de Ações com Tag Along Diferenciado ITAG

Highlights

- Net Operating Revenue (Water + Sewage) was **R$ 602 million**, a 8.5% increase over the **R$ 555 million** reported in 3Q09;
- EBITDA came to **R$ 253 million,** with an EBITDA margin of **39.2%**;
- We signed a sewage concession agreement for the cities of Cruzília, São Joaquim de Bicas, Bom Jesus da Penha and Carmo da Cachoeira;
- We renewed the water service concession for the cities of Cruzília, São Joaquim de Bicas, Bom Jesus da Penha and Carmo da Cachoeira and the sewage concession for the city of Iturama;
- We started to provide sewage services to the city of Prados;
- Interest on Equity in 3Q10 ➡ **R$ 56.9 million**;
- 2010 National Sanitation Quality Award – PNQS.

COPASA has concessions to operate in 613 cities in Minas



- Water and sewage concession: 207 municipalities
- Water concession: 406 municipalities
- Not covered: 240 municipalities

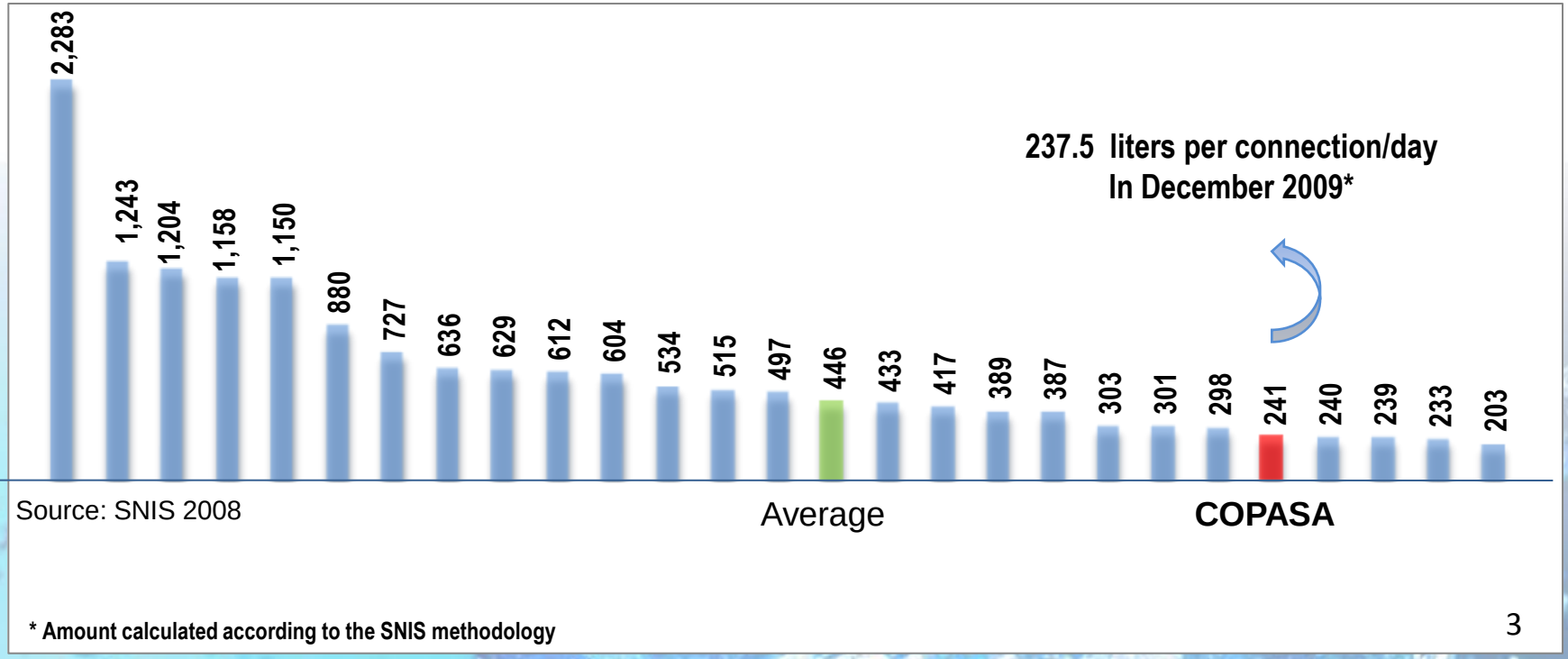
	Sep/2010[3]	Sep/2009[3]	Var (%)[4]
Population Served - Water (million)	13.1	12.7	3.2
Population Served - Sewage (million)	7.7	7.3	4.8
Water Connections[1] (million)	3.5	3.4	3.3
Sewage Connections[1] (million)	1.9	1.8	5.8
Water Units[2] (million)	4.2	4.1	3.1
Sewage Units[2] (million)	2.5	2.4	5.1
Water Network – thousand kilometers	42.9	41.1	4.5
Sewage Network – thousand kilometers	16.2	15.1	7.5

1 - Connections: link between the company's pipeline and the customer's building.
2 - Unit: subdivision of a building.
E.g.: a 10 apartment building has 1 connection and 10 units.
3 – Consolidated data (includes the cities operated by the subsidiary COPANOR as of 2009).
4 – Variation is calculated by considering the number with all decimal places.

Operating Efficiency

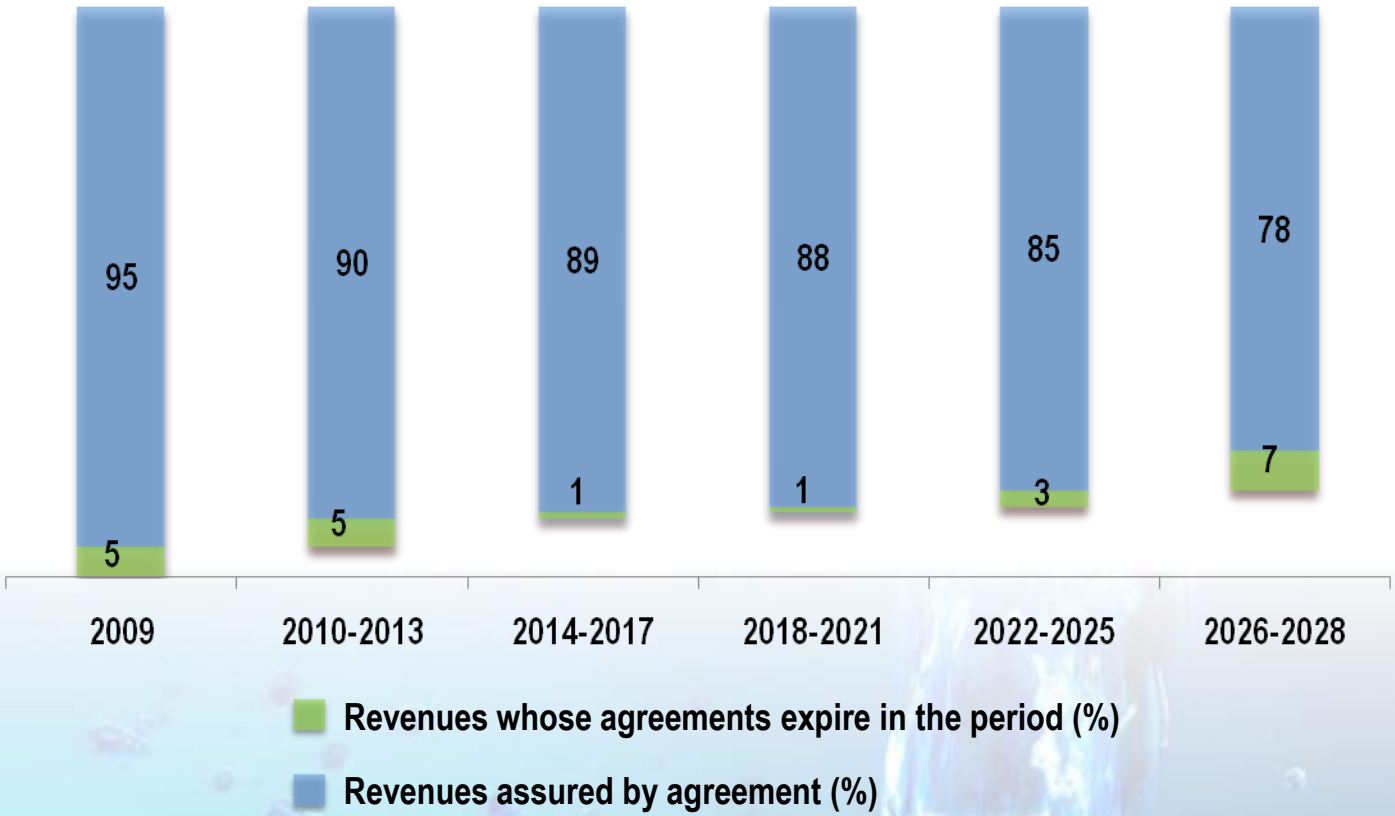
Default Ratio — one of the lowest in the sector **1.32%**

Loss Ratio — one of the lowest in the sector (in liters per connection/day)



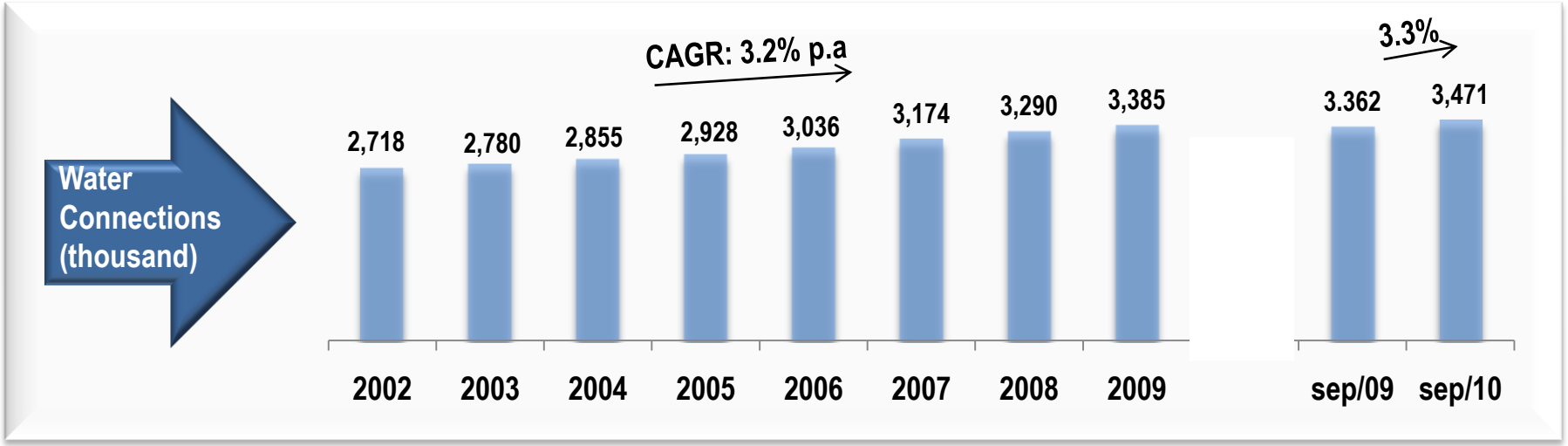
* Amount calculated according to the SNIS methodology

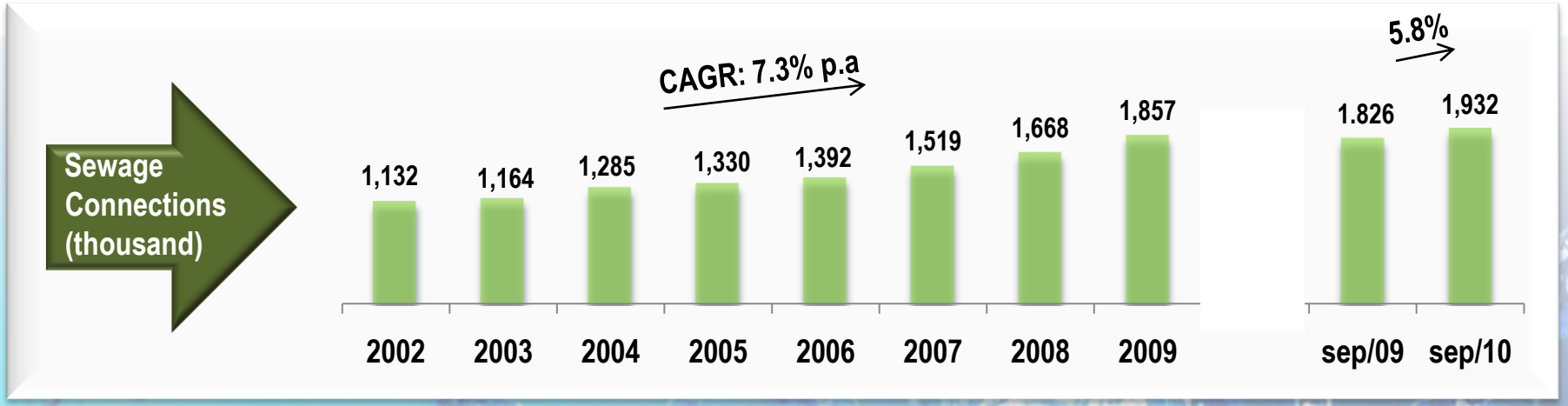
Concessions



The concessions that matured in the last years and which are being negotiated for renewal of the agreements are included in the percentage of the revenues whose agreements expired in 2009. This process should be concluded shortly.

Customers


Water Connections (thousand)
CAGR: 3.2% p.a
3.3%
2,718
2,780
2,855
2,928
3,036
3,174
3,290
3,385
3.362
3,471
2002
2003
2004
2005
2006
2007
2008
2009
sep/09
sep/10


Sewage Connections (thousand)
CAGR: 7.3% p.a
5.8%
1,132
1,164
1,285
1,330
1,392
1,519
1,668
1,857
1.826
1,932
2002
2003
2004
2005
2006
2007
2008
2009
sep/09
sep/10

Expansion of Sewage-Service Concessions

Municipalities where COPASA holds a water-supply concession but no sewage-service concession

34 cities with a population GREATER than 15,000 inhabitants were selected

	2010	2011 - 2013	Total
No. of Municipalities	14	20	34
Population (thousands)	1,035	557	1,592

Of the 34 cities, 7 have already voted on their municipal authorization laws and 27 are still in the negotiating stage.

Expansion of Sewage-Service Concessions

Municipalities where COPASA holds a water-supply concession but no sewage-service concession

96 cities with a population of FEWER than 15,000 inhabitants were selected

	2010	2011 - 2013	Total
No. of Municipalities	37	59	96
Population (thousands)	300	414	714

Of the 96 cities, 26 have already voted on their municipal authorization laws and 70 are still in the negotiating stage.

Expansion of Water-Supply and Sewage-Service Concessions

Municipalities where COPASA holds no water-supply or sewage-service concession

31 cities with a population GREATER than 15,000 inhabitants were selected

	2010	2011 - 2013	Total
No. of Municipalities	3	28	31
Population (thousands)	147	1,256	1,403

Of the 31 cities, 14 are in the negotiating stage.

Investments

CAPEX 2010			
(R$ Million)	**Estimated**	**Actual 3Q10**	**Actual 9M10**
Water	503	100	273
Sewage	412	131	332
Other	35	6	18
Total	**950**	**237**	**623**

Regulatory Agency

4/26 to 5/26/2010	Conduction of a Public Hearing to determine the standards regarding the "General Conditions for Use of Water Supply and Sanitary Sewage Services";
7/20/2010	COPASA creates a specific unit to resolve on service regulation issues;
8/18 to 10/01/2010	Public Hearing held to define the standards related to the "Program and Concession Agreements";
10/07/2010	Publication of 003/2010 ARSAE's Resolution that establishes the "General Conditions for Use of Water Supply and Sanitary Sewage Services";
9/13 to 11/12/2010	Public Consultation held to determine the operating and technical indicators to be used to monitor and assess the performance of service providers.

2010 Dividends Policy

50% of Net Income distributed as Interest on Equity

1Q10

Distributed on 3/26/10 – R$ 43.7 million (R$ 0.38/share) paid on May 25, 2010.

2Q10

Distributed on 6/28/10 – R$ 56.7 million (R$ 0.49/share) paid on August 24, 2010.

3Q10

Distributed on 9/28/10 – R$ 56.9 million (R$ 0.49/share) to be paid within 60 days.

Awards

Management Recognition:

- **National Sanitation Quality Award – PNQS 2010**

✓ **"Troféu Ouro – Rumo à Excelência"**

"Gold Trophy - Path to Excellence"

- COPASA – 1st company fully recognized
- Metropolitan Operations Executive Board

✓ **"Troféu Platina – Avanços para Excelência"**

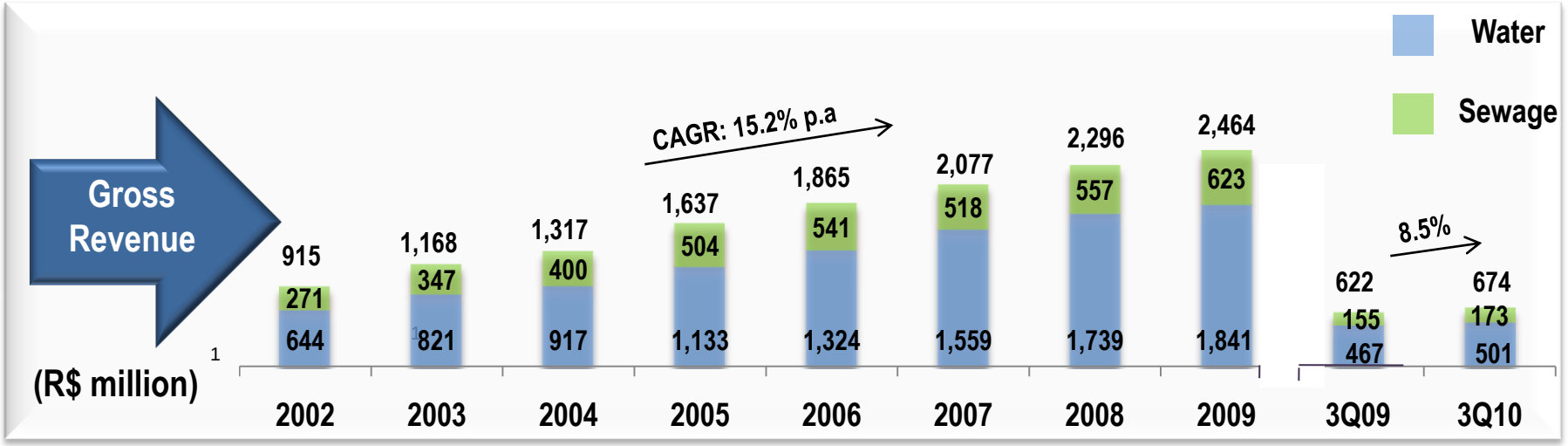
"Progress for Excellence – Platinum Trophy"

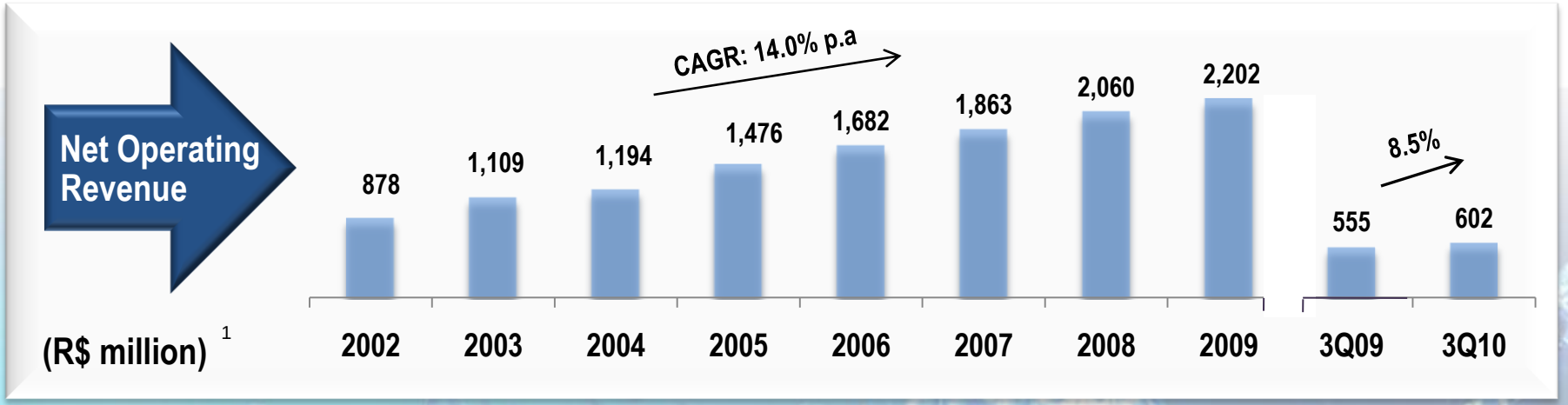
- Northern Operations Executive Board
- Southwestern Operations Executive Board




COPASA
Financial
Performance
3Q10

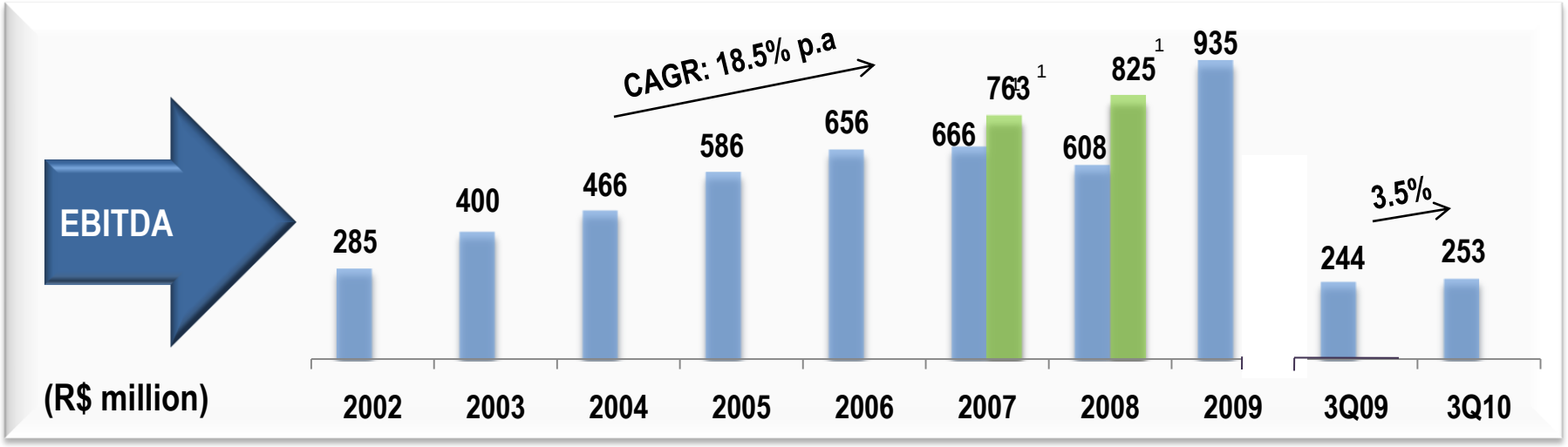
Cash Generation

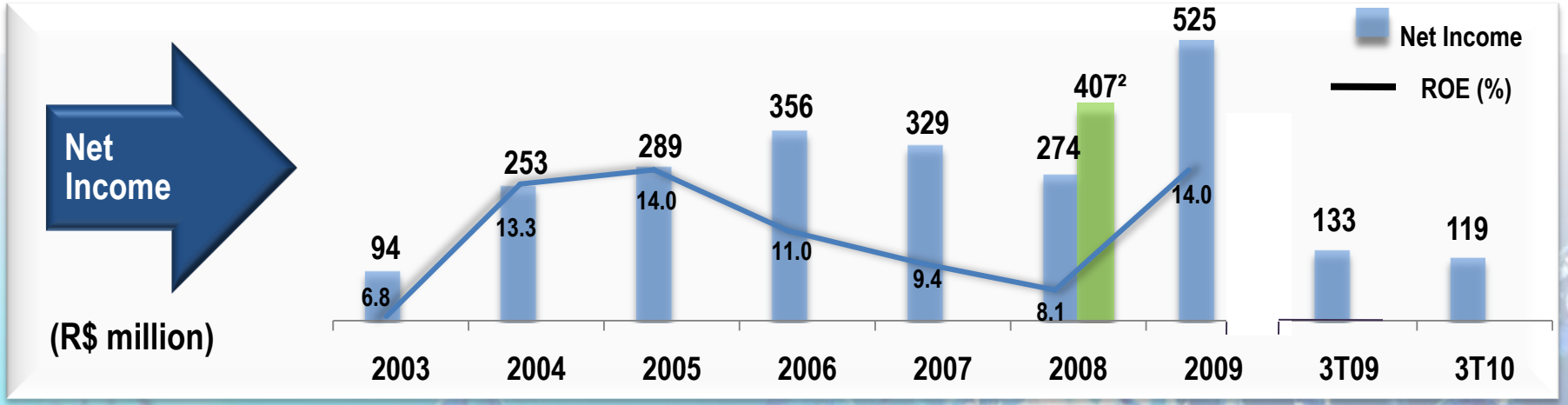




1 – Does not include Construction Revenues arising from the convergence into IFRS (Financial Statements from 2008 onwards) or Revenues from Finished Products.

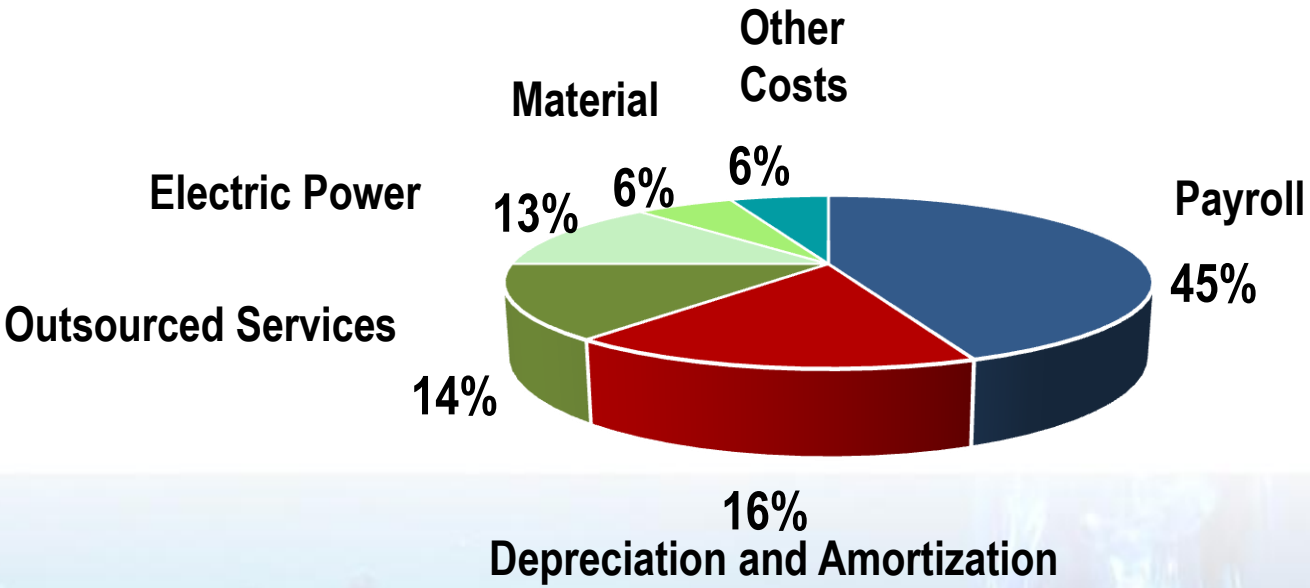
Income





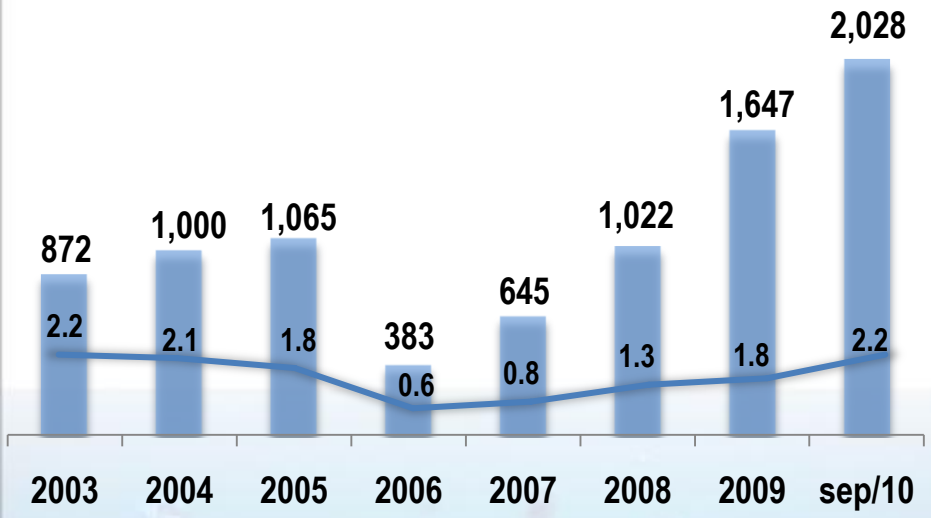
1 – EBITDA Adjusted to non-recurring items.
2 – Amount reported in 2008 and subsequently changed to recognize tax debts.

Administrative, Operating and Sales Expenses 3Q10

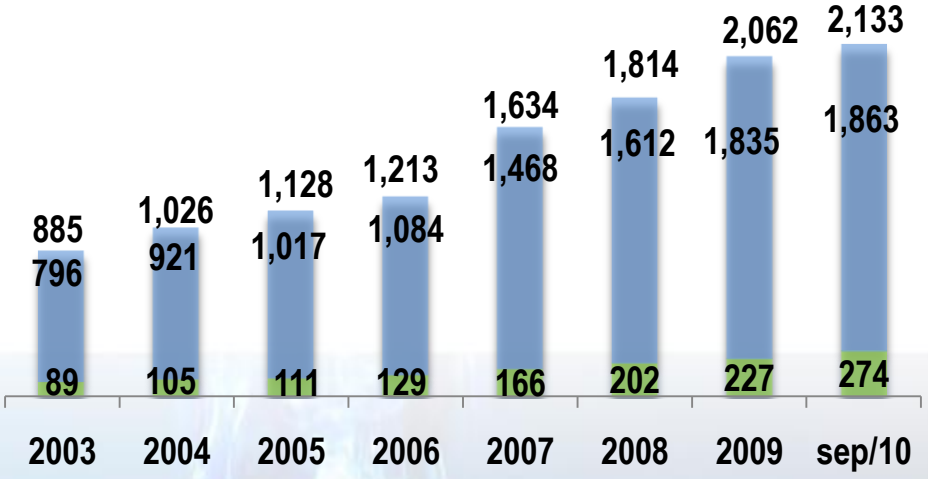


Indebtedness

Net Debt (R$ million)



Net Indebtedness (R$ million)



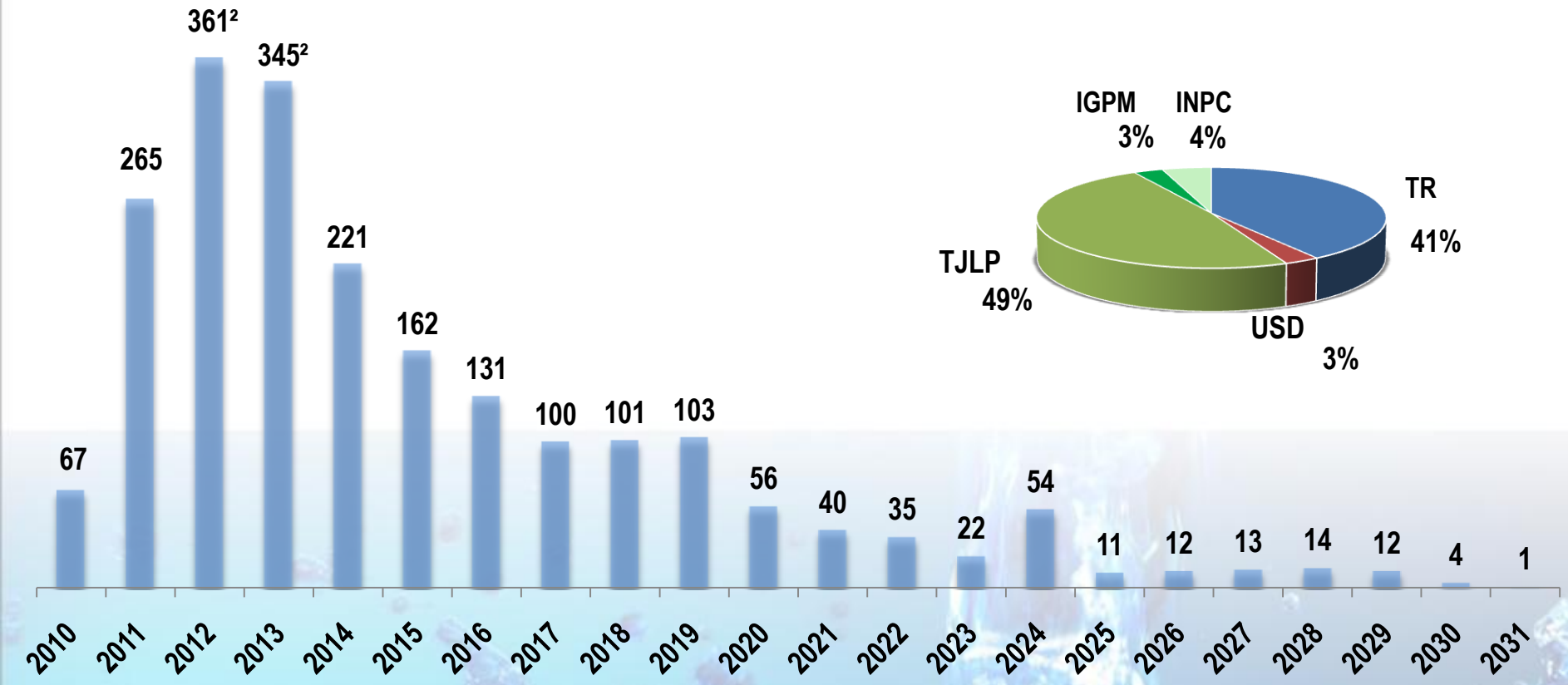
Net Debt / EBITDA

Long Term

Short Term

Indebtedness

Amortization Schedule (R$ million)[1] and Debt Indexes



1- As of 9/30/2010, the Company had R$748 million of funds contracted from the Government Severance Indemnity Fund (FGTS) and the Brazilian Development Bank (BNDES) to be disbursed and recorded in liabilities as investments are made. The average grace period remaining of these funds is 10 and 36 months respectively, with amortization terms of 240 and 180 months respectively, and they are not displayed in the chart.

2 –Including debentures convertible into shares, totaling R$140 million, 50% of which maturing in June 2012 and the remaining in June 2013.

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.



COPASA

www.copasa.com.br/ir
ri@copasa.com.br

Sistema Rio Manso