

COPASA

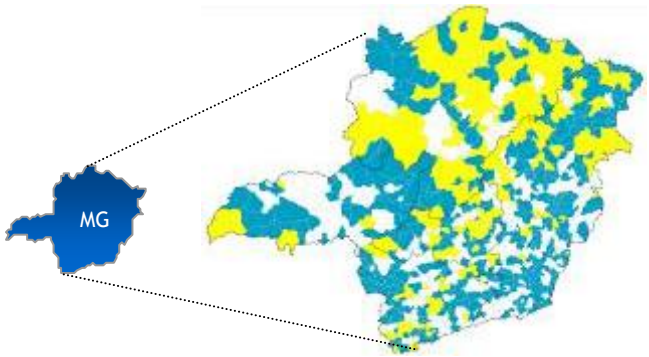
EARNINGS RESULTS 2Q10

2Q10 Highlights

- Net Operating Revenue (Water + Sewage) was R$569 million, a 5.8% increase over the R$538 million reported in 2Q09;
- EBITDA came to R$218 million, with a margin of 37.8%;
- We signed a sewage services concession agreement for the city of Itamarandiba;
- We renewed the water services concession for the city of Santa Rita de Ibitipoca and Itamarandiba;
- We started to provide sewage services to the cities of Buritis and Natércia;
- Interest on Equity in 2Q10 ➡ R$56.7 million;
- Abrasca award – “Creation of Value”;
- Transparency Trophy;
- Strategic Planning Review and Expansion Plan.

Overview

COPASA has concessions to operate in 613 cities in Minas



- Water and sewage concession: 203 municipalities
- Water concession: 410 municipalities
- Not covered: 240 municipalities

	June 2010[3]	June 2009[3]	Var (%)[4]
Population Served - Water (million)	12.9	12.6	2.7
Population Served - Sewage (million)	7.6	7.1	6.8
Water Connections[1] - million	3.4	3.3	3.3
Sewage Connections [1] - million	1.9	1.8	7.9
Water Units[2] - million	4.2	4.1	3.1
Sewage Units[2] - million	2.5	2.3	7.1
Water Network – thousand kilometers	42.7	41.1	3.7
Sewage Network – thousand kilometers	16.1	15.0	6.8

1 - Connection: 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.

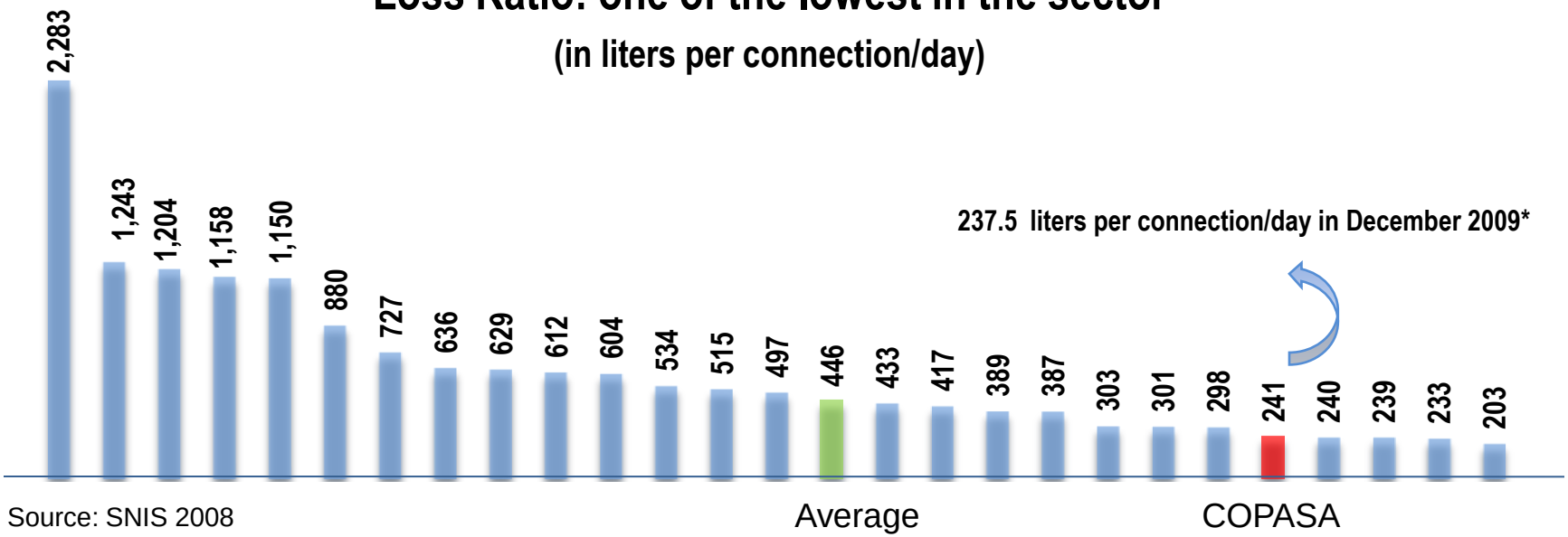
Operating Efficiency

Default Ratio: the lowest in the sector

Default ratio	**1.51%**

Loss Ratio: one of the lowest in the sector

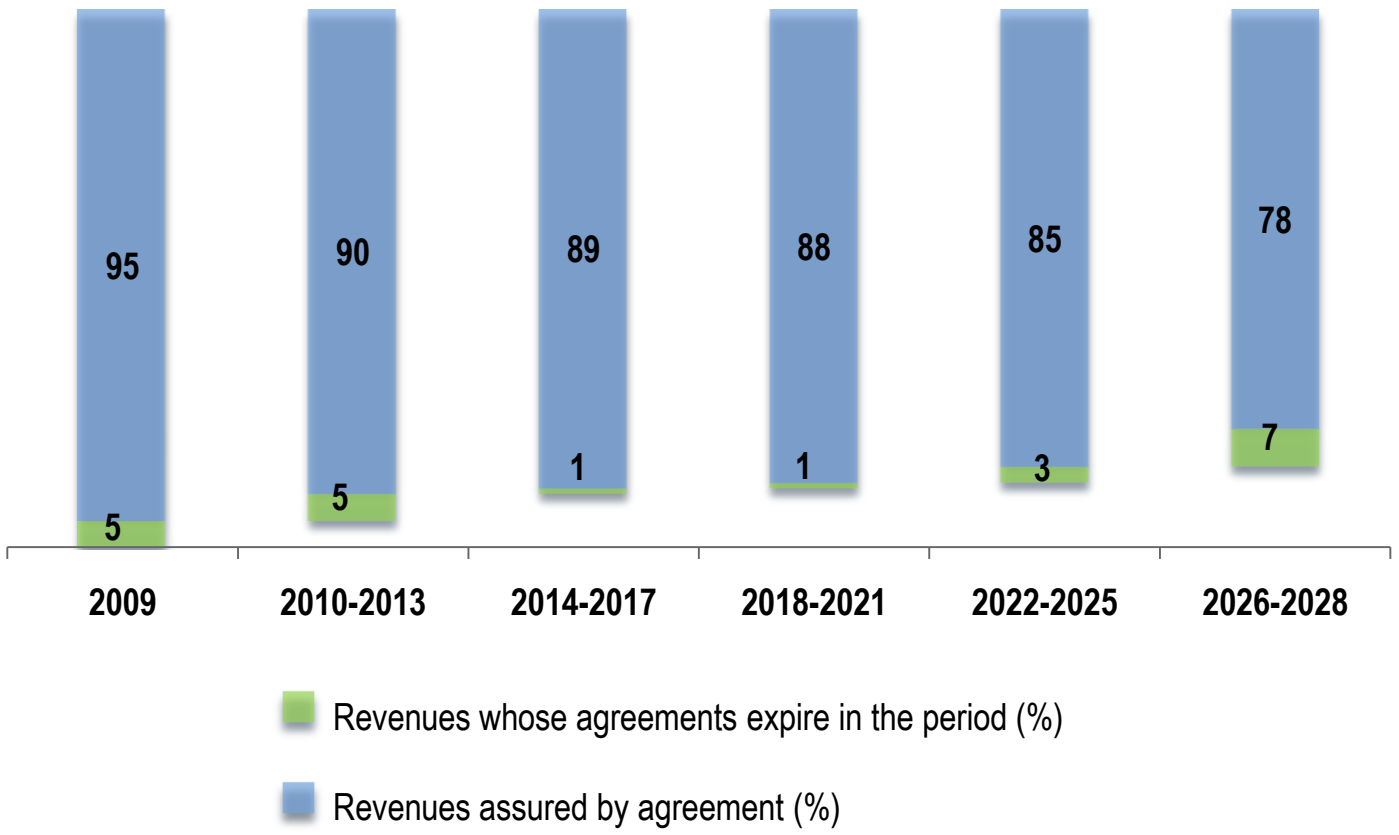
(in liters per connection/day)



Source: SNIS 2008

* Amount calculated according to the SNIS methodology

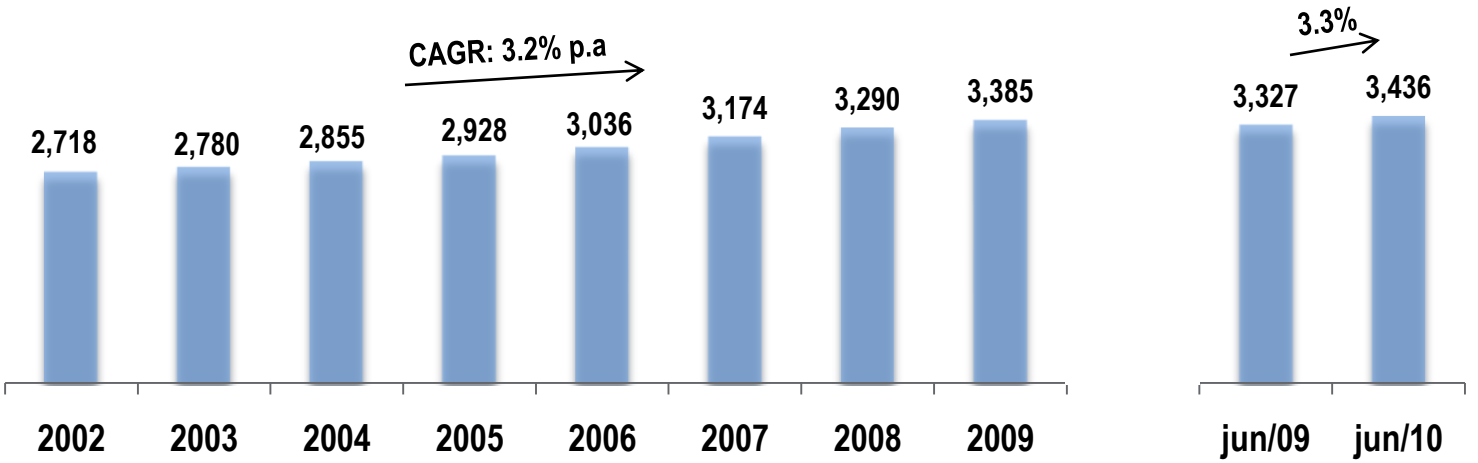
Concessions



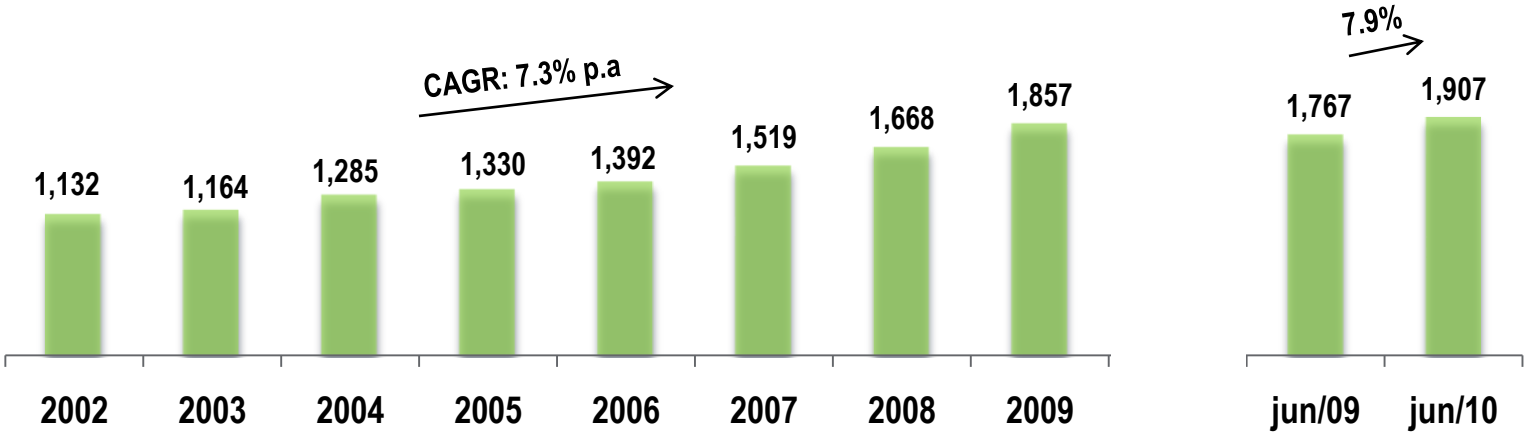
1 – The concessions that matured in the last years and which are being negotiated for renewal of the agreements are included in the percentage of the revenues whose agreements expired in 2009. This process should be concluded shortly.

Customers

Water Connections (thousand)



Sewage Connections (thousand)



Investments

CAPEX 2010			
(R$ Million)	**Estimated**	**Actual 2Q10**	**Actual 1H10**
Water	503	97	173
Sewage	412	116	200
Other	35	9	13
Total	**950**	**222**	**386**

Regulatory Agency

- 8/03/2009 → **Law 18,309/2009 is enacted by the State Governor, creating the Regulatory Agency for Water Supply and Sanitary Sewage Services of the State of Minas Gerais (ARSAE-MG).**
- 12/03/2009 → Filing of the Technical Study regarding the "2009 Tariff Adjustment" at ARSAE-MG;
- 1/28/2010 → The adjustment is established at 3.96%, in effect as of March 1;
- 3/11/2010 → ARSAE-MG publishes a schedule that provides for the method to be adopted in tariff adjustment processes, among other rules;
- 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".
- 5/26/2010 → COPASA forwards questions and contributions to ARSAE-MG;
- 7/20/2010 → COPASA creates a special unit to deal with service regulation issues;

Dividends

2010

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) to be paid on August 24, 2010.**



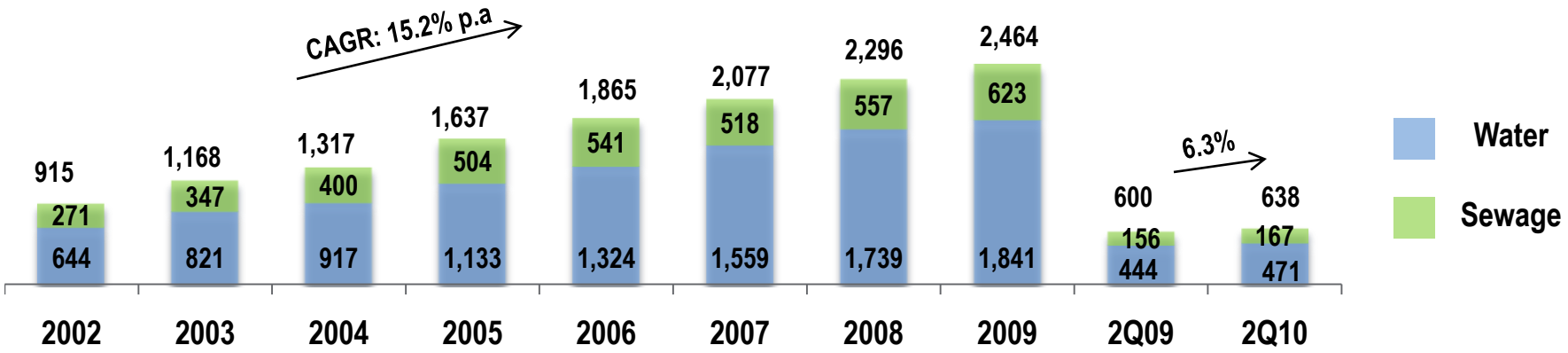
COPASA

FINANCIAL PERFORMANCE

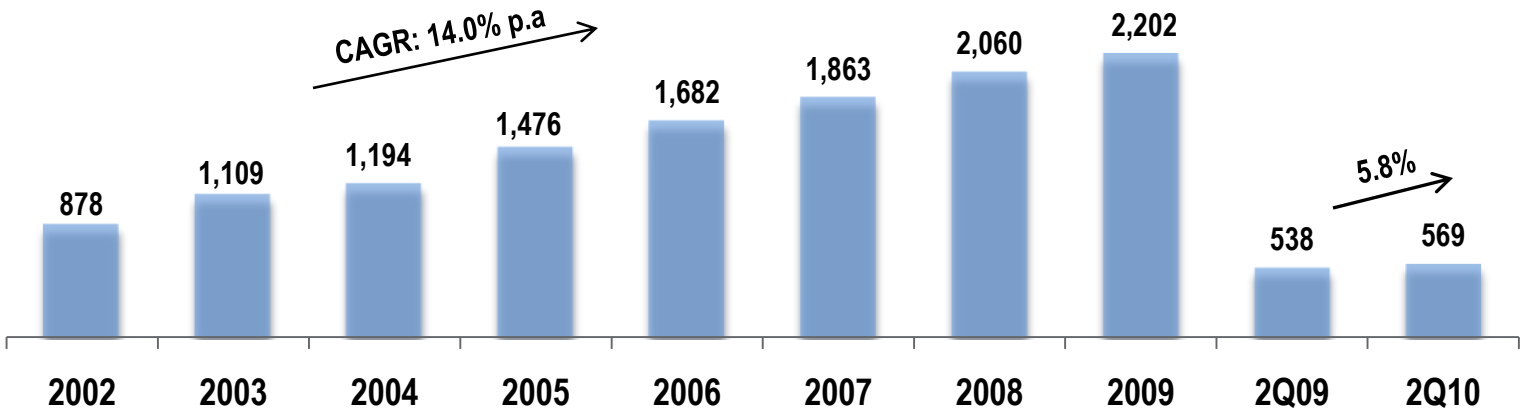
2Q10

Cash Generation

Gross Revenue (R$ million) [1]

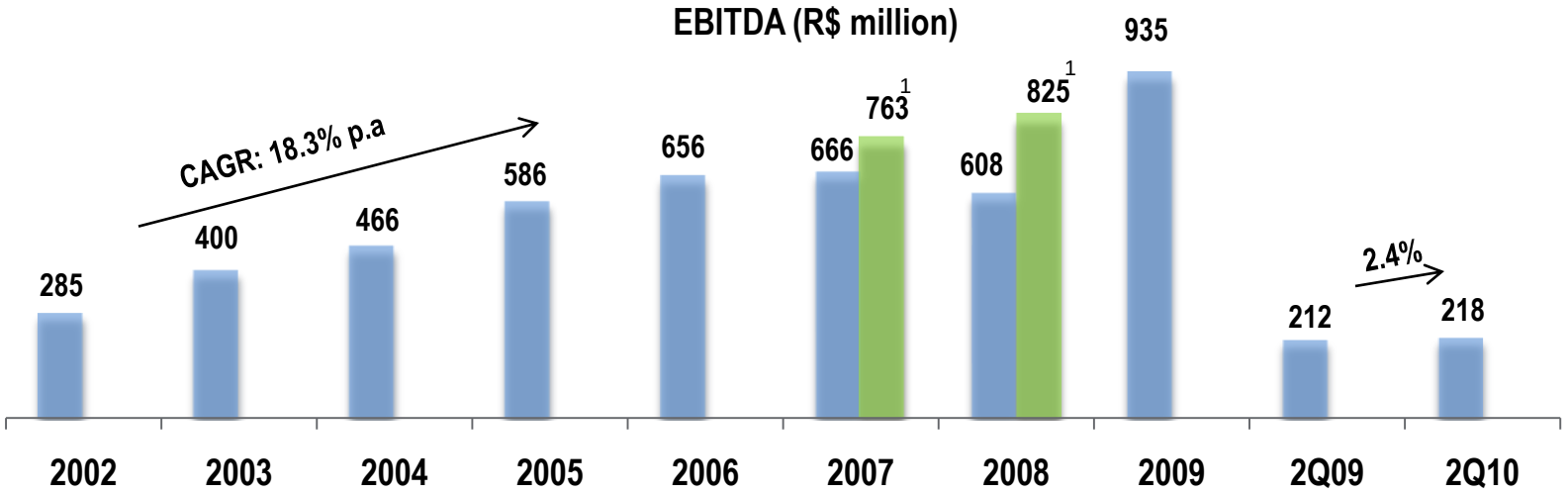


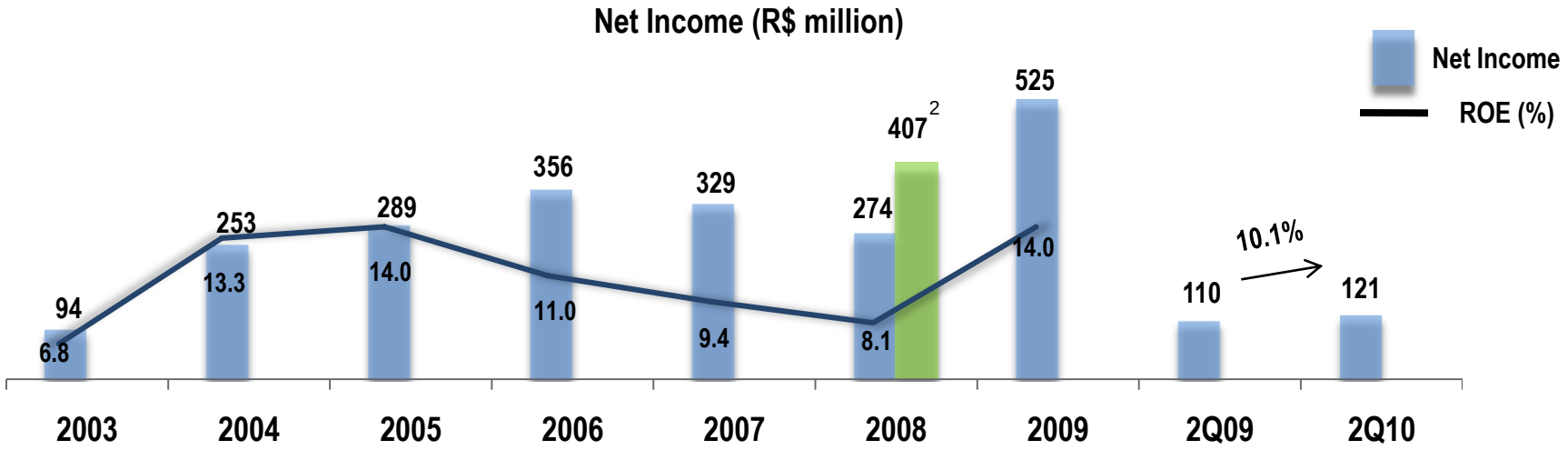
Net Operating Revenue (R$ million) [1]



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

Income

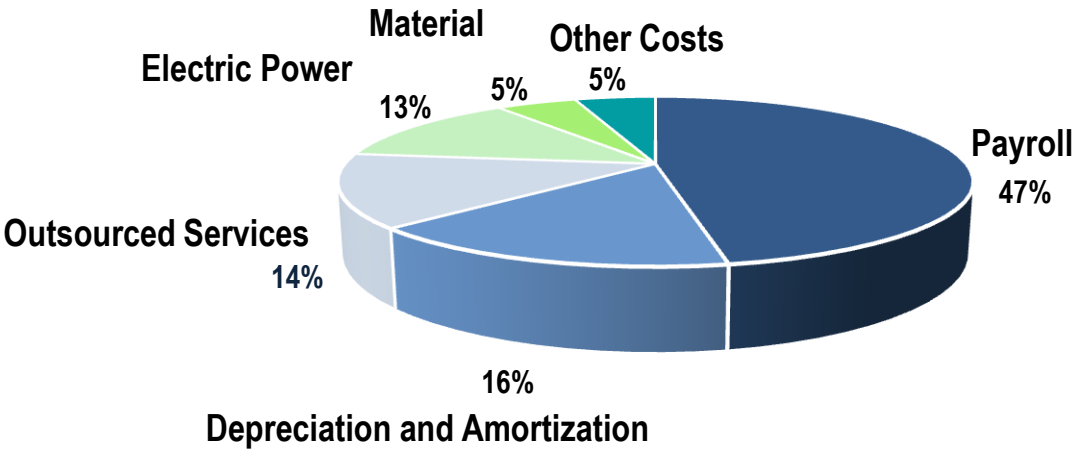




1 – EBITDA adjusted to non-recurring items.

2 – Amount reported in 2008 and subsequently changed to recognize tax debts.

Administrative, Operating and Sales Expenses 2Q10

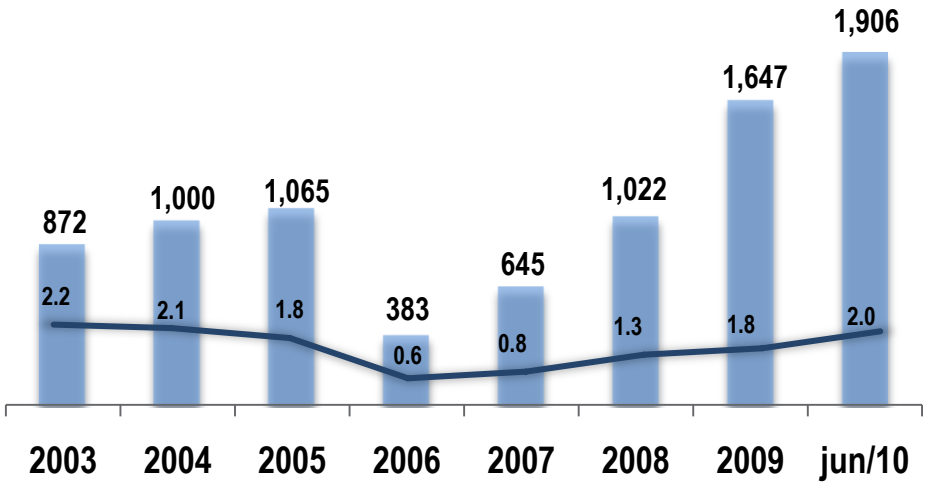


Indebtedness Policy

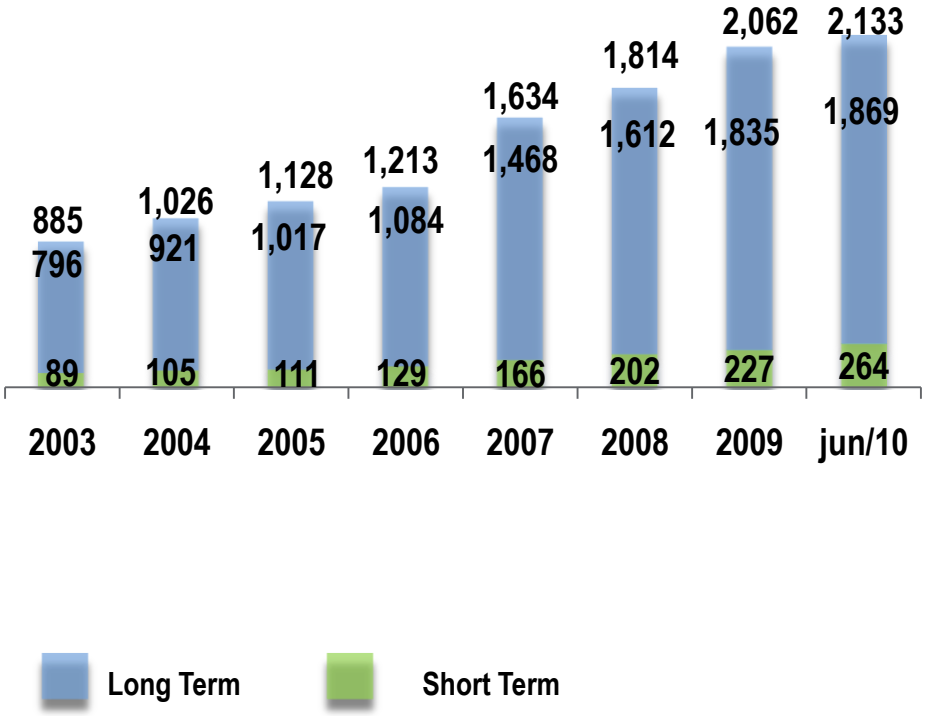
- Approved by the Board of Directors on May 28, 2010;
- Net Debt equal to or lower than 2.8x EBITDA;
- Total liabilities equal to or lower than Shareholders' Equity;
- EBITDA higher than 1.7x Debt Service.

Indebtedness

Net Debt (R$ million)

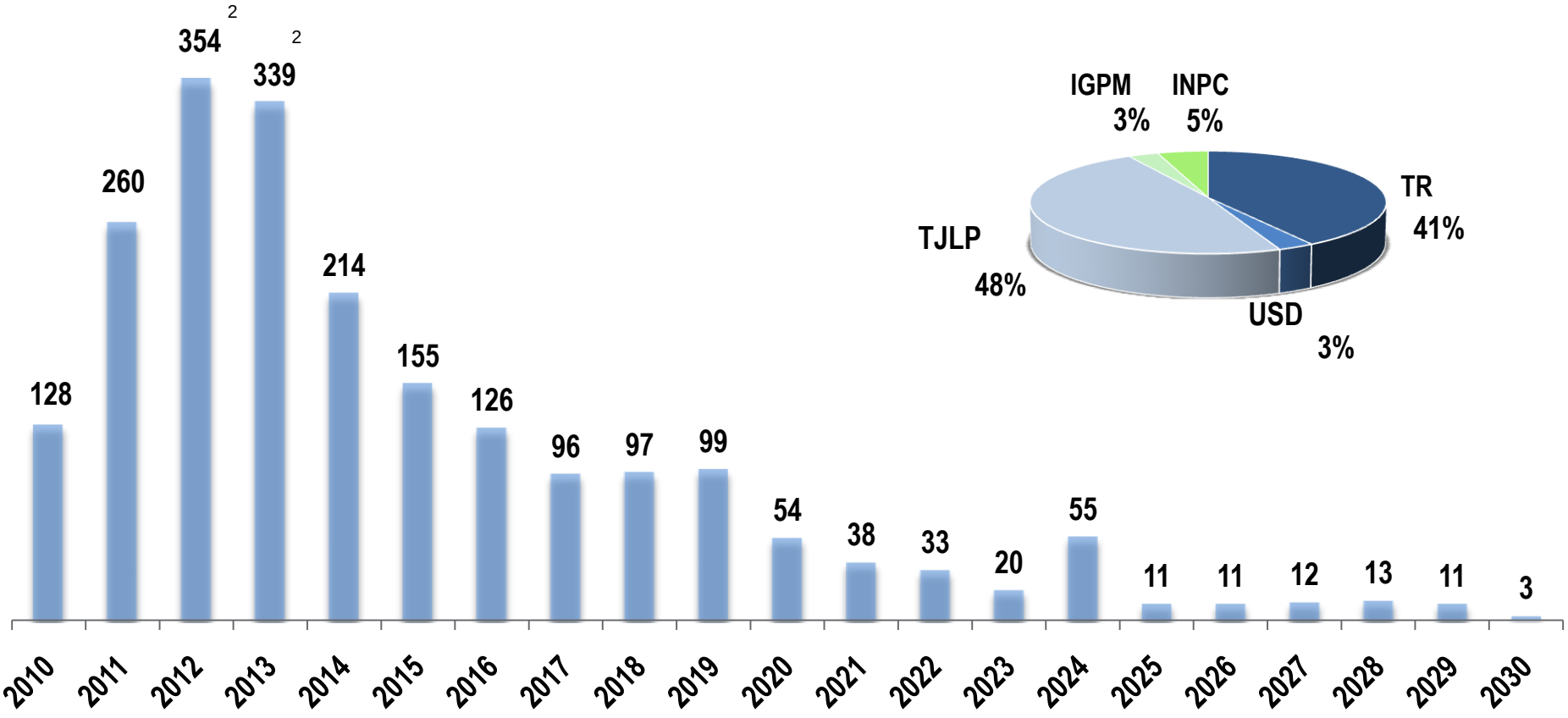


Net Indebtedness (R$ million)



Indebtedness

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



Nominal average debt rate: 8.5% p.a

1- As of 6/30/2009, the Company had R$785 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 worth R$ 140 million, considering 50% will expire on June 2012 and the rest on 06/2013.

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
A água de Minas

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

Sistema Rio Manso