

COPASA

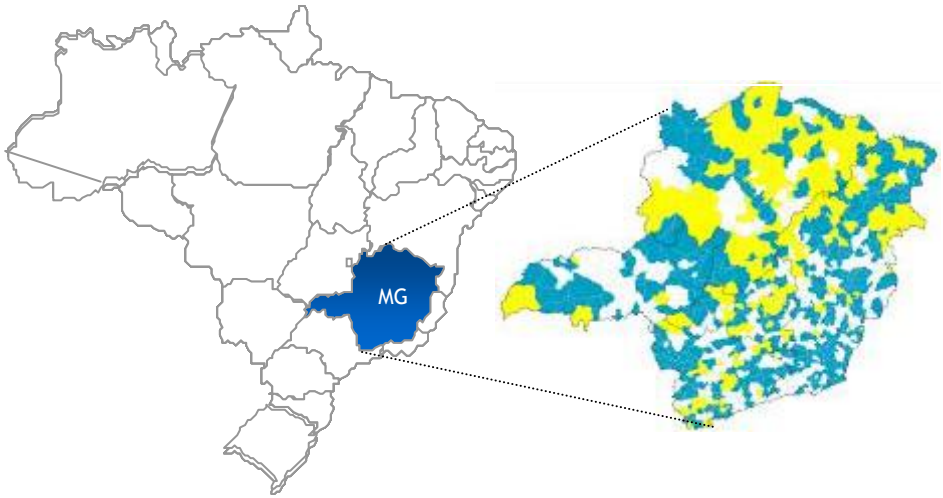
PRESENTATION 1Q10

Highlights

- Net Operating Revenues (Water + Sewage) reached R$ 563 million in 1Q10, 4.7% up over 1Q09's R$ 538 million;
- 1Q10 EBITDA was R$ 237 million with EBITDA margin of 41.3%;
- During the quarter we signed a water services concession with the city of Presidente Olegário and sewage services concessions with the cities of Mateus Leme and Natércia;
- We renewed water services concessions in the cities of Mateus Leme, Natércia and Santana da Vargem and sewage services concessions with the city of Santana da Vargem;
- We initiated sewage services operation in the City of Carmo do Paranaíba, Divino and Estrela do Sul;
- Interest on Equity handed out during 1Q10 ➡ R$ 43.7 million;
- IR Global Rankings 2010 -12nd Edition Award - TOP 5 "Financial Disclosure Procedures" ranking.

Overview

COPASA has concessions to operate in 613 MG municipalities



- Water and sewage concessions: 201 municipalities
- Water concessions: 412 municipalities
- Not covered: 240 municipalities

Overview

- Since 1963, providing water and sewage services in the State of Minas Gerais.
- COPASA operates within a natural monopoly with low operating risk

	March 2010[3]	March 2009[3]	Var (%)[4]
Population Served – Water (million)	12.9	12.5	3.0
Population Served – Sewage (million)	7.5	7.0	8.1
Connections [1] – Water (million)	3.4	3.3	3.1
Connections [1] – Sewage (million)	1.9	1.7	9.0
Water Units [2] (million)	4.1	4.0	2.9
Sewage Units [2] (million)	2.4	2.3	8.0
Water Network (thousand kilometers)	42.4	40.8	4.0
Sewage Network (thousand kilometers)	15.9	14.9	6.7

1 – Connection: link between the company's pipeline and the customer's building.
2 – Unit: subdivision of a building. Eg.: a 10 apartment building has 1 connection and 10 units.
3 – Consolidated Data (Data include cities operated by the subsidiary COPANOR from 2009 on).
4 – Variation is calculated by considering the number with all decimal places.

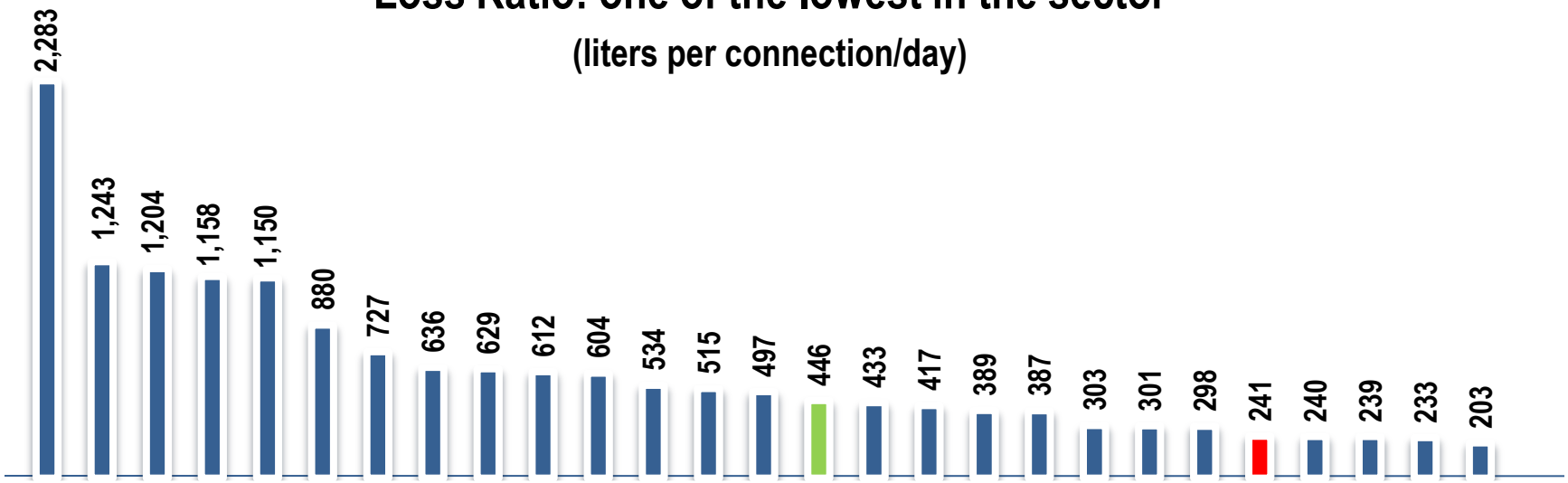
Operating Efficiency

Default Ratio: the lowest in the sector

Default Ratio	**1.50%**

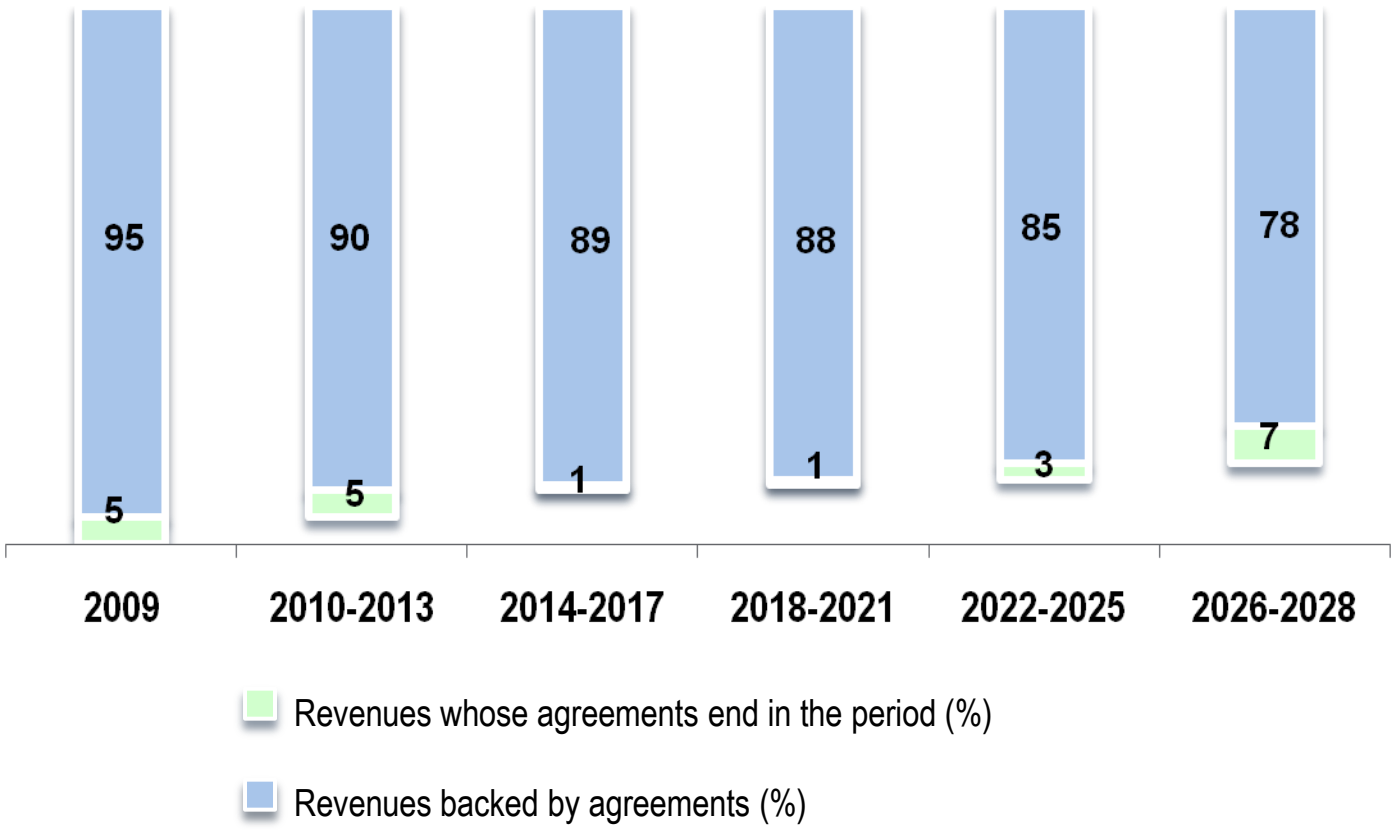
Loss Ratio: one of the lowest in the sector

(liters per connection/day)



Source: SNIS 2008

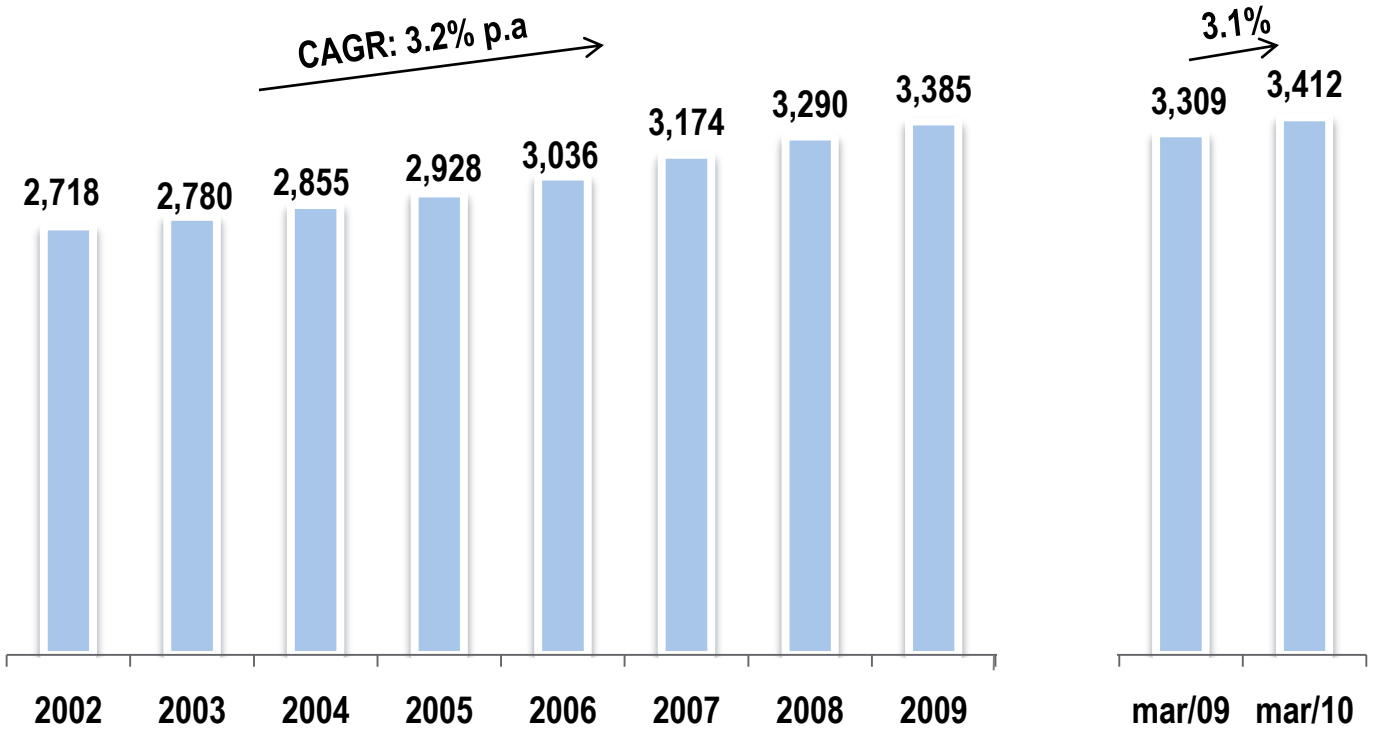
Concessions



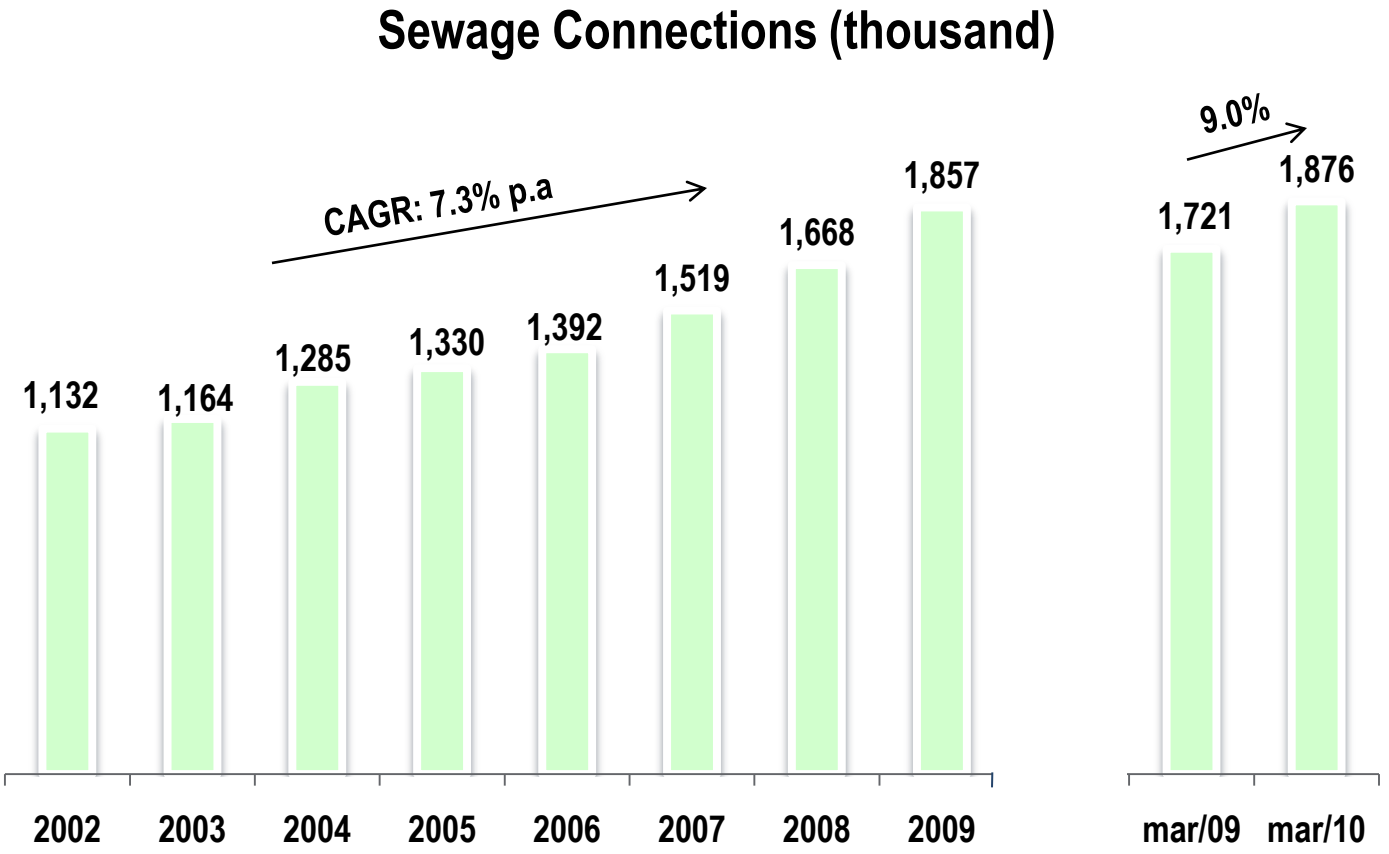
1 – The concessions matured in the last years and those being negotiated for renewal of the agreements are included in the percentage of the revenues whose agreements end in 2010 include. This process should be concluded shortly.

Customers

Water Connections (thousand)



Customers

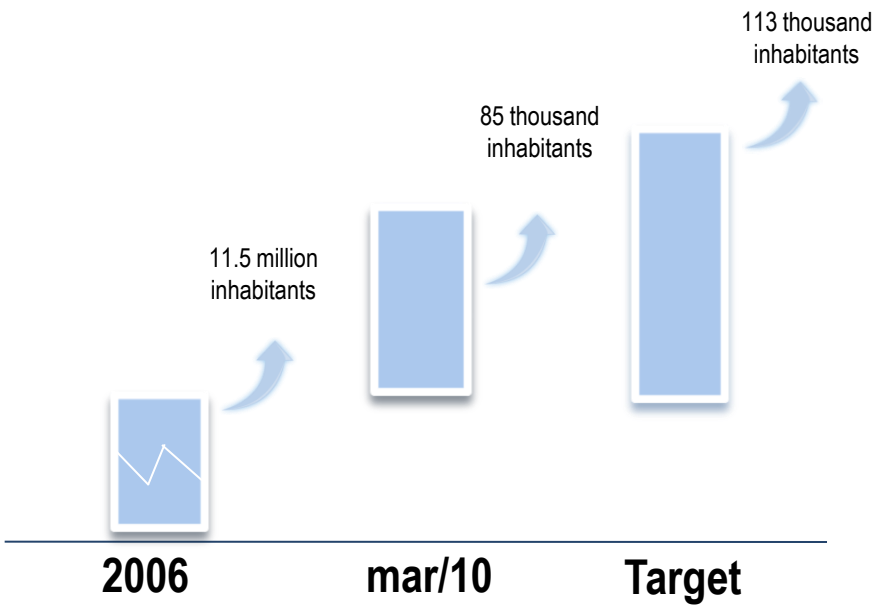

Sewage Connections (thousand)
CAGR: 7.3% p.a
9.0%
1,132
1,164
1,285
1,330
1,392
1,519
1,668
1,857
1,721
1,876
2002
2003
2004
2005
2006
2007
2008
2009
mar/09
mar/10

Growth Drivers

Operation of all concessions

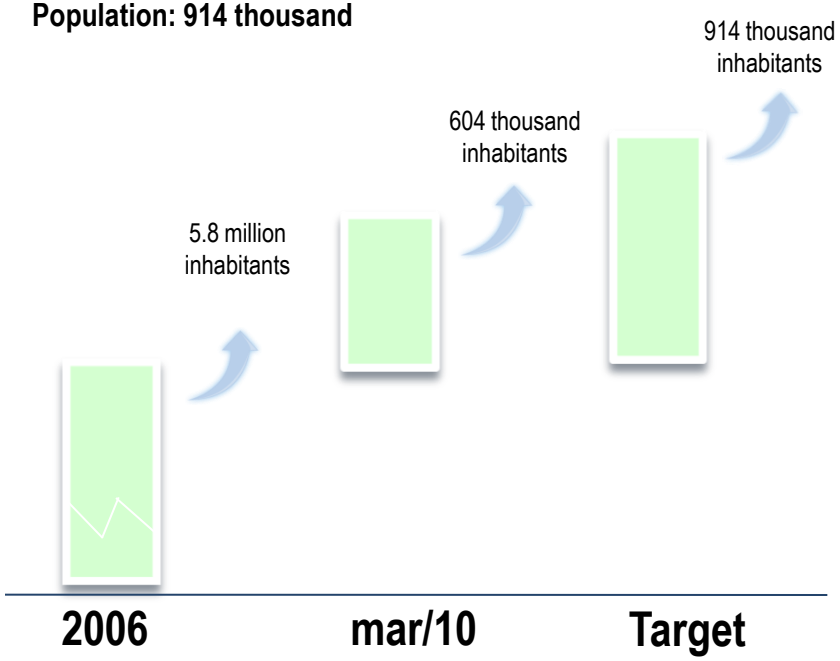
Water

Population: 113 thousand



Sewage

Population: 914 thousand

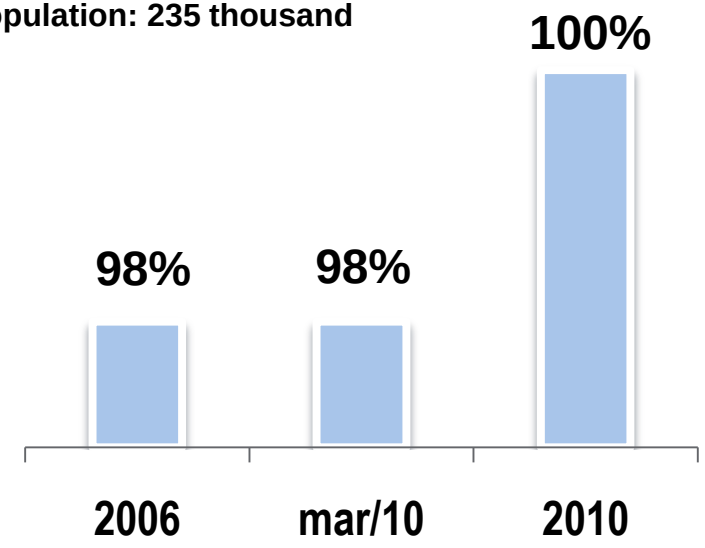


Growth Drivers

Increase of Coverage Ratio

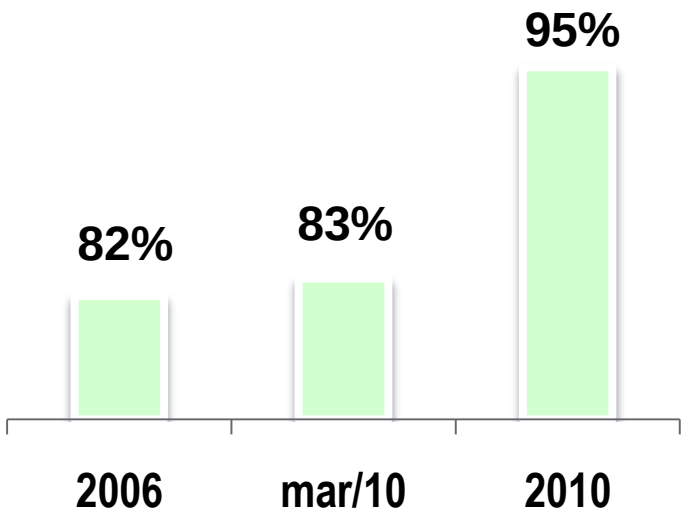
Water

Population: 235 thousand



Sewage

Population: 837 thousand



Growth Drivers

Expansion of Sewage Concessions

Municipalities with water concession and no sewage concession – 03/31/2010	412
Municipalities with population > 15,000 inhabitants	51
Total population (million)	1.90
Municipalities with population < 15,000 inhabitants	108
Total population (million)	0.61

# Municipalities	Status	Population (thousand)
09	Signed	77
18	Law Enacted	129
64	Negotiation	411
91	Total	617

# Municipalities	Status	Population (thousand)
16	Signed	530
07	Law Enacted	441
26	Negotiation	928
49	Total	1,899

Growth Drivers

Expansion of Water and Sewage Concessions

Municipalities without water and sewage concession as of 03/31/2010	**240**
Municipalities with population > 15,000 inhabitants	**33**
Total population (million)	**1.50**
Other municipalities	**209**

# Municipalities	Status	Population (thousand)
02	Signed	69
-	Law Enacted	-
13	Negotiation	633
15	Total	702

CAPEX

CAPEX 2010		
(R$ Million)	**Estimated**	**Current 1Q10**
Water	503	76
Sewage	412	84
Others	35	4
Total	**950**	**164**

Regulatory Agency

- 03/08/2009 → 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);
- 03/12/2009 → Technical Study related to "Tariff Adjustment" is registered in ARSAE-MG;
- 01/28/2010 → Tariff Adjustment set in 3.96% which is in effect since March 1st;
- 03/11/2010 → ARSAE-MG Protocol with a timetable to among other things, set up the methodology to the following tariff review processes;
- 04/26 to 05/26/2010 → Public Audition Period will define the "General Conditions of the Water and Sewage Services Rendered and Utilization".

Dividends

2010

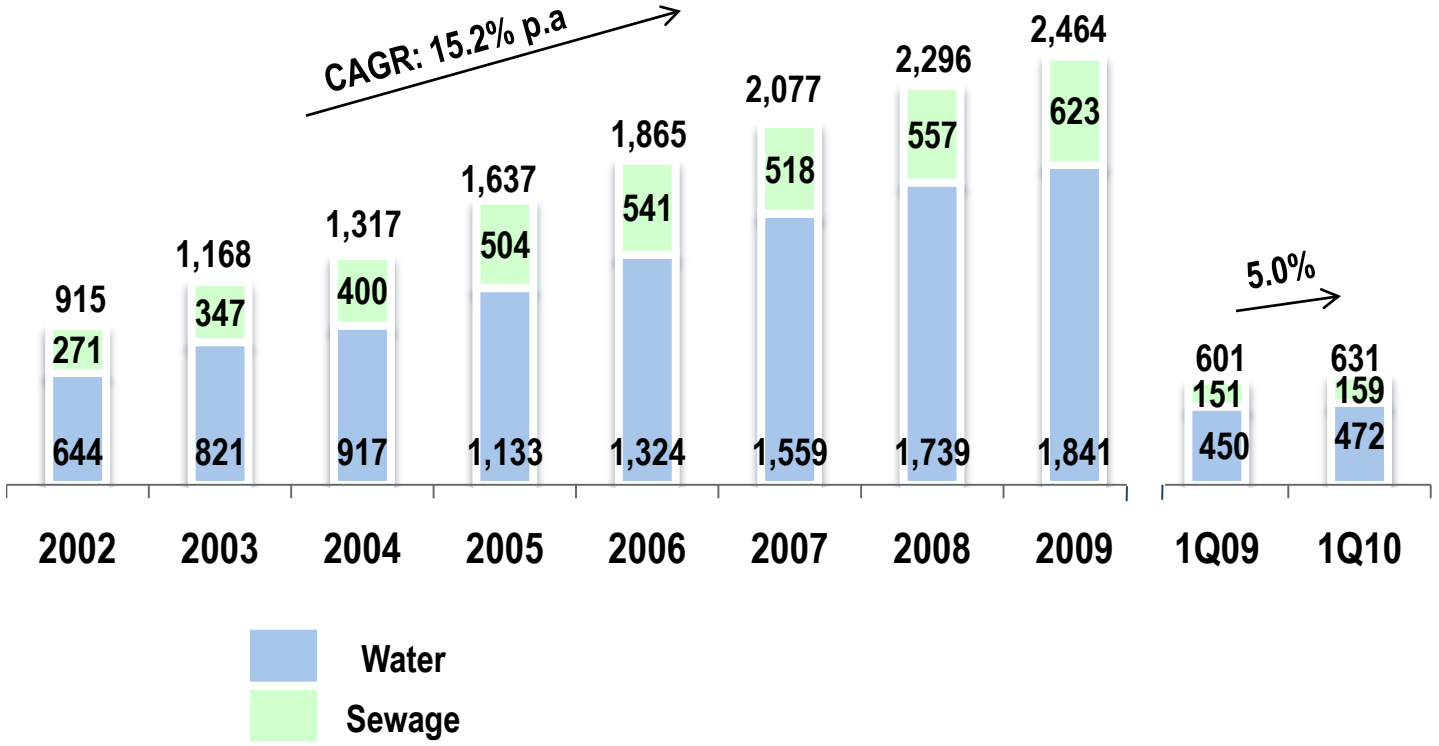
50% of Net Income distributed as Interest on Equity

- **1Q10 ➡ Distributed in 03/26/10 - R$ 43.7 million (R$ 0.38/share) to be paid in May, 25th, 2010.**


COPASA
FINANCIAL
PERFORMANCE
1Q10

Cash Generation

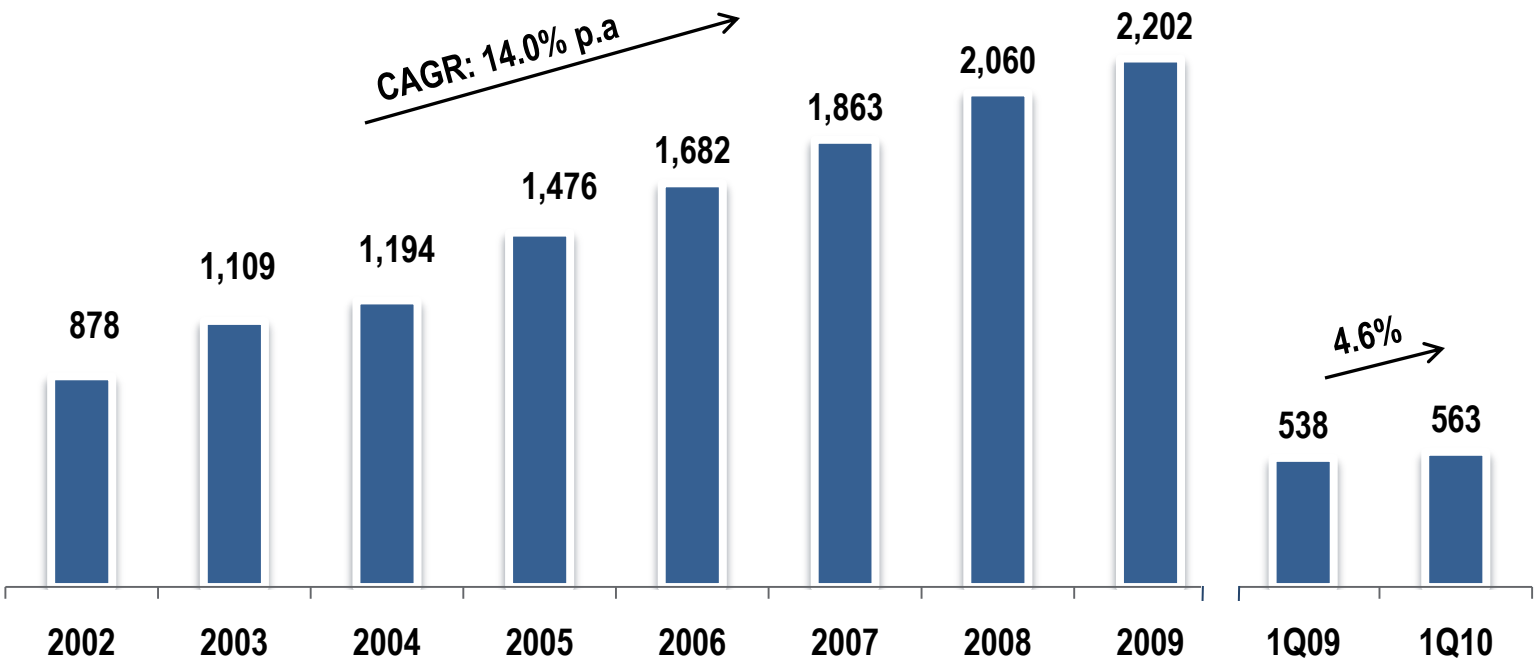
Gross Revenue (R$ million) [1]



1 – Excluding Construction Revenues according to IFRS (from Standard Financial Statements of 2008 on).

Cash Generation

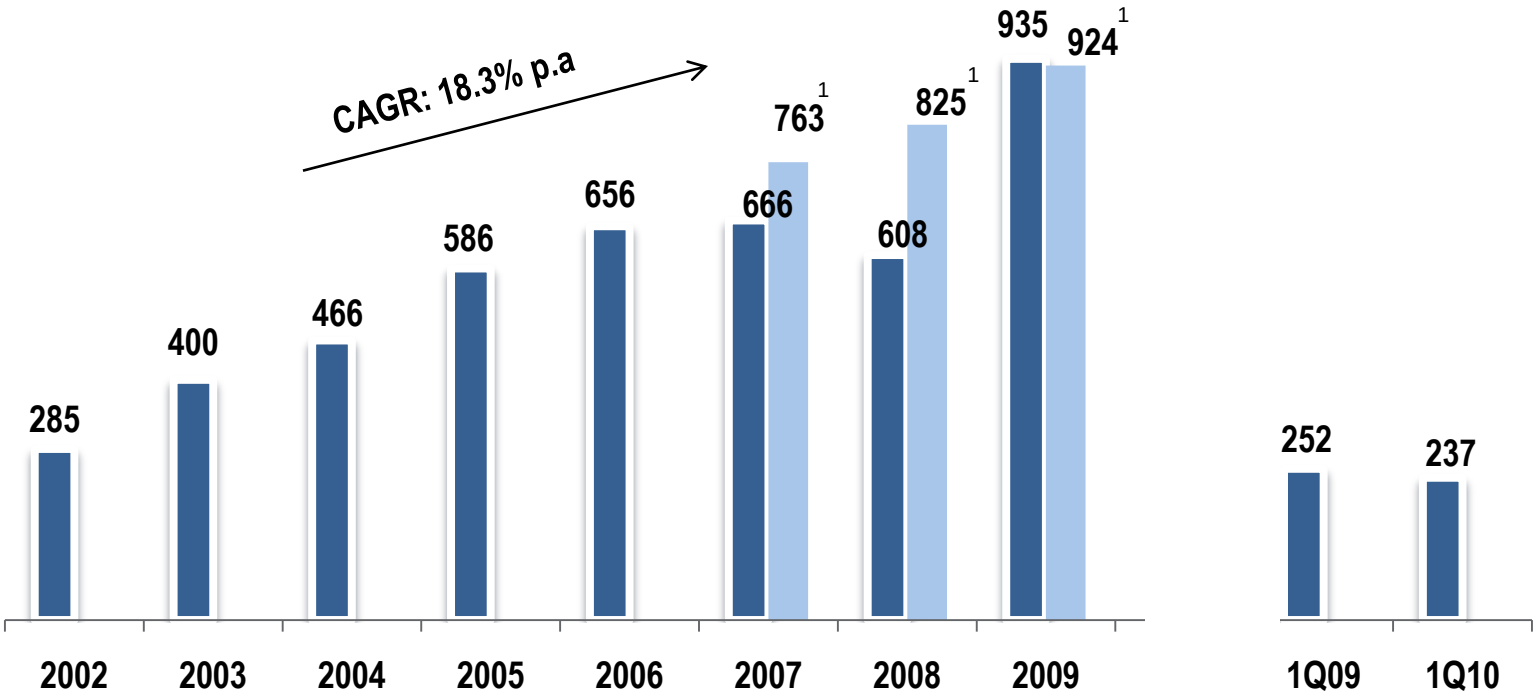
Net Operating Revenue (R$ million)[1]



1 – Excluding Construction Revenues according to IFRS (from Standard Financial Statements of 2008 on) .

Cash Generation

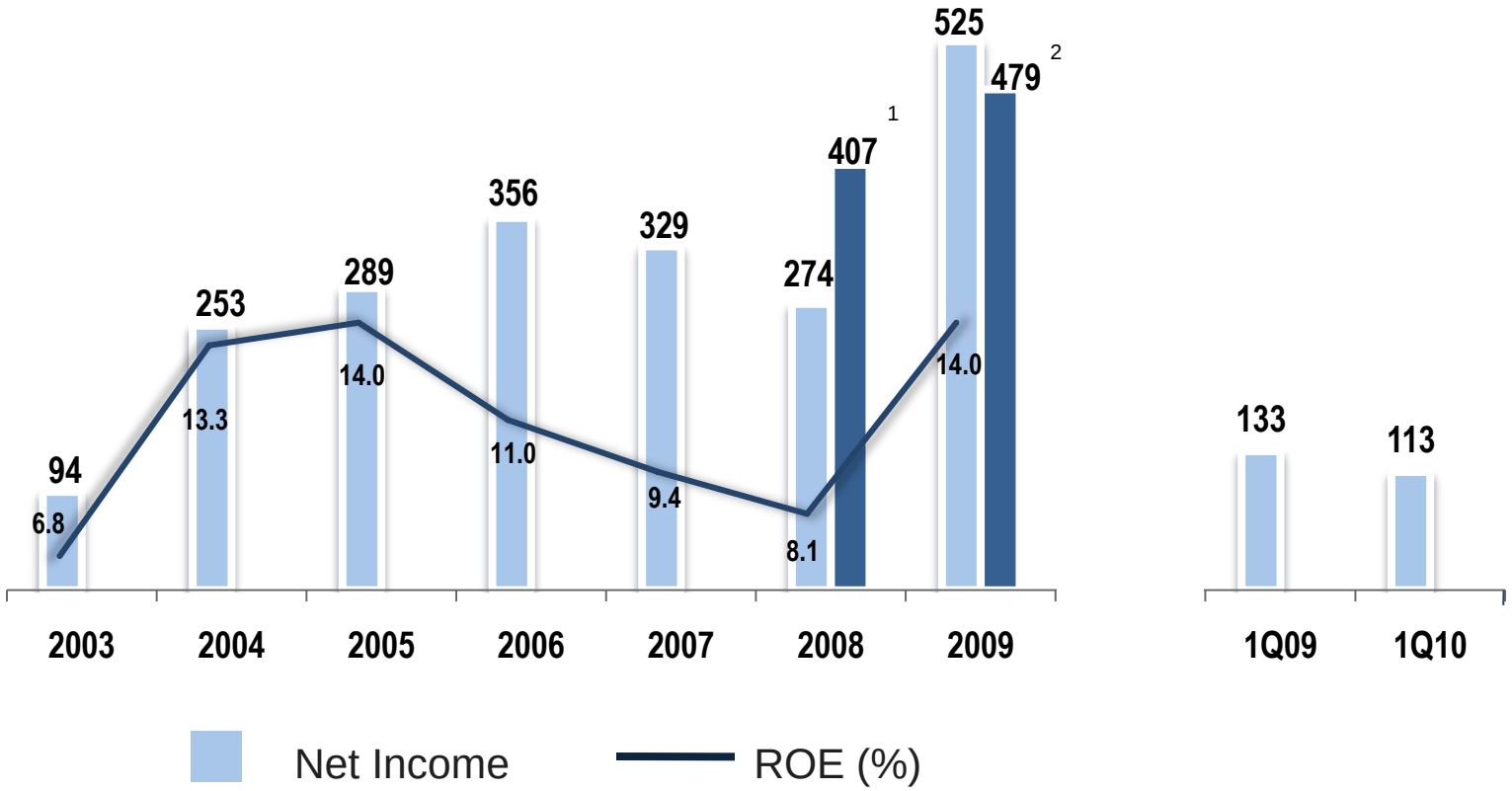
EBITDA (R$ million)



1 – Adjusted EBTIDA = Excluding Non Recurring Events.

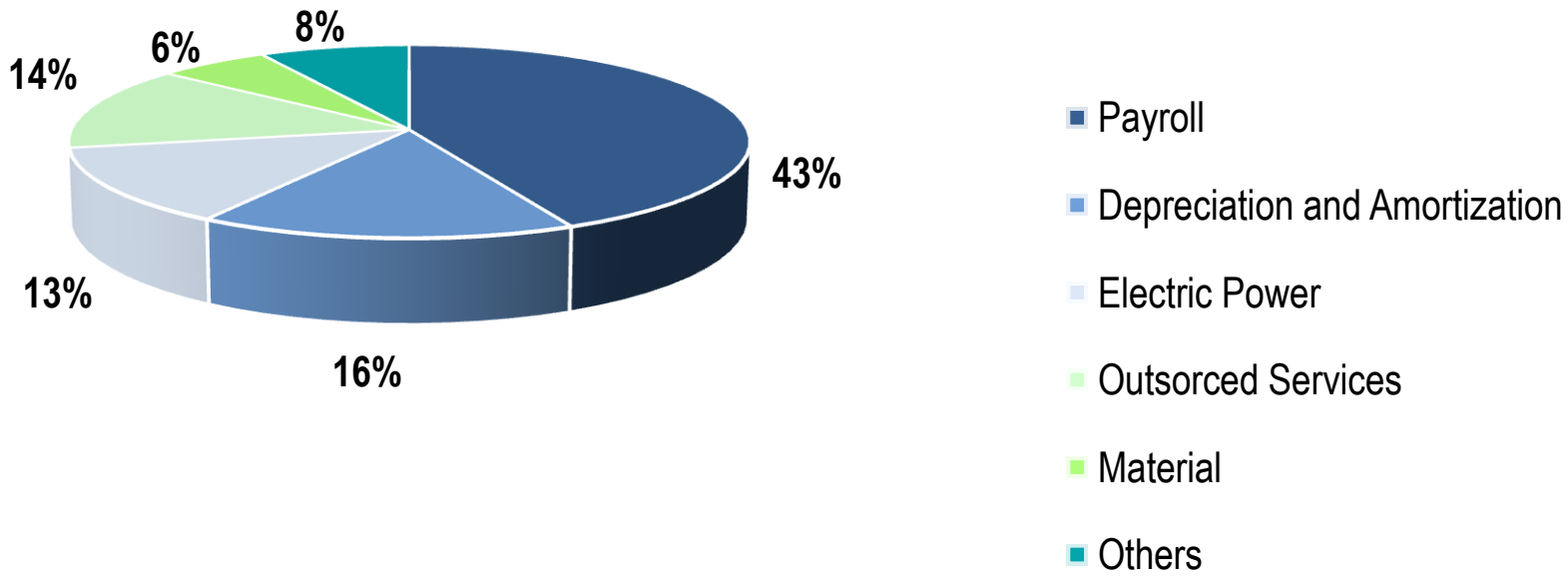
Profitability

Net Income (R$ Million)



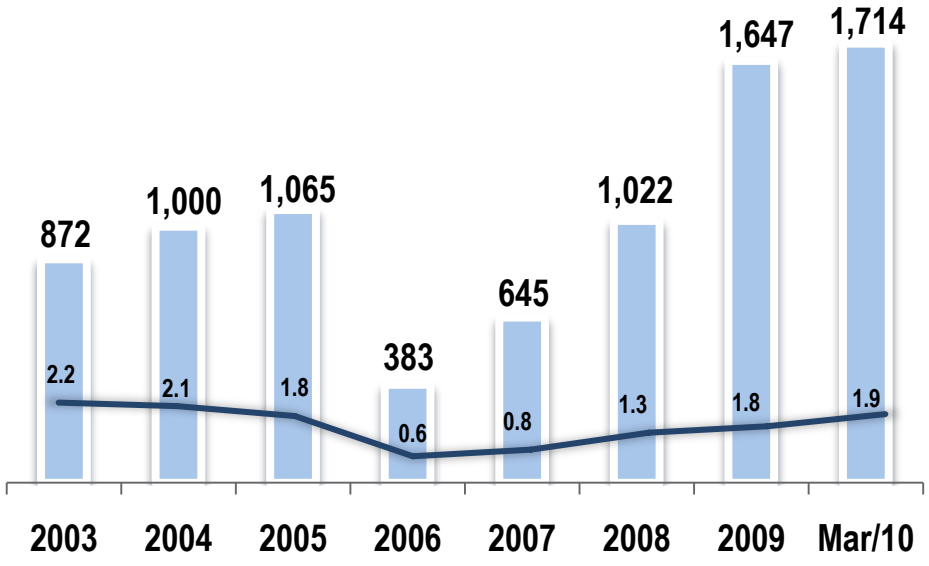
1 - Amount Disclosed in 2008, subsequently altered for the recognition of tax debts
2 – Net Revenue ajusted by extraordinary tems

Administrative, Operating and Sales Expenses in 1Q10

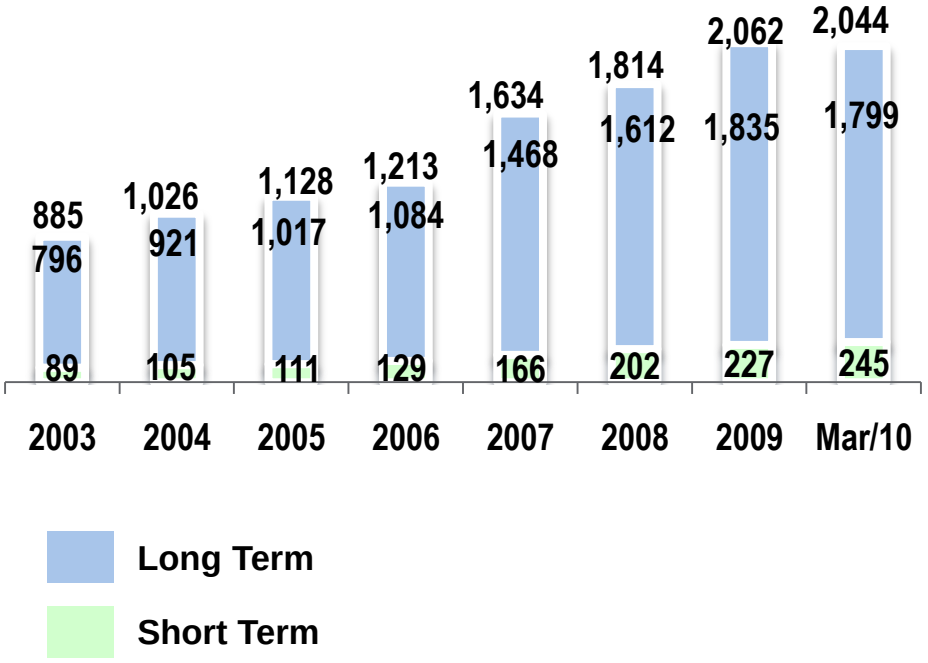


Indebtedness

Net Debt (R$ million)

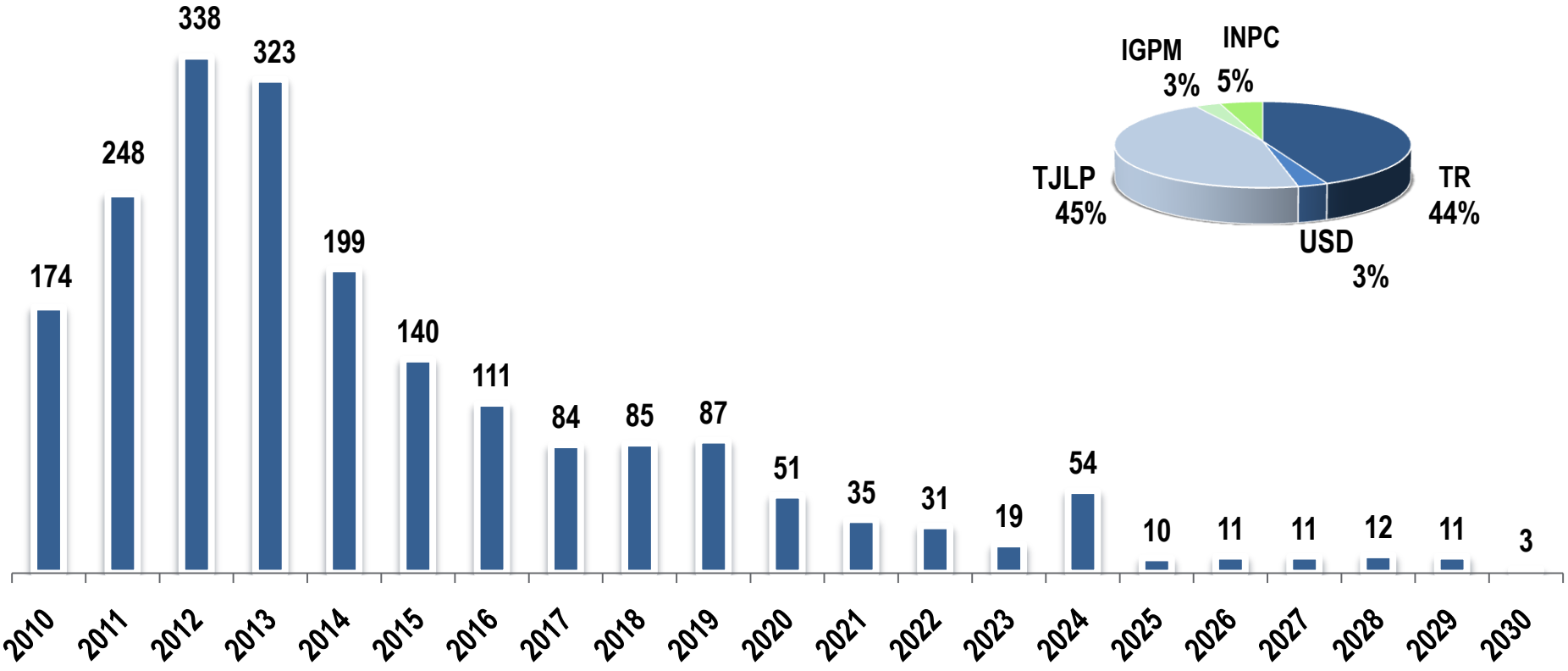


Gross Debt (R$ million)



Indebtedness

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



Nominal average cost of debt : 8.5% p.a

1- As of 03/31/2010, the Company had R$641 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 20 and 15 years, respectively, and they are not displayed in the chart.

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.



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