

COPASA

Earnings Release 2010

CSMG3
NOVO MERCADO
BM&FBOVESPA

IBrX ÍNDICE BRASIL

Índice de Ações com Tag Along Diferenciado ITAG

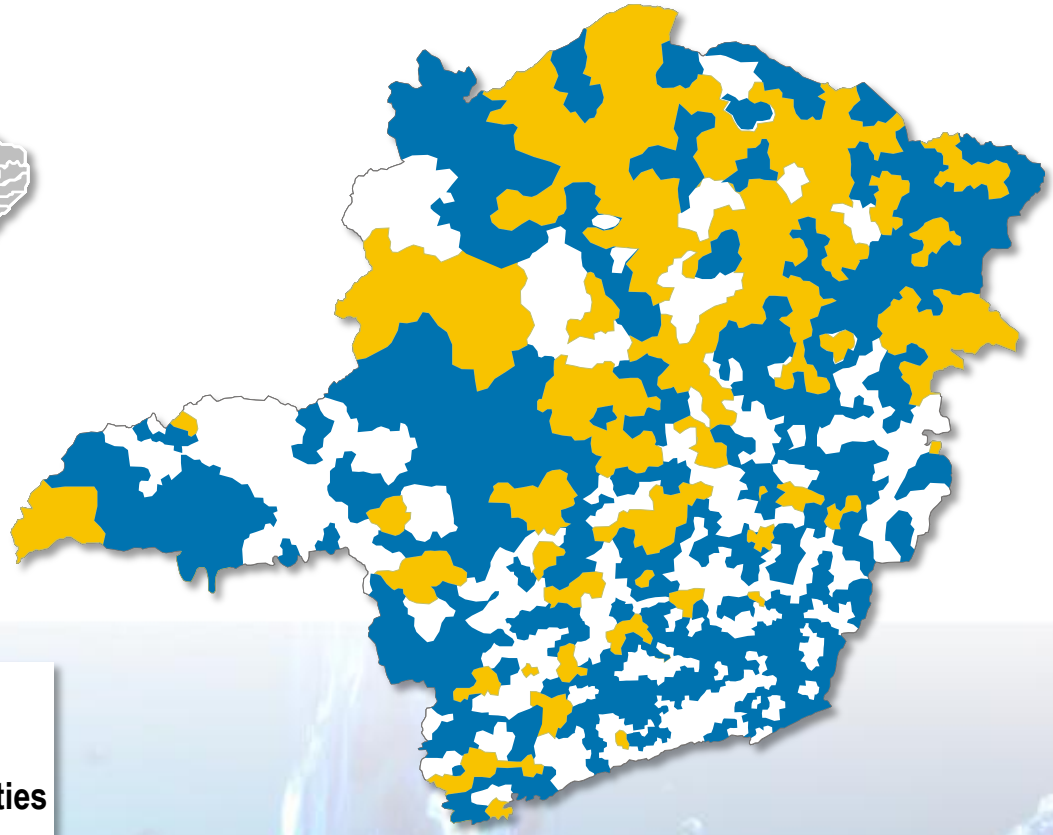
Índice de Ações com Governança Corporativa Diferenciada IGC

Índice de Governança Corporativa Trade IGCT

Overview

COPASA is present in 615 cities in Minas Gerais





Minas Gerais: 853 municipalities

- Water Concession: **402** municipalities
- Water and Sewage Concession: **213** municipalities
- Not covered: **238** municipalities

Municipalities with water supply operation: 603

Municipalities with sewage service operation: 161

Overview

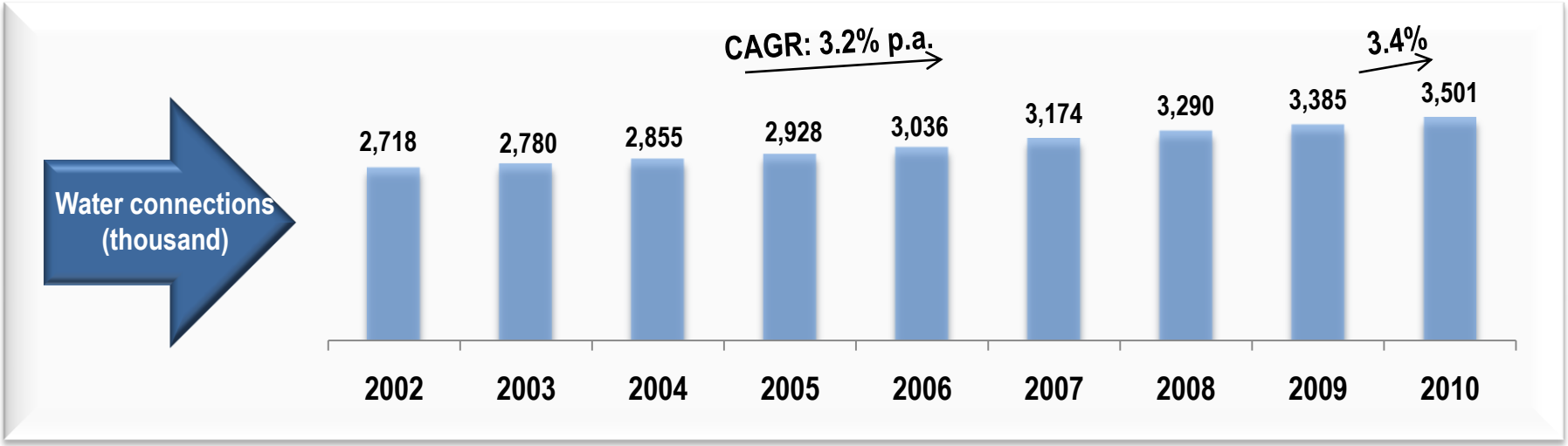
	December 2010[3]	December 2009[3]	Var (%)[4]
Population Served – Water (million)	13.2	12.8	3.1
Population Served – Sewage (million)	7.8	7.5	3.2
Water Connections[1] (million)	3.5	3.4	3.4
Sewage Connections[1] (million)	2.0	1.9	5.3
Water Units[2] (million)	4.3	4.1	3.3
Sewage Units[2] (million)	2.5	2.4	4.6
Water Network (1,000 km)	43.5	41.6	4.6
Sewage Network (1,000 km)	17.1	15.3	11.3

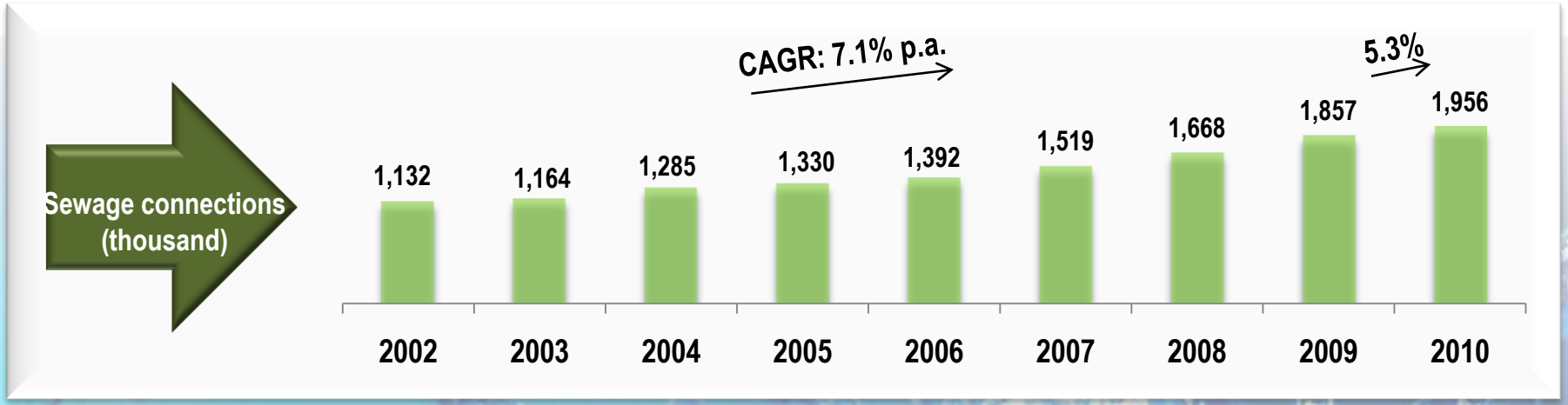
1 - Connections: link between the company's pipeline and the customer's building .
2 - Unit: subdivision of a building.
(E.g.: a 10 apartment building has 1 connection and 10 units.)
3 – Consolidated data (includes cities operated by COPANOR since 2009)
4 – Variation is calculated by considering the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

Strengths

Default Ratio	One of the lowest in the sector	1.32%
Revenue guaranteed by concession agreements	Revenue assured until 2028	78%
Diversified client base	Residential category	89%
Loss Index	One of the lowest in the sector	236.4 l/connection/day

Customers


Water connections (thousand)
CAGR: 3.2% p.a.
3.4%
2,718
2,780
2,855
2,928
3,036
3,174
3,290
3,385
3,501
2002
2003
2004
2005
2006
2007
2008
2009
2010


Sewage connections (thousand)
CAGR: 7.1% p.a.
5.3%
1,132
1,164
1,285
1,330
1,392
1,519
1,668
1,857
1,956
2002
2003
2004
2005
2006
2007
2008
2009
2010

Expansion of Sewage-Service Concessions

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

Population MORE than 15,000 inhabitants

	2011 - 2013
No. of municipalities	32
Population (thousand)	1,507

Of the 32 cities, 5 have already voted on their municipal authorization laws and 27 are still in the negotiation stage.

Population LESS than 15,000 inhabitants

	2011 - 2013
No. of municipalities	93
Population (thousand)	602

Of the 93 cities, 26 have already voted on their municipal authorization laws and 67 are still in the negotiation stage.

Expansion of Water-Supply and Sewage-Service Concessions

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

Population higher than 15,000 inhabitants

	2011 - 2013
No. of municipalities	31
Population (thousand)	1,403

All 31 cities are in the negotiation stage.

Investments

CAPEX 2010		
(R$ million)	**Estimated**	**Accomplished 2010**
Water	503	359
Sewage	412	457
Others	35	22
Total	**950**	**838**

CAPEX 2011	
(R$ million)	**Estimated**
Water	271
Sewage	462
Others	17
Total	**750**

Finished Activities

- ✓ **Public Hearing 002/2010** (April/May 2010): Terms of Use and Provision of Services for Water Supply and Sanitation;
  - ✓ **Resolution ARSAE-MG 003/2010:** Published in Oct. 7th, 2010.
- ✓ **Public Hearing 003/2010:** Program Agreements and Concessions;
  - ✓ **Resolution**: The elaboration of the agreements is responsibility of the service provider.
- ✓ **Public Consultation 001/2010: Operational Indexes** (finished in Nov. 12 th, 2010).
- ✓ **Changing the organizational structure of ARSAE-MG in January 2011.**

Recent Activities

- ✓ **Public Consultation 002/2010:** Proposed methodology for tariff readjustments and revisions (from Nov. 30th, 2010 to Jan. 14th, 2011);
  - ✓ **Public Hearing 001/2011 –** Methodology for tariff readjustments.
  - ✓ **On February 22nd, 2011, resubmission of the proposed tariff increase for 2011 to the ARSAE MG.**

- ✓ **Public Consultation 003/2010:** For the definition of the list of accounting items to be established for COPASA MG (from Dec. 29th, 2010 to Feb. 18th, 2011).

2010 Dividend Policy

1Q10	R$ 43.7 million
2Q10	R$ 56.7 million
3Q10	R$ 56.9 million
4Q10	R$ 66.9 million
Total distributed in 2010	R$ 224.2 million

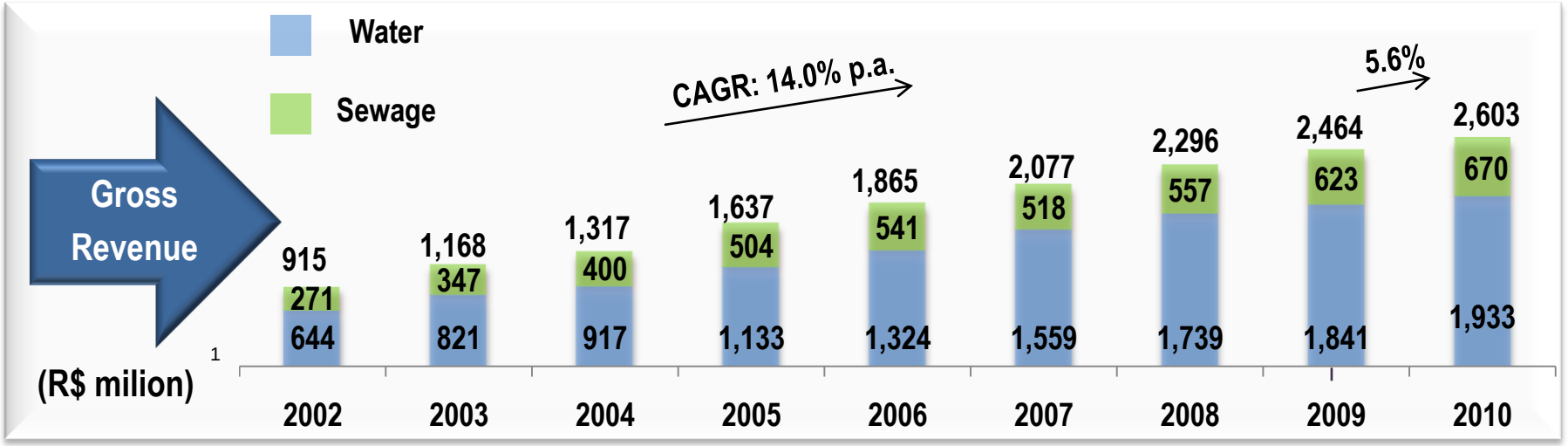


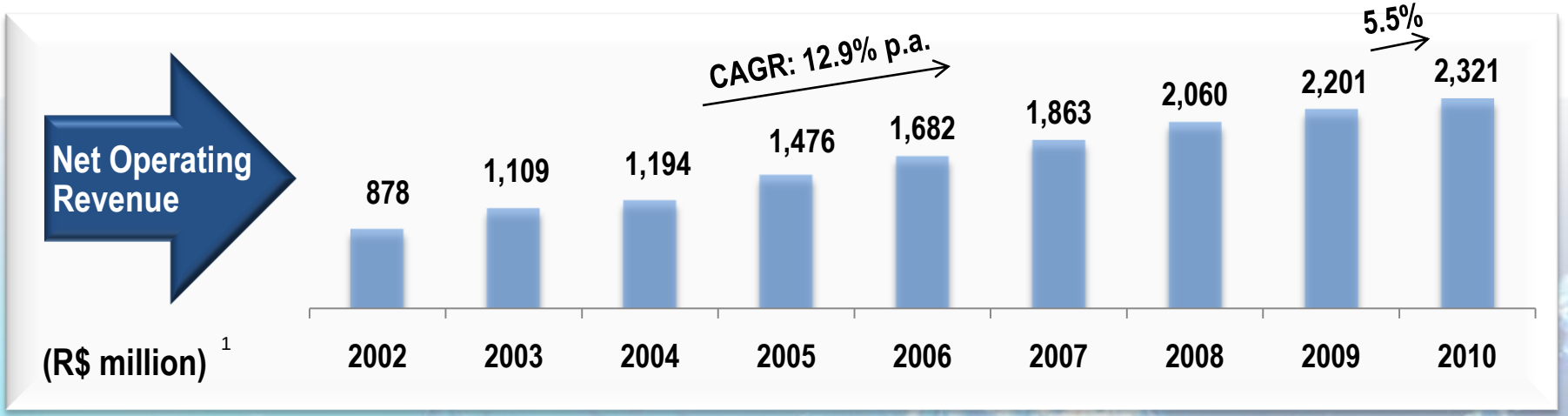
COPASA

Financial Performance

2010

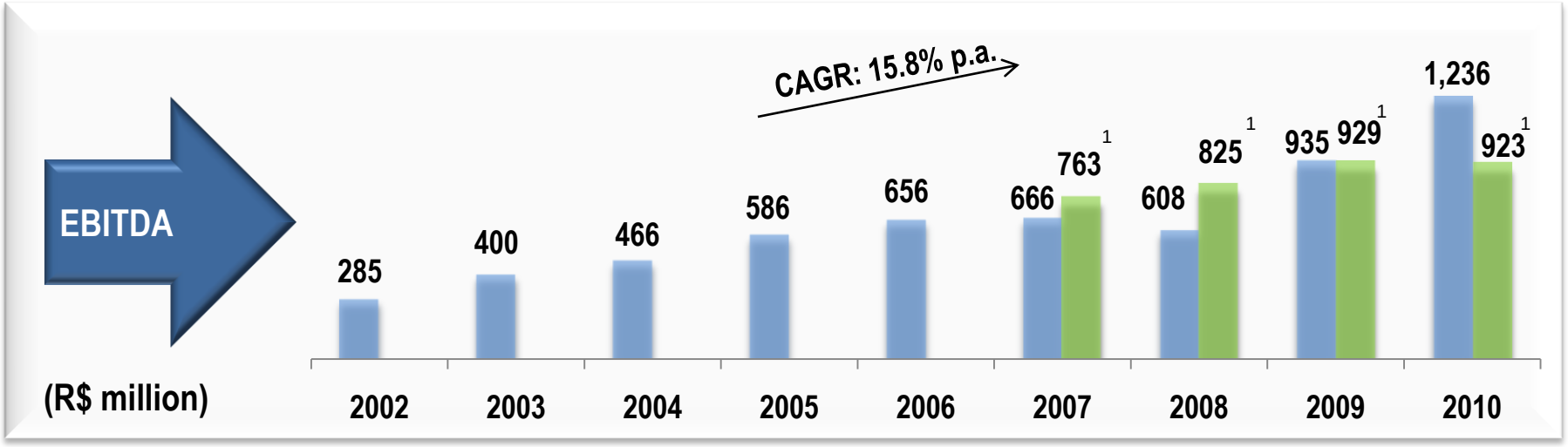
Cash Generation

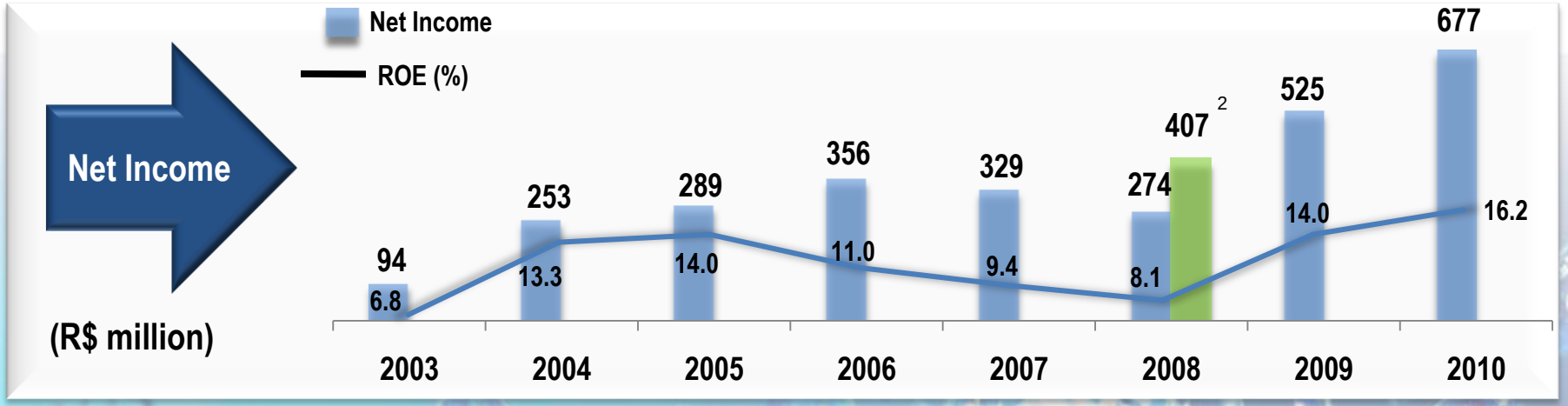




1 – Does not include Construction Revenues arising from the convergence into IFRS (Financial Statements from 2008 onwards) or Revenues from Finished Products.

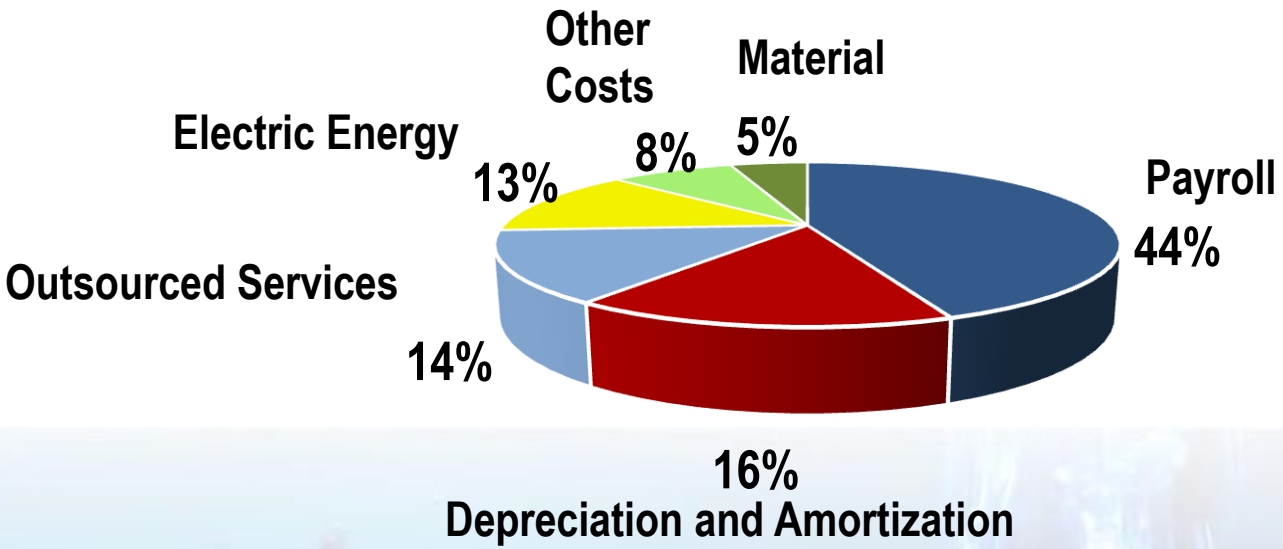
Income





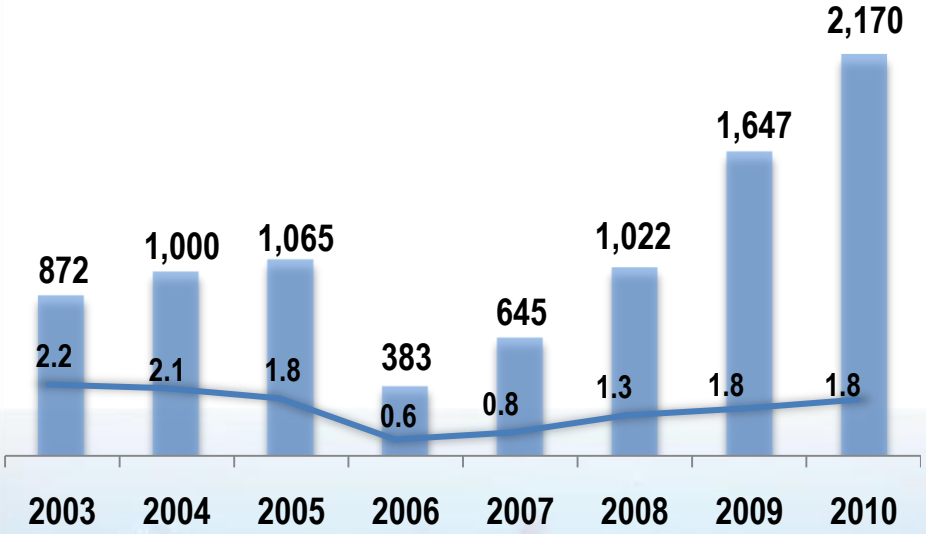
1 – EBITDA Adjusted to non-recurring items.
2 – Amount reported in 2008 and subsequently changed to recognize tax debts.

Administrative, Operating and Sales Expenses 2010

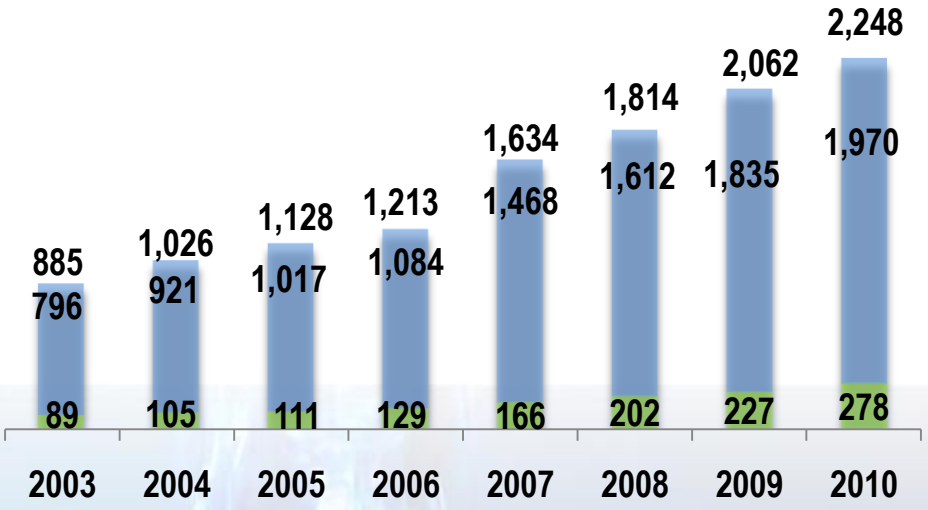


Indebtedness

Net Debt (R$ million)



Gross Indebtedness (R$ million)



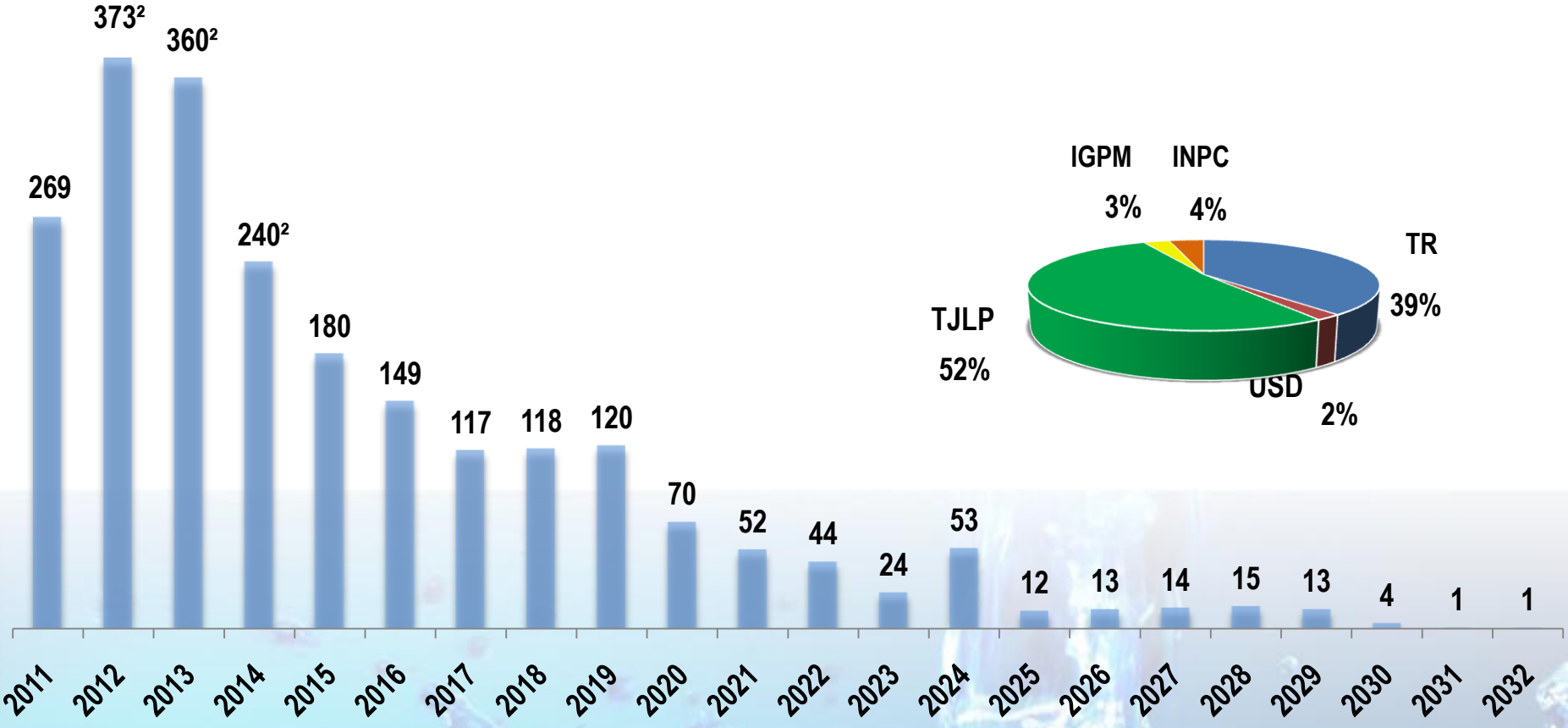
Net Debt / EBITDA

Long Term

Short Term

Indebtedness

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



Average rate: 8,5% p.a.[3]

1- As of Dec. 31st, 2010, the Company had R$ 1,311 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.

3- With the exception of the contracts with the BNDES, all loans still have their remaining balances pegged to specific indexes, such as TR, IGP-M, INPC, and USD forex.

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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