Quarterly Information

Companhia de Saneamento de Minas Gerais - COPASA

Quarter ended March 31, 2012 and 2011 with Special Review Report of Independent Auditors

01. General data on Customer Services

COPASA's data for the first quarter of 2012 (1Q12) evidences that the population served by water supply increased by 454 thousand people, thus reaching 13.7 million inhabitants with water supply connection, as compared to 13.3 million in the first quarter of 2011 (1Q11). The number of municipalities with water services increased from 603 in March 2011 to 611 in March 2012 (three of which are operated by COPASA and five by subsidiary COPANOR).

COPASA MG
General Data on Water Supply Services (*)
1st quarter of 2012 and 2011

Items	Units	1Q12	1Q11	Variation	
				Amount	%
Municipalities with concession	number	622	617	(1)5	0.8
Municipalities with operation	number	611	603	8	1.3
Population served	thousand inhabitants	13,705	13,251	454	3.4
Billed connections	thousand connections	3,661	3,535	126	3.6
Network length	km	44,270	43,325	945	2.2
Billed water supply volume	1,000 m³/quarter	163,871	159,592	4,279	2.7
Produced water supply volume	1,000 m³/quarter	233,116	224,313	8,803	3.9

(*) Consolidated data, including subsidiary COPANOR.
(1) Including two small municipalities assumed by subsidiary COPANOR.

In relation to billed water connections there was an increase of 126 thousand connections, totaling 3.7 million new connections, representing an increase of 3.6% in relation to 1Q11. The water distribution network was expanded by 945 km, totaling 44,270 km, up 2.2% as compared to 1Q11 (43,325 km).

In relation to sewage systems the number of served municipalities increased by 9.9%, from 162 in March 2011 to 178 in 1Q12 (15 operated by COPASA and one by subsidiary COPANOR), thus resulting in total population of 8.4 million people with sewage connection (approximately 8.0 million in 1Q11), representing a 7.2% increase (563 thousand people).

01. General data on Customer Services--Continued

COPASA MG
General Data on Sewage Services
1st quarter of 2012 and 2011

Items	Units	1Q12	1Q11	Variation	
				Amount	%
Municipalities with concession (*)	number	228	217	(1)11	5.1
Municipalities with operation (*)	number	178	162	16	9.9
Population served	thousand inhabitants	8,394	7,831	563	7.2
Billed connections	thousand connections	2,140	1,984	156	7.9
Network length	km	18,360	16,406	1,954	11.9
Billed sewage treatment service	1,000 m³/quarter	104,064	97,633	6,431	6.6
Treated sewage volume	1,000 m³/quarter	52,101	47,573	4,528	9.5

(*) Consolidated data, including subsidiary COPANOR.
(1) Including two small municipalities assumed by subsidiary COPANOR.

These services are rendered through 2.1 million billed sewage connections (approximately 2.0 million in 1Q11), representing an increase of 156 thousand connections (7.9%). The sewage collection network was expanded by 1,954 km, totaling 18,360 km, up 11.9% in relation to the 1Q11.

Treated sewage volume reached 52.1 million m³ in the quarter, up 9.5% in relation to the same prior year period, mainly due to the beginning of operation of the new Wastewater Treatment Plants (ETEs), among them Pouso Alegre, Itajubá, Pará de Minas and Curvelo.

02. Performance Indicators

The Company's expansion in the period led to an increase in billed water supply and sewage service volume by 10.7 million m³ in relation to 1Q11. This result was due to the increase in the population served by water supply and sewage services in the areas in which the Company operates and the beginning of billing water and sewage in new locations, of which we highlight Divinópolis, Cataguases and São Sebastião do Paraíso.

In relation to the performance indicators, the staff productivity remains a highlight, as measured by the employees/1,000 connections ratio (water + sewage) which decreased from 2.10 employees/1,000 connections in 1Q11 to 2.02 in 1Q11 mainly due to growth in the number of connections.

02. Performance Indicators--Continued

COPASA MG
Operational/Commercial Performance Indicators
1st quarter of 2012 and 2011

Items	Units	1Q12	1Q11	Variation	
				Amount	%
1 - Employees (*)	number	11,692	11,567	125	1.1
2 – Employees/connections (A+E)	employees/1,000 connections	2.02	2.10	-0.08	-3.8
3 – Billed volume					
Water	1,000 m³/quarter	163,871	159,592	4,279	2.7
Sewage	1,000 m³/quarter	104,064	97,633	6,431	6.6
Total	1,000 m³/quarter	267,935	257,225	10,710	4.2
4 - Produced water volume	1,000 m³/quarter	233,116	225,704	7,412	3.3
5 - Water metering index	%	99.89	99.96	-0.07	-0.1
6 – Water not converted into revenue – ANCR (1)	l/connection/day	230.77	234.05	-3.3	-1.4

(1) Average for the last 12 months.
(*) Consolidated data, including subsidiary COPANOR.

The percentage of water metered connections reached 99.89% in March 2012, which is one of the best among sanitation companies.

Another highlight was the Water not Converted into Revenue (ANCR) index, which corresponds to the difference between distributed volume and the volume effectively billed to consumers, divided by the average number of connections for the period, which reached 230.77 l/connection/day in 1Q12, down 1.4% in relation to 1Q11 (234.05).

This performance is the result of the Program to Reduce Water Losses (PRPA) implemented by the Company and which it has developed since 2003 based on concepts from the National Program against Water Waste (PNCDA) and the International Water Association (IWA).

03. Investments in 1Q12

In 1Q12 investments were mainly destined to supplementary construction work for interlinking the Northeast Supply Line of Belo Horizonte – Complex R13, the expansion of the Water Supply System of Jaíba, the expansion of the Sewage System of Pouso Alegre and Santa Luzia, the implementation of Sewage Treatment Systems of Justinópolis in Ribeirão das Neves, in the Region of São Benedito in Santa Luzia and in Patos de Minas, in the expansion of the Wastewater Treatment Plant flow in Ribeirão Arrudas (ETE Arrudas) and in the BIOGAS-to-Energy Efficiency Program, in Belo Horizonte.

INVESTMENTS (IN MILLION R$)	2011	1Q11	1Q11
WATER	270.5	54.3	82.7
SEWAGE	390.6	94.6	78.9
OTHER	21.8	4.9	2.1
TOTAL	**682.9**	**153.8**	**163.7**

04. Financial Performance - Company

The charts below present the Company's financial performance for the year 2012 as compared to the prior year:

Income statement						
	3/31/2012		**3/31/2011**		**Variation**	
Company		%		%		%
Water supply services	458,671	56.38	440,577	56.77	18,094	4.11
Sewage services	200,675	24.67	157,673	20.32	43,002	27.27
Construction revenue	154,135	18.95	177,889	22.92	(23,754)	-13.35
Net operating revenue from services	813,481	100.00	776,139	100.00	37,342	4.81
Cost of services rendered	(321,646)	-39.54	(279,250)	-35.98	(42,396)	15.18
Construction costs	(152,807)	-18.78	(174,920)	-22.54	22,113	-12.64
Cost of services rendered	(474,453)	-58.32	(454,170)	-58.52	(20,283)	4.47
Gross profit	339,028	41.68	321,969	41.48	17,059	5.30
Selling expenses	(55,077)	-6.77	(39,847)	-5.13	(15,230)	38.22
General and administrative expenses	(91,228)	-11.21	(77,290)	-9.96	(13,938)	18.03
Other operating income	44,823	5.51	34,069	4.39	10,754	31.57
Other operating expenses	(28,359)	-3.49	(12,659)	-1.63	(15,700)	n.m.
Employee profit sharing	(7,685)	-0.94	(7,744)	-1.00	59	-0.76
Equity pickup	(2,132)	-0.26	(4,401)	-0.57	2,269	-51.56
Operating income/expenses	(139,658)	-17.17	(107,872)	-13.90	(31,786)	29.47
Income before financial result and taxes	199,370	24.51	214,097	27.58	(14,727)	-6.88
Financial income	30,171	3.71	20,279	2.61	9,892	48.78
Financial expenses	(61,089)	-7.51	(39,437)	-5.08	(21,652)	54.90
Financial result	(30,918)	-3.80	(19,158)	-2.47	(11,760)	61.38
Income before taxes	168,452	20.71	194,939	25.12	(26,487)	-13.59
Provision for income tax	(32,190)	-3.96	(47,292)	-6.09	15,102	-31.93
Provision for social contribution tax on net profit (CSLL)	(11,880)	-1.46	(17,400)	-2.24	5,520	-31.72
Net income (loss) for the period	**124,382**	**15.29**	**130,247**	**16.78**	**(5,865)**	**-4.50**

a. **Net operating revenue from services** – An increase was recorded in this account due to the increase in billed water supply and sewage services, according to the average tariff adjustment of 7.02% effective for consumption as from April 23, 2011, and the increase in the number of savings, of 2.91% and 7.19%, respectively, as a consequence of the natural growth and the assumption of new systems. Worth highlighting, according to the 2011 tariff adjustment authorized by the Minas Gerais State Regulatory Water and Wastewater Agency (ARSAE-MG), sewage tariffs increased from 45% to 75% for certain systems that became operative during the period.

b. **Revenue from construction work** – The decrease in this account derives from the reduction in the Company's investments for the period, also reflected on the construction costs account, which decreased for the same reason.

04. Financial Performance - Company--Continued

c. Costs of services rendered – Costs of services rendered, formed by expenses with operation, upkeep and maintenance of water and sewage systems, further to selling, administrative and construction costs, decreased by R$49,451 in 1Q12, or 8.66%, as compared to the same prior year period, set off by a reduction in construction costs, according to the reduction in the Company's investments for the period, whereas the other groups increased due to sundry factors, as described in the table below:

Operating, selling and administrative costs

Company	3/31/2012		3/31/2011		Variation	
		%		%		%
Personnel	213,704	34.43	182,570	31.96	31,134	17.05
Materials	27,104	4.37	23,740	4.16	3,364	14.17
Electric power	55,354	8.92	49,408	8.65	5,946	12.03
Outsourced services	62,128	10.01	48,200	8.44	13,928	28.90
Tariff transfer to municipal governments	14,795	2.38	13,983	2.45	812	5.81
General expenses	7,361	1.19	6,996	1.22	365	5.22
Depreciation and amortization	86,904	14.00	76,486	13.39	10,418	13.62
Construction costs	152,807	24.62	174,920	30.62	(22,113)	-12.64
Taxes recoverable and tax credits (PIS-PASEP/COFINS)	(21,372)	-3.44	(15,636)	-2.74	(5,736)	36.68
Allowance for doubtful accounts	21,961	3.54	9,970	1.75	11,991	n.m.
Provision for losses	12	0.00	670	0.12	(658)	-98.21
*** Costs of services rendered**	**620,758**	**100.00**	**571,307**	**100.00**	**49,451**	**8.66**

- **Personnel** – There was an increase in personnel expenses of R$31,134 or 17.05%, derived from:

  - **Regular hour salaries** – salary increase of 6.3% according to union negotiation, base date May 2011.
  - **Vacation pay and vacation bonus** – the increase is due to the salary adjustment according to the May 2011 union negotiation and higher impact of employees on vacation in the period.
  - **13th monthly salary** – the increase in this account balance was due to the influence of the May 2011 salary increase.
  - **GDI** – growth according to the calculation base, from 12% to 13.5%, effective as from May 2011.
  - **Government Severance Indemnity Fund for Employees (FGTS) and severance pay** – this refers, mostly, to the impact of the voluntary termination program (PDV), resulting in an increase of R$8,288, also influenced by the May 2011 salary increase.

  - **Meal program** – increase due to the influence of the May 2011 salary increase.

04. Financial Performance - Company--Continued

c. Costs of services rendered--Continued

- **Materials –** The increase in this account is due to three factors:

  - increase in the use of treatment materials due to a much rainier period.
  - increase in the prices of materials during the period.
  - increase in fuels and lubricants for vehicles due to the higher vehicle kilometers traveled reported by the Company fleet, leading to a percentage higher by 7.89% for fuels and the change in the form of payment of oil maintenance services, which started to be made via magnetic card, presenting a percentage increase of 16.9%.

- **Services** – The increase in services amounting to R$13,928, or 28.9%, is due to several factors:

  - **Postal and pouch services** – the decrease of R$984 is due to nonpayment of postal services related to the mailing of debt notices in 1Q12, and the only such payment was made in February 2012, in the amount of R$469, for the December 2011 notices.
  - **Upkeep and maintenance of systems** – increase due to growth in preemptive and corrective maintenance services on water and sewage treatment systems.
  - **Professional technical services –** the increase is mostly due to misclassification of the payment of an installment under a global data telecommunication network solutions agreement and the impact on the amounts of the topographic service agreements made for real estate acquisition.
  - **Cleaning, surveillance and couriers** – the increase of R$757 was explained by the 12% increase in salaries and benefits, agreed to in January 2012, as well as by the average increase of 6% in inputs such as uniforms and personnel safety equipment and a 20% increase in food and meal tickets given to the service providers.
  - **Publicity and advertising, announcements and bid invitations** – increase due to stronger media actions in strategic markets aimed towards winning and renewing concession arrangements, as well as announcements of tariff changes and scheduled systems shutdown.
  - **Collection** – increase caused by adjustment to the collection service fee, effective as from June 2011, and the consequent fee standardization by other banks, as well as the increase in collection documents, influenced by the customer base growth.
  - **Electric power** – increase due to tariff adjustment of 9.02% for medium and high voltage consumers, approved in April 2011, related to the increase in consumption due to the Company's growth.

04. Financial Performance - Company--Continued

c. Costs of services rendered--Continued

- **Depreciation and amortization** – The 13.62% increase recorded in this account derives from the addition of assets and construction work completed, occurred in 1Q12, which has also influenced the **credit recoverables** account.

- **Construction costs** – This account decreased due to the reduction in the Company's investments for the period.

- **Allowance for doubtful accounts –** The decrease in this account refers to the write-off of bills receivable from Hospitals, in view of the collection actions filed.

d. Other operating income/expenses

Company	3/31/2012		3/31/2011		Variation	
		%		%		%
Technical services revenue	1,902	4.24	589	1.73	1,313	n.m.
Reversal of nondeductible provision	29,207	65.16	22,669	66.54	6,538	28.84
Recovery of accounts written off as loss	7,711	17.20	7,671	22.52	40	0.52
Other revenues	6,003	13.39	3,140	9.22	2,863	91.19
Total other operating income	44,823	100.00	34,069	100.00	10,754	31.57
Contingent or extraordinary losses	(21,562)	59.82	(9,560)	46.86	(12,002)	n.m.
Other expenses	(6,797)	18.86	(3,099)	15.19	(3,698)	n.m.
Employee profit sharing	(7,685)	21.32	(7,744)	37.96	59	-0.78
	(36,044)	100.00	(20,403)	100.00	(15,641)	76.64
Equity pickup – Copanor	(366)	17.17	(780)	17.72	414	-53.08
Equity pickup - Águas Minerais	(1,820)	85.37	(3,513)	79.82	1,693	-48.19
Equity pickup - Serviços Irrigação	54	-2.53	(108)	2.45	162	n.m.
Total other operating expenses	(2,132)	100.00	(4,401)	100.00	2,269	-51.56
Total other operating income/expenses	**6,647**	**100.00**	**9,265**	**100.00**	**(2,618)**	**-28.26**

- **Reversal of nondeductible provision –** Change due to the reversal of PIS/COFINS matching credit, in the amount of R$17,711, and of allowances for doubtful accounts amounting to R$9,598, equalized by the decrease in nondeductible provisions for litigation and in the net actuarial liabilities.

- **Other revenues –** Increase in this account refers to the adjustment to convertible debentures amounting to R$488 and the refund of R$1,765, by Previminas to the Company, for overpayment made to build up the risk fund for the defined contribution pension plan.

- **Contingent or extraordinary losses** – Increase in this account results from a higher amount of litigation loss contingencies assessed as probable, totaling , respectively, from reclassification of certain proceedings whose likelihood of loss had been rated as remote or possible to probable loss, amounting to R$3,826, and from increase in losses on operation of water and sewage systems because of emergency construction works required due to the rains in the period, amounting to R$2,072.

04. Financial Performance - Company--Continued

d. Other operating income/expenses--Continued

- **Other expenses** – This account increased due to the reversal of the provision for expenses incurred with agreements made with the municipal government.

- **Equity pickup** – **subsidiary Águas Minerais** – The change in this account derives from decrease in loss for the period, mainly influenced by the reversal of provisions for labor claims, amounting to R$822, and less financial expenses explained by the end of loan agreements, which in 2011 amounted to R$1,167.

e. Financial income and expenses

	3/31/2012		3/31/2011		Variation	
Company		**%**		**%**		**%**
Monetary and foreign exchange gains	10,896	36.11	6,726	33.17	4,170	62.00
Interest income	5,721	18.96	6,613	32.61	(892)	-13.49
Effective yield on investments	10,273	34.05	3,668	18.09	6,605	n.m.
Capitalization of financial/other assets	3,281	10.87	3,272	16.13	9	0.28
Total financial income	30,171	100.00	20,279	100.00	9,892	48.78
Monetary and foreign exchange losses	(9,742)	15.95	(7,961)	20.19	(1,781)	22.37
Financing interest expenses	(49,891)	81.67	(30,030)	76.15	(19,861)	66.14
Other expenses	(1,456)	2.38	(1,446)	3.67	(10)	0.69
Total financial expenses	(61,089)	100.00	(39,437)	100.00	(21,652)	54.90
Financial income (expenses), net	**(30,918)**	**100.00**	**(19,158)**	**100.00**	**(11,760)**	**61.38**

- **Monetary and foreign exchange gains** – Increase in this account was explained by the increase in monetary gains (non-current) due to restatement of a judicial deposit of the Federal Government in the amount of R$2,903, by the restatement of monetary gains (current) referring to the 2nd release of funds from the 4th issue of debentures, totaling R$3,039, by the increase in reversal of foreign exchange variation (non-current) due to the dollar fluctuation for the period, equalized by the end of a loan agreement entered into with the subsidiary.

- **Effective yield on investments** – This account increased by R$6,605 as a result of the growth in financial investments for the period.

- **Monetary and foreign exchange losses** – This account increased as a result of the 2nd release of funds from the 4th issue of debentures, equalized by a decrease in the monetary variation account of the Federal Savings and Loan Bank (CEF) due to absence of a Benchmark Interest Rate (TR) for February 2012 and reduced monetary variation on other non-current liabilities mainly explained by the amortization of the debt with the Belo Horizonte municipal government, through matching of accounts.

- **Financing interest expenses** – This account increased due to new issues of debentures.

04. Financial Performance - Company--Continued

f. Provision for income tax and social contribution tax on net profit (CSLL)

– The decrease in this account derived from the reduction in taxable profit for 1Q12 and from deferral of taxes, mainly influenced by the write-off of deferred PIS/PASEP/COFINS assets in 2012 and by the deferred taxes related to the Supplemental Pension Plan.

Income generation or EBITDA

The table below presents the EBITDA calculation:

EBTIDA

	3/31/2012	3/31/2011	Variation	
				%
(+) Net revenue from water and sewage services	659,346	598,250	61,096	10.21
(+) Other operating income	44,823	34,069	10,754	31.57
(a) Net revenue from services	704,169	632,319	71,850	11.36
Operating, administrative and selling costs and expenses	(467,951)	(396,387)	(71,564)	18.05
Other operating expenses	(28,359)	(12,659)	(15,700)	n.m.
Depreciation and amortization	86,904	76,486	10,418	13.62
(b) Total operating costs and expenses (without depreciation)	(409,406)	(332,560)	(76,846)	23.11
(c) Income (loss) from operations of subsidiaries (c)	(1,169)	(2,900)	1,731	-59.69
(=) EBITDA (a) + (b) + (c)	293,594	296,859	(3,265)	-1.10
EBITDA margin	**41.38**	**46.74**	**(5.36)**	

(1) EBITDA means net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization charges. Since interest income (expenses), income and social contribution taxes and amortization and depreciation are not considered, EBITDA indicates our overall economic performance, which is not affected by changes in interest rates, in income and social contribution tax rates or depreciation and amortization levels. Consequently, we believe that EBITDA is a significant tool for periodic comparison of our operating performance, and serves as a base for certain administrative decisions. We believe that EBITDA allows attaining better understanding of our financial performance as well as our capacity to meet our obligations and obtain funds for our capital expenditures and to meet our working capital needs. Yet, there are limitations on the use of EBITDA as a measure of our profitability since it does not consider certain costs arising from our business activities, which could significantly affect our profits, such as financial expenses, taxes, depreciation, capital expenses and other related charges.

(2) EBITDA margin is calculated on net revenue from services, which corresponds to net operating revenue plus other operating income.

05. Balance Sheet – Company

	3/31/2012	12/31/2011	Variation	
Company				%
Current assets	1,316,453	814,630	501,823	61.60
Non-current assets	7,505,739	7,459,571	46,168	0.62
Total assets	8,822,192	8,274,201	547,991	6.62
Current liabilities	1,050,518	967,962	82,556	8.53
Non-current liabilities	3,183,370	2,804,562	378,808	13.51
Equity	4,588,304	4,501,677	86,627	1.92
Total liabilities and equity	**8,822,192**	**8,274,201**	**547,991**	**6.62**

05. Balance Sheet – Company--Continued

a. Current assets

Company	3/31/2012	12/31/2011	Variation	%
Cash and cash equivalents	708,020	241,536	466,484	n.m.
Accounts receivable - customers	511,148	471,797	39,351	8.34
Inventories	31,473	29,074	2,399	8.25
Taxes recoverable	36,236	36,236	0	0.00
Technical cooperation agreement	0	5,085	(5,085)	n.m.
Banks and agreements	12,098	9,161	2,937	32.06
Sundry receivables	17,478	21,741	(4,263)	(19.61)
Total current assets	**1,316,453**	**814,630**	**501,823**	**61.60**

- **Cash and cash equivalents** – This group increased in March 2012 in relation to December 2012, due to investments of funds obtained through BNDES financing, in the amount of R$399,000 in February 2012.

- **Accounts receivable - customers** – This group increased in March 2011 in relation to December 2012. This variation refers to the increase in days to be billed, to the increase in the amount of water and sewage consumption to be billed in several localities.

- **Sundry receivables** – This group increased in March 2012 in relation to December 2012 due to the matching of accounts between COPASA and COPASS Saúde.

b. Non-current assets

Company	3/31/2012	12/31/2011	Variation	%
Accounts receivable - customers	217,606	220,060	(2,454)	(1.12)
Deferred income and social contribution taxes	163,415	165,661	(2,246)	(1.36)
Restricted investment	289,812	328,891	(39,079)	(11.88)
Financing guarantee	129,342	131,778	(2,436)	(1.85)
Receivables from subsidiaries	77,489	76,048	1,441	1.89
Financial assets	327,269	321,179	6,090	1.90
Sundry receivables	19,591	16,534	3,058	18.49
Total non-current assets	1,224,524	1,260,151	(35,627)	(2.83)
Investments	22,063	22,063	0	0.00
Intangible assets	6,098,131	6,015,805	82,324	1.37
Property, plant and equipment	161,021	161,552	(531)	(0.33)
Total permanent assets	6,281,215	6,199,421	81,794	1.32
Total non-current assets	**7,505,739**	**7,459,571**	**46,168**	**0.62**

- **Restricted investment** – This account decreased in March 2012 in relation to December 2012, due to redemption of CEF debenture investments.

- **Intangible assets** – Increase in this account is due to net amortization investments made in the first quarter.

05. Balance Sheet – Company--Continued

c. Current liabilities

Company	3/31/2012	12/31/2011	Variation	
				%
Loans and financing	379,174	371,225	7,949	2.14
Debentures	181,419	172,457	8,962	5.20
Contractors and suppliers	123,047	108,068	14,979	13.86
Taxes payable	59,942	49,801	10,141	20.36
Taxes in installments	38,483	41,239	(2,756)	(6.68)
Accrued vacation pay and 13th monthly salary	82,692	76,587	6,105	7.97
Employee profit sharing	36,002	28,317	7,685	27.14
Interest on equity	64,676	26,921	37,755	n.m.
Technical cooperation agreement	3,421	0	3,421	n.m.
Pension plan	18,100	12,119	5,981	49.35
Electric power	17,996	24,670	(6,674)	(27.05)
Sundry liabilities	45,566	56,558	(10,992)	(19.43)
Total current liabilities	**1,050,518**	**967,962**	**82,556**	**8.53**

- **Loans and financing** – This account increased due to the transfer of R$77,553 from non-current to current liabilities, equalized by amortization in the amount of R$74,370.

- **Debentures** – This account increased due to increase in interest as a result of new debentures in the quarter.

- **Taxes payable** – This account increased due to the provision for income tax and social contribution tax on net profit (CSLL) set up in March.

- **Employee profit sharing** – This account changed due to the provision for employee profit sharing set up in 1Q12.

- **Interest on equity** – This account increased due to the provision referring to 1Q12.

- **Pension plan** – This account included a reserve in the amount of R$17,383 for 1Q12, offset against amortization amounting to R$11,677.

- **Electric power** – This account decreased due to amortization of the debt to concession holder CEMIG.

- **Sundry liabilities** – This account decreased due to the matching of accounts on behalf of municipal governments.

Company	3/31/2012	12/31/2011	Variation	
				%
Tariff transfer	14	7	7	n.m.
Concession debts	38,699	50,536	(11,837)	(23.42)
Total municipal governments	38,713	50,543	(11,830)	(23.41)
Other	6,853	6,015	838	13.93
Total sundry liabilities	**45,566**	**56,558**	**(10,992)**	**(19.43)**

05. Balance Sheet – Company--Continued

d. Non-current liabilities

Company	3/31/2012	12/31/2011	Variation	
				%
Federal Savings and Loan Bank (CEF)	597,994	613,804	(15,810)	(2.58)
State government / BDMG	7,026	7,756	(730)	(9.41)
National Treasury	32,432	41,806	(9,374)	(22.42)
BNDES/BNE	535,608	533,973	1,635	0.31
In local currency	1,173,060	1,197,339	(24,279)	(2.03)
Federal Government – bonds	49,281	51,031	(1,750)	(3.43)
In foreign currency	49,281	51,031	(1,750)	(3.43)
Total loans and financing	1,222,341	1,248,370	(26,029)	(2.09)
Nonconvertible debentures	1,363,512	952,614	410,898	43.13
Convertible debentures	65,292	65,292	0	0.00
Total debentures	1,428,804	1,017,907	410,898	40.37
Provision for contingencies	58,356	43,956	14,400	32.76
Tax provision	27,064	44,619	(17,555)	(39.34)
Taxes in installments	217,606	220,060	(2,454)	(1.12)
Pension plan	143,140	145,235	(2,095)	(1.44)
Other liabilities	86,059	84,415	1,644	1.95
Total non-current liabilities	**3,183,370**	**2,804,562**	**378,808**	**13.51**

- **Loans and financing** – This account decreased in 1Q12, due to the transfer of R$77,553 to current liabilities, offset against addition of principal and interest amounting to R$57,582.

- **Debentures** – The increase in this account is due to the issue of debentures of Banco do Brasil and HSBC.

- **Provision for contingencies** – This account increased due to the recording of new civil actions and the reassessment of the likelihood of loss in other proceedings from possible to probable.

- **Tax provision** – This account decreased due to reversal of a provision recorded in 2006 for use of PIS/COFINS matching credits. This tax liability was time-barred, i.e. it is not longer enforceable in the first year after a 5-year period has elapsed from the request for tax offset.

e. Equity

Company	3/31/2012	12/31/2011	Variation	
				%
Beginning balance	4,501,677	4,184,328	317,349	7.58
Inflow of convertible debentures	0	39	(39)	n.m.
Net income	124,382	470,437	(346,055)	(73.56)
Interest on equity	(37,755)	(153,127)	115,372	(75.34)
Ending balance	**4,588,304**	**4,501,677**	**86,627**	**1.92**

The increase in equity is explained by the Company's income for the period.

06. Financial Performance – Consolidated

The charts below present the consolidated financial performance for 1Q12 as compared to the same prior year period:

Income statement						
Consolidated	**3/31/2012**		**3/31/2011**		**Variation**	
		%		%		%
Water supply services	462,645	56.57	443,093	56.89	19,552	4.41
Sewage services	200,675	24.54	157,673	20.24	43,002	27.27
Construction revenue	154,135	18.85	177,889	22.84	(23,754)	-13.35
Revenue from finished products	392	0.05	256	0.03	136	53.13
Net operating revenue from services	817,847	100.00	778,911	100.00	38,936	5.00
Cost of services rendered	(327,108)	-40.00	(283,586)	-36.41	(43,522)	15.35
Construction costs	(152,807)	-18.68	(174,920)	-22.46	22,113	-12.64
Cost of services rendered	(479,915)	-58.68	(458,506)	-58.87	(21,409)	4.67
Gross profit	337,932	41.32	320,405	41.13	17,527	5.47
Selling expenses	(55,594)	-6.80	(40,817)	-5.24	(14,777)	36.20
General and administrative expenses	(93,415)	-11.42	(79,118)	-10.16	(14,297)	18.07
Other operating income	45,821	5.60	34,162	4.39	11,659	34.13
Other operating expenses	(29,461)	-3.60	(13,914)	-1.79	(15,547)	n.m.
Employee profit sharing	(7,685)	-0.94	(7,744)	-0.99	59	-0.76
Operating income/expenses	(140,334)	-17.16	(107,431)	-13.79	(32,903)	30.63
Income before financial result and taxes	197,598	24.16	212,974	27.34	(15,376)	-7.22
Financial income	29,904	3.66	18,970	2.44	10,934	57.64
Financial expenses	(61,120)	-7.47	(39,458)	-5.07	(21,662)	54.90
Financial result	(31,216)	-3.82	(20,488)	-2.63	(10,728)	52.36
Income before taxes	166,382	20.34	192,486	24.71	(26,104)	-13.56
Provision for income tax	(31,490)	-3.85	(46,678)	-5.99	15,188	-32.54
Provision for social contribution tax on net profit (CSLL)	(11,884)	-1.45	(17,179)	-2.21	5,295	-30.82
Net income (loss) for the period	**123,008**	**15.04**	**128,629**	**16.51**	**(5,621)**	**-4.37**

a. **Net operating revenue from services** – An increase was recorded in this account due to the increase in billed water supply and sewage services, according to the average tariff adjustment of 7.02% effective for consumption as from April 23, 2011, and the increase in the number of savings, of 2.91% and 7.19%, respectively, as a consequence of the natural growth and the assumption of new systems. Worth highlighting, according to the 2011 tariff adjustment authorized by the Minas Gerais State Regulatory Water and Wastewater Agency (ARSAE-MG), sewage tariffs increased from 45% to 75% for certain systems that became operative during the period.

b. **Revenue from construction work –** The decrease in this account is due to the reduction in the Company's investments for the period, also reflected on the construction costs account, which decreased for the same reason.

06. Financial Performance – Consolidated--Continued

c. Costs of services rendered

– Costs of services rendered, formed by expenses with operation, upkeep and maintenance of water and sewage systems, further to selling, administrative and construction costs, increased by R$50,483 in 1Q12, or 8.73%, as compared to the same prior year period, set off by a reduction in construction costs, according to the reduction in the Company's investments for the period, whereas the other groups increased due to sundry factors, as described in the table below:

Operating, selling and administrative costs

Consolidated	3/31/2012		3/31/2011		Variation	
		%		%		%
Personnel	215,888	34.33	184,261	31.85	31,627	17.16
Materials	27,656	4.40	24,277	4.20	3,379	13.92
Electric power	55,446	8.82	49,408	8.54	6,038	12.22
Outsourced services	63,877	10.16	49,950	8.64	13,927	27.88
Tariff transfer to municipal governments	14,795	2.35	13,983	2.42	812	5.81
General expenses	8,071	1.28	7,413	1.28	658	8.88
Depreciation and amortization	89,640	14.25	79,110	13.68	10,530	13.31
Construction costs	152,807	24.30	174,920	30.24	(22,113)	-12.64
Taxes recoverable and tax credits (PIS-PASEP/COFINS)	(21,549)	-3.43	(15,759)	-2.72	(5,790)	36.74
Allowance for doubtful accounts	22,281	3.54	10,208	1.76	12,073	n.m.
Provision for losses	12	0.00	670	0.12	(658)	-98.21
*** Costs of services rendered**	**628,924**	**100.00**	**578,441**	**100.00**	**50,483**	**8.73**

- **Personnel** – There was an increase in personnel expenses of R$31,627, or 17.16%, derived from:

  - **Regular hour salaries** – salary increase of 6.3% according to union negotiation, base date May 2011.

  - **Vacation pay and vacation bonus** – the increase is due to the salary adjustment according to the May 2011 union negotiation and higher impact of employees on vacation in the period.

  - **13th monthly salary** – the increase in this account was due to the influence of the May 2011 salary increase.

  - **GDI** – growth according to the calculation base, from 12% to 13.5%, effective as from May 2011.

  - **Government Severance Indemnity Fund for Employees (FGTS) and severance pay** – this refers, mostly, to the impact of the voluntary termination program (PDV), resulting in an increase of R$8,288, also influenced by the May 2011 salary increase.

  - **Meal program** – increase due to the influence of the May 2011 salary increase.

06. Financial Performance – Consolidated--Continued

c. Costs of services rendered--Continued

- **Materials** – The increase in this account is due to three factors:
  - increase in the use of treatment materials due to a much rainier period.
  - increase in the prices of materials during the period.
  - increase in fuels and lubricants for vehicles due to the higher vehicle kilometers traveled reported by the Company fleet, leading to a percentage higher by 7.89% for fuels and the change in the form of payment of oil maintenance services, which started to be made via magnetic card, presenting a percentage increase of 16.9%.
- **Services** – The increase in services amounting to R$13,927, or 27.88%, is due to several factors:
  - **Postal and pouch services** – the decrease of R$984 is due to nonpayment of postal services related to the mailing of debt notices in 1Q12, and the only such payment was made in February 2012, in the amount of R$469, for the December 2011 notices.
  - **Upkeep and maintenance of systems** – increase due to growth in preemptive and corrective maintenance services on water and sewage treatment systems.
  - **Professional technical services** – the increase is mostly due to misclassification of the payment of an installment under a global data telecommunication network solutions agreement and the impact on the amounts of the topographic service agreements made for real estate acquisition.
  - **Cleaning, surveillance and couriers** – increase of R$757 explained by the 12% increase in salaries and benefits, agreed to in January 2012, as well as by the average increase of 6% in inputs such as uniforms and personnel safety equipment and a 20% increase in food and meal tickets given to the service providers.
  - **Publicity and advertising, announcements and bid invitations** – increase due to stronger media actions in strategic markets aimed towards winning and renewing concession arrangements, as well as announcements of tariff changes and scheduled systems shutdown.
  - **Collection** – increase caused by adjustment to the collection service fee, effective as from June 2011, and the consequent fee standardization by other banks, as well as the increase in collection documents, influenced by the customer base growth.

06. Financial Performance – Consolidated--Continued

c. Costs of services rendered--Continued

- **Services** – The increase in services amounting to R$13,928, or 28.9%, is due to several factors--Continued

  - **Electric power** – increase due to tariff adjustment of 9.02% for medium and high voltage consumers, approved in April 2011, related to the increase in consumption due to the Company's growth.

- **Depreciation and amortization** – The 13.62% increase recorded in this account derives from the addition of assets and construction work completed, occurred in 1Q12, which has also influenced the **credit recoverables** account.

- **Construction costs** – This account decreased due to the reduction in the Company's investments for the period.

- **Allowance for doubtful accounts** – The decrease in this account refers to the write-off of bills receivable from Hospitals, in view of the collection actions filed.

d. Other operating income/expenses

Other operating income/expenses

Consolidated	3/31/2012		3/31/2011		Variation	
		%		%		%
Technical services revenue	1,902	4.15	589	1.72	1,313	n.m.
Reversal of nondeductible provision	30,082	65.65	22,721	66.51	7,361	32.40
Recovery of accounts written off as loss	7,745	16.90	7,671	22.45	74	0.96
Other revenues	6,092	13.30	3,181	9.31	2,911	91.52
Total other operating income	45,821	100.00	34,162	100.00	11,659	34.13
Contingent or extraordinary losses	(21,564)	58.05	(9,560)	44.14	(12,004)	n.m.
Other expenses	(7,897)	21.26	(4,354)	20.10	(3,543)	81.35
Employee profit sharing	(7,685)	20.69	(7,744)	35.76	59	-0.78
Total other operating income/expenses	**(37,146)**	**100.00**	**(21,658)**	**100.00**	**(15,488)**	**71.51**

- **Reversal of nondeductible provision** – Change due to the reversal of PIS/COFINS matching credit, in the amount of R$17,711, and of allowances for doubtful accounts amounting to R$9,598, equalized by the decrease in nondeductible provisions for litigation and in the net actuarial liabilities.

06. Financial Performance – Consolidated--Continued

d. Other operating income/expenses--Contiued

- **Other revenues** – Increase in this account refers to the adjustment to convertible debentures amounting to R$488 and the refund of R$1,765, by Previminas to the Company, for overpayment made to build up the risk fund for the defined contribution pension plan.

- **Contingent or extraordinary losses** – Increase in this account results from a higher amount of litigation loss contingencies assessed as probable, totaling R$7,686, from reclassification of certain proceedings whose likelihood of loss had been rated as remote or possible to probable loss, amounting to R$3,826, and from increase in losses on operation of water and sewage systems because of emergency construction works required due to the rains in the period, amounting to R$2,072.

- **Other expenses** – This account increased due to the reversal of the provision for expenses incurred with agreements made with the municipal government.

e. Financial income and expenses

Consolidated	3/31/2012		3/31/2011		Variation	
		%		%		%
Monetary and foreign exchange gains	10,499	35.11	5,167	27.24	5,332	n.m.
Interest income	5,813	19.44	6,661	35.11	(848)	-12.73
Effective yield on investments	10,277	34.37	3,684	19.42	6,593	n.m.
Capitalization of financial/other assets	3,315	11.09	3,458	18.23	(143)	-4.14
Total financial income	29,904	100.00	18,970	100.00	10,934	57.64
Monetary and foreign exchange losses	(9,742)	15.94	(7,961)	20.18	(1,781)	22.37
Interest expenses	(49,892)	81.63	(30,030)	76.11	(19,862)	66.14
Other expenses	(1,486)	2.43	(1,467)	3.72	(19)	1.30
Total financial expenses	(61,120)	100.00	(39,458)	100.00	(21,662)	54.90
Financial income (expenses), net	**(31,216)**	**100.00**	**(20,488)**	**100.00**	**(10,728)**	**52.36**

- **Monetary and foreign exchange gains** – Increase in this account was explained by the increase in monetary gains (non-current) due to restatement of a judicial deposit of the Federal Government in the amount of R$2,903, by the restatement of monetary gains (current) referring to the 2nd release for the 4th issue of debentures, amounting to R$3,039, by the increase in reversal of foreign exchange variation (non-current) due to the dollar fluctuation for the period, equalized by the end of a loan agreement entered into with the subsidiary.

- **Effective yield on investments** – This account increased R$6,593 as a result of the increase in financial investments for the period.

06. Financial Performance – Consolidated--Continued

e. Financial income and expenses--Continued

- **Monetary and foreign exchange losses** – This account increased as a result of the 2nd release of funds from the 4th issue of debentures, equalized by a decrease in the monetary variation account of the Federal Savings and Loans Bank (CEF) due to absence of a Benchmark Interest Rate (TR) for February 2012 and reduced monetary variation on other non-current liabilities mainly explained by the amortization of the debt with the Belo Horizonte municipal government, through matching of accounts.

- **Financing interest expenses** – This account increased due to new issues of debentures.

f. Provision for income tax and social contribution tax on net profit (CSLL)

– The decrease in this account derived from the reduction in taxable profit for 1Q12 and from deferral of taxes, mainly influenced by the write-off of deferred PIS/PASEP/COFINS assets in 2012 and by the deferred taxes related to the Supplementary Pension Plan.

Income generation or EBITDA

The table below presents the EBITDA calculation:

Consolidated	EBTIDA 3/31/2012	3/31/2011	Variation	%
(+) Net revenue from water and sewage services	663,712	601,022	62,690	10.43
(+) Other operating income	45,821	34,162	11,659	34.13
(a) Net revenue from services	709,533	635,184	74,349	11.71
Operating, administrative and selling costs and expenses	(476,117)	(403,521)	(72,596)	17.99
Other operating expenses	(29,461)	(13,914)	(15,547)	n.m.
Depreciation and amortization	89,640	79,110	10,530	13.31
(b) Total operating costs and expenses (without depreciation)	(505,578)	(417,435)	(88,143)	21.12
(=) EBITDA (a) + (b)	203,955	217,749	(13,794)	-6.33
EBITDA margin	**28.74**	**34.28**	**(5.54)**	

(1) EBITDA means net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization charges. Since interest income (expenses), income and social contribution taxes and amortization and depreciation are not considered, EBITDA indicates our overall economic performance, which is not affected by changes in interest rates, in income and social contribution tax rates or depreciation and amortization levels. Consequently, we believe that EBITDA is a significant tool for periodic comparison of our operating performance, and serves as a base for certain administrative decisions. We believe that EBITDA allows attaining better understanding of our financial performance as well as our capacity to meet our obligations and obtain funds for our capital expenditures and to meet our working capital needs. Yet, there are limitations on the use of EBITDA as a measure of our profitability since it does not consider certain costs arising from our business activities, which could significantly affect our profits, such as financial expenses, taxes, depreciation, capital expenses and other related charges.

(2) EBITDA margin is calculated on net revenue from services, which corresponds to net operating revenue plus other operating income.

07. Balance Sheet – Consolidated

Consolidated	3/31/2012	12/31/2011	Variation	
				%
Current assets	1,330,963	826,321	504,642	61.07
Non-current assets	7,484,043	7,440,987	43,056	0.58
Total assets	8,815,006	8,267,308	547,698	6.62
Current liabilities	1,057,295	972,255	85,040	8.75
Non-current liabilities	3,138,854	2,761,449	377,405	13.67
Equity	4,618,857	4,533,604	85,253	1.88
Total liabilities and equity	**8,815,006**	**8,267,308**	**547,698**	**6.62**

a. Current assets

Consolidated	3/31/2012	12/31/2011	Variation	
				%
Cash and cash equivalents	708,519	242,371	466,148	n.m.
Accounts receivable - customers	515,968	475,726	40,242	8.46
Inventories	34,562	31,965	2,597	8.12
Taxes recoverable	36,965	37,009	(44)	(0.12)
Technical cooperation agreement	0	5,817	(5,817)	n.m.
Banks and agreements	17,455	11,671	5,784	49.56
Sundry receivables	17,494	21,762	(4,268)	(19.61)
Total current assets	**1,330,963**	**826,321**	**504,642**	**61.07**

- **Cash and cash equivalents** – This group increased in March 2012 in relation to December 2012, due to investments of funds obtained through BNDES financing, in the amount of R$399,000 in February 2012.

- **Accounts receivable - customers** – This group increased in March 2012 in relation to December 2012. This variation refers to the increase in days to be billed, to the increase in the amount of water and sewage consumption to be billed in several localities.

- **Banks and agreements** – This account included amounts referring to investments of funds received under construction service agreements.

- **Sundry receivables** – This group increased in March 2012 in relation to December 2012 due to the matching of accounts between COPASA and COPASS Saúde.

07. Balance Sheet – Consolidated--Continued

b. Non-current assets

Consolidated	3/31/2012	12/31/2011	Variation	
				%
Accounts receivable - customers	217,606	220,060	(2,454)	(1.12)
Deferred income and social contribution taxes	147,767	149,304	(1,537)	(1.03)
Restricted investment	289,812	328,891	(39,079)	(11.88)
Financing guarantee	129,342	131,778	(2,436)	(1.85)
Financial assets	331,498	325,493	6,005	1.84
Sundry receivables	20,238	17,241	2,997	17.38
Total non-current assets	1,136,263	1,172,767	(36,504)	(3.11)
Investments	22,060	22,060	0	0.00
Intangible assets	6,139,797	6,060,461	79,336	1.31
Property, plant and equipment	185,923	185,699	224	0.12
Total permanent assets	6,347,780	6,268,220	79,560	1.27
Total non-current assets	**7,484,043**	**7,440,987**	**43,056**	**0.58**

- **Restricted investment** – This account decreased in March 2012 in relation to December 2012, due to redemption of CEF debenture investments.

- **Intangible assets** – Increase in this account is due to net amortization investments made in the first quarter.

c. Current liabilities

Consolidated	3/31/2012	12/31/2011	Variation	
				%
Loans and financing	379,174	371,225	7,949	2.14
Debentures	181,419	172,457	8,962	5.20
Contractors and suppliers	124,469	111,494	12,975	11.64
Taxes payable	60,463	50,122	10,341	20.63
Taxes in installments	38,483	41,239	(2,756)	(6.68)
Accrued vacation pay	70,997	76,949	(5,952)	(7.73)
Accrued 13th monthly salary	12,148	0	12,148	n.m.
Employee profit sharing	36,002	28,317	7,685	27.14
Interest on equity	64,676	26,921	37,755	n.m.
Technical cooperation agreement	7,787	0	7,787	n.m.
Pension plan	18,100	12,119	5,981	49.35
Electric power	17,996	24,670	(6,674)	(27.05)
Sundry liabilities	45,581	56,742	(11,161)	(19.67)
Total current liabilities	**1,057,295**	**972,255**	**85,040**	**8.75**

- **Loans and financing** – Increase in this account is due to the transfer of R$77,553 from non-current to current liabilities, equalized by amortization in the amount of R$74,370.

- **Debentures** – This account increased due to increase in interest as a result of new debentures in the quarter.

- **Taxes payable** – This account increased due to the provision for income tax and social contribution tax on net profit (CSLL) set up in March.

07. Balance Sheet – Consolidated--Continued

c. Current liabilities--Continued

- **Employee profit sharing** – This account changed due to the provision for employee profit sharing set up in 1Q12.

- **Interest on equity** – This account increased due to the provision referring to 1Q12.

- **Pension plan** – This account included a reserve in the amount of R$17,383 for 1Q12, offset against amortization amounting to R$11,677.

- **Electric power** – This account decreased due to amortization of the debt to concession holder CEMIG.

- **Sundry liabilities** – This account decreased due to the matching of accounts on behalf of municipal governments.

Consolidated	3/31/2012	12/31/2011	Variation	
				%
Tariff transfer	14	7	7	n.m.
Concession debts	38,699	50,536	(11,837)	(23.42)
Total municipal governments	38,713	50,543	(11,830)	(23.41)
Other	6,868	6,199	669	10.79
Total sundry liabilities	**45,581**	**56,742**	**(11,161)**	**(19.67)**

d. Non-current liabilities

Consolidated	3/31/2012	12/31/2011	Variation	
				%
Federal Savings and Loan Bank (CEF)	597,994	613,804	(15,810)	(2.58)
State government / BDMG	7,026	7,756	(730)	(9.41)
National Treasury	32,432	41,806	(9,374)	(22.42)
BNDES/BNE	535,608	533,973	1,635	0.31
In local currency	1,173,060	1,197,339	(24,279)	(2.03)
Federal Government – bonus	49,281	51,031	(1,750)	(3.43)
In foreign currency	49,281	51,031	(1,750)	(3.43)
Total loans and financing	1,222,341	1,248,370	(26,029)	(2.09)
Non-convertible debentures	1,363,512	952,614	410,898	43.13
Convertible debentures	65,292	65,293	(1)	0.00
Total debentures	1,428,804	1,017,907	410,897	40.37
Provision for contingencies	60,037	46,447	13,590	29.26
Tax provision	27,064	44,619	(17,555)	(39.34)
Taxes in installments	217,606	220,060	(2,454)	(1.12)
Pension plan	143,140	145,235	(2,095)	(1.44)
Other non-current liabilities	39,862	38,811	1,051	2.71
Total non-current liabilities	**3,138,854**	**2,761,449**	**377,405**	**13.67**

- **Loans and financing** – This account decreased in 1Q12, due to the transfer of R$77,553 to current liabilities, offset against addition of principal and interest amounting to R$57,582.

07. Balance Sheet – Consolidated--Continued

d. Non-current liabilities--Continued

- **Debentures** – The increase in this account is due to the issue of debentures of Banco do Brasil and HSBC.

- **Provision for contingencies** – This account increased due to the recording of new civil actions and the reassessment of the likelihood of loss in other proceedings from possible to probable.

- **Tax provision** – This account decreased due to reversal of a provision recorded in 2006 for use of PIS/COFINS matching credits. This tax liability was time-barred, i.e. it is not longer enforceable in the first year after a 5-year period has elapsed from the request for tax offset.

e. Equity

Consolidated	3/31/2012	12/31/2011	Variation	
				%
Beginning balance	4,533,604	4,222,185	311,419	7.38
Inflow of convertible debentures	0	39	(39)	n.m.
Net income	123,008	464,507	(341,499)	(73.52)
Interest on equity	(37,755)	(153,127)	115,372	(75.34)
Ending balance	**4,618,857**	**4,533,604**	**85,253**	**1.88**

The increase in equity is explained by the Company's income for the period.

Companhia de Saneamento de Minas Gerais – COPASA

Quarterly Information

March 31, 2012 and 2011

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"A free Translation from Portuguese into English"

Independent Auditors' Special Review Report on Interim Information

The Board of Directors, Shareholders and Officers
Companhia de Saneamento de Minas Gerais – COPASA MG
Belo Horizonte - MG

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Financial Information Form - ITR of Companhia de Saneamento de Minas Gerais - COPASA for the quarter ended March 31, 2012, comprising the balance sheet as at March 31, 2012 and related income statement, the statement of changes in equity and cash flow statement for the quarter then ended, and a summary of significant accounting practices and other explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Technical Pronouncement CPC 21 – Interim financial reporting, and of the consolidated interim financial information according to CPC 21 and the international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information consistently with the rules issued by Brazilian Security Exchange Commission (CVM) applicable to the preparation of the quarterly financial information – ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 – *Review of the Interim Financial Information performed by the Auditor of the Entity* and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and accordingly does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim information

Based on our review, nothing has come to our attention that cause us to believe that the accompanying individual interim financial information included in the aforementioned quarterly financial information was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Quarterly Financial Information – ITR, and presented consistently with the standards issued by the Brazilian Security Exchange Commission (CVM) applicable to quarterly information.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that cause us to believe that the accompanying consolidated interim financial information included in the aforementioned quarterly financial information was not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Quarterly Financial Information – ITR, and presented consistently with the standards issued by the Brazilian Security Exchange Commission (CVM) applicable to quarterly information.

Emphasis of a matter

As mentioned in Note 2, the individual interim information were prepared in accordance with accounting practices adopted in Brazil. In the case of individual interim information of Companhia de Saneamento de Minas Gerais - COPASA, these practices differ from the IFRS solely with respect to the measurement of investments in subsidiaries, under the equity method, while such investments would be measured at cost or fair value for IFRS purposes, and to the monetary adjustment of intangible assets and property, plant and equipment through December 31, 1997, not recorded in accordance with accounting practices adopted in Brazil and recorded for IFRS purposes.

As mentioned in Note 29, as of September 20, 1989, the Company became a State VAT (ICMS) taxpayer, under special conditions, relating to treated water supply. According to its legal advisors' opinion, in order to settle referred charges specific rulings would be necessary. To date, the State Executive Power has issued no regulations as to calculation criteria or enforcement of payment of these charges; they were not included in the Company's tax calculations either. Consequently, said tax is not being charged to consumers or provisioned for by the Company or transferred to the State Government.

Other matters

Interim informartion of value added

We have also reviewed the individual and consolidated interim statement of value added for the quarter ended March 31, 2012, prepared under responsibility of the management, whose presentation in the interim financial information is required by rules issued by the Brazilian Security Exchange Commission (CVM) applicable to preparation of quarterly financial information (ITR) and as supplementary information under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, are presented fairly, in all material respects, in relation to the overall individual and consolidated interim financial information.

Belo Horizonte (MG), May 02, 2012.

ERNST & YOUNG TERCO
Auditores Independentes S/S
CRC 2SP015199/0-6-F-MG

Flávio de Aquino Machado
Accountant CRC - 1MG 065.899/O-2

Company information / Composition of capital

Number of Share (in Thousand)	**Actual Quarter 03/31/2012**
In capital	
Ordinary	114,931
Preferred	0
Total	114,931
In treasury	
Ordinary	370
Preferred	0
Total	370

Individual / Balance sheets Asset

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 03/31/2012	Previous Year - 12/31/2011
1	Total assets	8,822,192	8,274,201
1.01	Current assets	1,316,453	814,630
1.01.01	Cash and cash equivalents	708,020	241,536
1.01.03	Accounts Receivable	559,482	522,279
1.01.03.01	Accounts Receivable - Customers	511,148	471,797
1.01.03.02	Other Accounts Receivable	48,334	50,482
1.01.03.02.01	Recoverable taxes	36,236	36,236
1.01.03.02.02	Technical cooperation agreement	0	5,085
1.01.03.02.03	Bank account – agreements	12,098	9,161
1.01.04	Inventory	31,473	29,074
1.01.08	Other Current assets	17,478	21,741
1.01.08.03	Other	17,478	21,741
1.01.08.03.01	Advance to employees	8,789	9,974
1.01.08.03.02	Other	8,689	11,767
1.02	Noncurrent assets	7,505,739	7,459,571
1.02.01	Long-term assets	1,224,524	1,260,151
1.02.01.03	Accounts Receivable	656,351	697,263
1.02.01.03.01	Accounts Receivable - Customers	217,606	220,060
1.02.01.03.02	Other Accounts Receivable	438,745	477,203
1.02.01.06	Deferred taxes	163,415	165,661
1.02.01.06.01	Deferred Income Tax and Social Security Contribution	163,415	165,661
1.02.01.08	Intercompany credits	77,489	76,048
1.02.01.08.02	Receivables from subsidiaries	77,489	76,048
1.02.01.09	Other noncurrent assets	327,269	321,179
1.02.01.09.03	Financing assets - concession agreements	327,269	321,179
1.02.02	Investments	22,063	22,063
1.02.02.01	Investments in other companies	22,063	22,063
1.02.02.01.02	Investments in subsidiaries	3	3
1.02.02.01.04	Other investments in other companies	22,060	22,060
1.02.03	Property plant & equipment	161,021	161,552
1.02.03.01	Property plant & equipment in operation	161,021	161,552
1.02.04	Intangible	6,098,131	6,015,805
1.02.04.01	Intangibles	6,098,131	6,015,805
1.02.04.01.01	Concession agreements	4,084,818	4,088,333
1.02.04.01.02	Intangible in progress	2,013,313	1,927,472

Individual / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 03/31/2012	Previous Year - 12/31/2011
2	Total liabilities	8,822,192	8,274,201
2.01	Current liabilities	1,050,518	967,962
2.01.02	Suppliers	123,047	108,068
2.01.02.01	Nacional suppliers	123,047	108,068
2.01.03	Taxes obligations	59,942	49,801
2.01.03.01	Federal taxes obligations	59,191	48,917
2.01.03.01.02	Other federal taxes obligations	59,191	48,917
2.01.03.03	Municipal taxes obligations	751	884
2.01.03.03.01	ISSQN	751	884
2.01.04	Loans and financings	560,593	543,682
2.01.04.01	Loans and financings	379,174	371,225
2.01.04.01.01	In local currency	374,026	366,506
2.01.04.01.02	In foreign currency	5,148	4,719
2.01.04.02	Debentures	181,419	172,457
2.01.04.02.01	Non convertible	181,419	172,457
2.01.05	Other obligations	149,759	120,268
2.01.05.02	Other	149,759	120,268
2.01.05.02.01	Dividends and interest on equity capital payable	64,676	26,921
2.01.05.02.04	Pension plan	18,100	12,119
2.01.05.02.05	Electric power	17,996	24,670
2.01.05.02.06	Technical cooperation agreement	3,421	0
2.01.05.02.07	Sundry obligations	45,566	56,558
2.01.06	Provision	157,177	146,143
2.01.06.01	Provision for tax labor and civil	157,177	146,143
2.01.06.01.05	Taxes installments	38,483	41,239
2.01.06.01.06	Accrual for vacation pay and 13th salary	82,692	76,587
2.01.06.01.07	Employee profit sharing	36,002	28,317
2.02	Noncurrent liabilities	3,183,370	2,804,562
2.02.01	Loans and financings	2,651,145	2,266,277
2.02.01.01	Loans and financings	1,222,341	1,248,370
2.02.01.01.01	In local currency	1,173,060	1,197,339
2.02.01.01.02	In foreign currency	49,281	51,031
2.02.01.02	Debentures	1,428,804	1,017,907
2.02.01.02.01	Non convertible	1,363,512	952,614
2.02.01.02.02	Convertible	65,292	65,293
2.02.02	Other obligations	229,199	229,650
2.02.02.01	Intercompany liabilities	46,199	45,607
2.02.02.01.02	Subsidiaries debts	46,199	45,607
2.02.02.02	Other	183,000	184,043
2.02.02.02.03	Pension plan	143,140	145,235
2.02.02.02.05	Other	33,234	27,875
2.02.02.02.06	Deferred income	4,509	6,763
2.02.02.02.07	Concessions Debts	2,117	4,170
2.02.04	Provision	303,026	308,635
2.02.04.01	Provision for tax, labor and civil	303,026	308,635
2.02.04.01.01	Provision for tax	27,064	44,619
2.02.04.01.05	Taxes in installment	217,606	220,060
2.02.04.01.06	Provision for contingencies	58,356	43,956

Individual / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 03/31/2012	Previous Year - 12/31/2011
2.03	Shareholders' Equity	4,588,304	4,501,677
2.03.01	Paid-in Capital	2,636,499	2,636,499
2.03.02	Capital reserves	3,782	3,782
2.03.02.07	Convertible debentures	3,782	3,782
2.03.04	Profit reserves	1,861,396	1,861,396
2.03.04.01	Legal reserves	170,109	170,109
2.03.04.05	Retained profits reserves	1,680,200	1,680,200
2.03.04.07	Tax benefit reserves	20,277	20,277
2.03.04.09	Treasury shares	-9,190	-9,190
2.03.05	Retained earnings / accumulated losses	86,627	0

Individual / Income Statements

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter – 01/01/2012 to 03/31/2012	Accumulated Previous Year – 01/01/2011 to 03/31/2011
3.01	Gross revenue of sales and/or services	813,481	776,139
3.01.01	Water supply services	458,671	440,577
3.01.02	Sewage services	200,675	157,673
3.01.03	Construction revenue	154,135	177,889
3.02	Cost of services rendered	-474,453	-454,170
3.02.01	Cost of services rendered	-321,646	-279,250
3.02.02	Construction cost	-152,807	-174,920
3.03	Gross profit	339,028	321,969
3.04	Operating expenses/income	-139,658	-107,872
3.04.01	Sales expenses	-55,077	-39,847
3.04.02	General and administrative expenses	-91,228	-77,290
3.04.04	Other operating income	44,823	34,069
3.04.05	Other operating expenses	-36,044	-20,403
3.04.05.01	Other operating expenses	-28,359	-12,659
3.04.05.02	Employee profit sharing	-7,685	-7,744
3.04.06	Equity pick up	-2,132	-4,401
3.05	Income before financial result and tax result	199,370	214,097
3.06	Financial result	-30,918	-19,158
3.06.01	Financing income	30,171	20,279
3.06.02	Financing expense	-61,089	-39,437
3.07	Income before income taxes	168,452	194,939
3.08	Income tax and social contribution	-44,070	-64,692
3.08.01	Current	-41,824	-46,292
3.08.02	Deferred	-2,246	-18,400
3.09	Net profit from continuing operations	124,382	130,247
3.11	Net income for the period	124,382	130,247
3.99	Income per share (R$)		
3.99.01	Basic income per share		
3.99.01.01	ON	1.08000	1.13000
3.99.02	Income diluted per share		
3.99.02.01	ON	1.06000	1.11000

Individual /Comprehensive Income Statements

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
4.01	Net income for the period	124,382	130,247
4.03	Comprehensive income por the period	124,382	130,247

Individual / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
6.01	Net cash flow from operating activities	325,306	303,330
6.01.01	Cash generated by operating activities	284,314	259,439
6.01.01.01	Net income for the period	124,382	130,247
6.01.01.02	Allowance for doubtful accounts	21,961	9,970
6.01.01.03	Recovery of written-off accounts	-7,711	-7,671
6.01.01.04	Interest and monetary variation of accounts receivables	-7,555	-2,772
6.01.01.05	Deferred income tax and social contribution	2,247	18,400
6.01.01.06	Exchange variation on financing collaterals	1,047	591
6.01.01.07	Interest financing collaterals	-2,278	-1,996
6.01.01.09	Monetary variation on loan subsidiary	-399	-1,560
6.01.01.10	Equity pickup	2,132	4,401
6.01.01.11	Write off PP&E and intangible assets	832	5,098
6.01.01.12	Depreciation and amortization	86,904	76,486
6.01.01.13	Interest on loans	59,817	40,622
6.01.01.14	Monetary and exchange variation on loans	4,687	1,170
6.01.01.15	Tax in installments and provision	-17,555	-11,270
6.01.01.16	Provision for contigencies	14,400	-1,159
6.01.01.17	Pension plan provision	-792	-5,557
6.01.01.18	Interest/ Monetary variation on cemig/previminas	4,686	6,823
6.01.01.19	Deferred Revenue	-2,491	-2,384
6.01.02	Changes in assets and liabilities	40,992	43,891
6.01.02.01	Accounts receivable	-37,551	-17,027
6.01.02.02	Financing Assets held-to-maturity	0	56,365
6.01.02.03	Inventory	-2,399	-1,229
6.01.02.04	Recoverable taxes	0	-351
6.01.02.05	Bank account – agreement	-2,937	2,428
6.01.02.06	Colleteral guarantee	3,667	-2,141
6.01.02.07	Restricted applications	44,675	3,441
6.01.02.08	Credit with subsidiaries	-1,042	-1,714
6.01.02.09	Other credits	1,205	2,479
6.01.02.10	Suppliers	14,979	3,756
6.01.02.11	Taxes payable	10,141	-4,019
6.01.02.12	Provision for vacation pay and 13th salary	6,105	2,203
6.01.02.13	Employee profit sharing	7,685	7,744
6.01.02.14	Technical cooperation agreement	8,506	-4,085
6.01.02.15	Pension plan	5,707	-9,875
6.01.02.16	Electric Power	-540	-1,165

Individual / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
6.01.02.18	Sundry obligation	-11,119	-987
6.01.02.19	Financing assets	-6,090	8,068
6.02	Net cash from investment activities	-171,071	-204,924
6.02.02	Increase investments	-1,540	-21,800
6.02.03	Increase PP&E and intangible assets	-169,531	-183,124
6.03	Net cash from financing activities	312,249	-27,786
6.03.01	Proceed from new loans	457,948	90,160
6.03.02	Payment of principal - Loans	-74,370	-57,723
6.03.03	Payment of interest - Loans	-46,303	-36,395
6.03.04	Interest on equity capital paid	0	-3,099
6.03.05	Payment of principal - Previminas/Cemig	-9,378	-8,747
6.03.06	Payment of interest - Previminas/Cemig	-2,301	-1,917
6.03.07	Taxes in installment paid	-11,251	-10,065
6.03.08	Payment of concession Debt	-2,096	0
6.05	Increase (decrease) cash and cash equivalent	466,484	70,620
6.05.01	Cash and cash equivalents at beginning of the period	241,536	75,793
6.05.02	Cash and cash equivalents at the end of the period	708,020	146,413

Individual/Statements of Changes in Shareholders' Equity – 01/01/2012 to 03/31/2012

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity
5.01	At the beginning of the period	2,636,499	3,782	1,861,396	0	0	4,501,677
5.03	Beginning of the period adjusted	2,636,499	3,782	1,861,396	0	0	4,501,677
5.04	Capital transaction with shareholders	0	0	0	-37,755	0	-37,755
5.04.07	Interest on equity	0	0	0	-37,755	0	-37,755
5.05	Other comprehensive income	0	0	0	124,382	0	124,382
5.05.01	Net income of the period	0	0	0	124,382	0	124,382
5.07	Total at the end of the period	2,636,499	3,782	1,861,396	86,627	0	4,588,304

Individual/Statements of Changes in Shareholders' Equity – 01/01/2011 to 03/31/2011

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity
5.01	At the beginning of the period	2,636,460	3,782	1,544,086	0	0	4,184,328
5.03	Beginning of the period adjusted	2,636,460	3,782	1,544,086	0	0	4,184,328
5.04	Capital transaction with shareholders	0	0	0	-39,420	0	-39,420
5.04.07	Interest on equity	0	0	0	-39,420	0	-39,420
5.05	Other comprehensive income	0	0	0	130,247	0	130,247
5.05.01	Net income of the period	0	0	0	130,247	0	130,247
5.07	Total at the end of the period	2,636,460	3,782	1,544,086	90,827	0	4,275,155

Individual / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
7.01	Revenue	903,549	861,216
7.01.01	Sales of products and services	726,552	659,228
7.01.02	Other revenue	37,112	26,398
7.01.03	Construction revenue of own assets	154,135	177,889
7.01.04	Allowance for doubtful accounts	-14,250	-2,299
7.02	Manufacturing component purchased from third parties	-344,354	-327,677
7.02.01	Cost of products and services	-293,030	-295,277
7.02.02	Material, energy, third-party services and other	-25,841	-21,338
7.02.03	Loss/ Recovery of Assets	-25,483	-11,062
7.03	Gross Value Added	559,195	533,539
7.04	Retention	-86,904	-76,486
7.04.01	Depreciation, amortization and exhaustion	-86,904	-76,486
7.05	Net value added	472,291	457,053
7.06	Value added received in transfer	28,039	15,878
7.06.01	Equity pickup	-2,132	-4,401
7.06.02	Financial income	30,171	20,279
7.07	Total value added to be distributed	500,330	472,931
7.08	Value added distribution	500,330	472,931
7.08.01	Personnel	185,550	158,767
7.08.01.01	Payroll	118,606	101,065
7.08.01.02	Benefits	44,727	41,281
7.08.01.03	FGTS	14,532	8,677
7.08.01.04	Other	7,685	7,744
7.08.01.04.01	Employee profit sharing	7,685	7,744
7.08.02	Taxes and contributions	130,087	145,294
7.08.02.01	Federal	127,218	142,626
7.08.02.02	State	2,515	2,453
7.08.02.03	Municipal	354	215
7.08.03	Third party remuneration	60,311	38,623
7.08.03.01	Interest	59,634	37,991
7.08.03.02	Rental	677	632
7.08.04	Equity remuneration	124,382	130,247
7.08.04.01	Interest on equity capital	37,755	39,420
7.08.04.03	Retained profits / Losses of the period	86,627	90,827

Consolidated/ Balance sheets Asset

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 03/31/2012	Previous Year - 12/31/2011
1	Total assets	8,815,006	8,267,308
1.01	Current assets	1,330,963	826,321
1.01.01	Cash and cash equivalents	708,519	242,371
1.01.03	Accounts Receivable	570,388	530,223
1.01.03.01	Accounts Receivable - Customers	515,968	475,726
1.01.03.02	Other Accounts Receivable	54,420	54,497
1.01.03.02.01	Recoverable taxes	36,965	37,009
1.01.03.02.02	Technical cooperation agreement	0	5,817
1.01.03.02.03	Bank account – agreements	17,455	11,671
1.01.04	Inventory	34,562	31,965
1.01.08	Other Current assets	17,494	21,762
1.01.08.03	Other	17,494	21,762
1.01.08.03.01	Advance to employees	8,805	9,991
1.01.08.03.02	Other	8,689	11,771
1.02	Noncurrent assets	7,484,043	7,440,987
1.02.01	Long-term assets	1,136,263	1,172,767
1.02.01.03	Accounts Receivable	656,998	697,970
1.02.01.03.01	Accounts Receivable – Customers	217,606	220,060
1.02.01.03.02	Other Accounts Receivable	439,392	477,910
1.02.01.06	Deferred taxes	147,767	149,304
1.02.01.06.01	Deferred Income Tax and Social Security Contribution	147,767	149,304
1.02.01.09	Other noncurrent assets	331,498	325,493
1.02.01.09.03	Financing assets - concession agreements	331,498	325,493
1.02.02	Investments	22,060	22,060
1.02.02.01	Investments in other companies	22,060	22,060
1.02.02.01.04	Other investments in other companies	22,060	22,060
1.02.03	Property plant & equipment	185,923	185,699
1.02.03.01	Property plant & equipment in operation	183,930	183,977
1.02.03.03	Property plant & equipment in progress	1,993	1,722
1.02.04	Intangible	6,139,797	6,060,461
1.02.04.01	Intangibles	6,139,797	6,060,461
1.02.04.01.01	Concession agreements	4,126,484	4,132,989
1.02.04.01.02	Intangible in progress	2,013,313	1,927,472

Consolidated / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 03/31/2012	Previous Year - 12/31/2011
2	Total liabilities	8,815,006	8,267,308
2.01	Current liabilities	1,057,295	972,255
2.01.02	Suppliers	124,469	111,494
2.01.02.01	Nacional suppliers	124,469	111,494
2.01.03	Taxes obligations	60,463	50,122
2.01.03.01	Federal taxes obligations	59,712	49,238
2.01.03.01.02	Other federal taxes obligations	59,712	49,238
2.01.03.03	Municipal taxes obligations	751	884
2.01.03.03.01	ISSQN	751	884
2.01.04	Loans and financings	560,593	543,682
2.01.04.01	Loans and financings	379,174	371,225
2.01.04.01.01	In local currency	374,026	366,506
2.01.04.01.02	In foreign currency	5,148	4,719
2.01.04.02	Debentures	181,419	172,457
2.01.04.02.01	Non convertible	181,419	172,457
2.01.05	Other obligations	154,140	120,452
2.01.05.02	Other	154,140	120,452
2.01.05.02.01	Dividends and interest on equity capital payable	64,676	26,921
2.01.05.02.04	Pension plan	18,100	12,119
2.01.05.02.05	Electric Power	17,996	24,670
2.01.05.02.06	Technical cooperation agreement	7,787	0
2.01.05.02.07	Sundry obligations	45,581	56,742
2.01.06	Provision	157,630	146,505
2.01.06.01	Provision for tax labor and civil	157,630	146,505
2.01.06.01.05	Taxes installments	38,483	41,239
2.01.06.01.06	Accrual for vacation pay and 13th salary	83,145	76,949
2.01.06.01.07	Employee profit sharing	36,002	28,317
2.02	Noncurrent liabilities	3,138,854	2,761,449
2.02.01	Loans and financings	2,651,145	2,266,277
2.02.01.01	Loans and financings	1,222,341	1,248,370
2.02.01.01.01	In local currency	1,173,060	1,197,339
2.02.01.01.02	In foreign currency	49,281	51,031
2.02.01.02	Debentures	1,428,804	1,017,907
2.02.01.02.01	Non convertible	1,363,512	952,614
2.02.01.02.02	Convertible	65,292	65,293
2.02.02	Other obligations	183,002	184,046
2.02.02.02	Other	183,002	184,046
2.02.02.02.03	Pension plan	143,140	145,235
2.02.02.02.05	Other	33,237	27,878
2.02.02.02.06	Deferred income	4,509	6,763
2.02.02.02.07	Concessions Debts	2,116	4,170
2.02.04	Provision	304,707	311,126
2.02.04.01	Provision for tax, labor and civil	304,707	311,126
2.02.04.01.01	Provision for tax	27,064	44,619
2.02.04.01.05	Taxes in installment	217,606	220,060
2.02.04.01.06	Provision for contingencies	60,037	46,447

Consolidated / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 03/31/2012	Previous Year - 12/31/2011
2.03	Shareholders' Equity	4,618,857	4,533,604
2.03.01	Paid-in Capital	2,636,499	2,636,499
2.03.02	Capital reserves	3,782	3,782
2.03.02.07	Convertible debêntures	3,782	3,782
2.03.04	Profit reserves	1,861,396	1,861,396
2.03.04.01	Legal reserves	170,109	170,109
2.03.04.05	Retained profits reserves	1,680,200	1,680,200
2.03.04.07	Tax benefit reserves	20,277	20,277
2.03.04.09	Treasury shares	-9,190	-9,190
2.03.05	Retained earnings / accumulated losses	86,627	0
2.03.08	Other comprehensive income	30,553	31,927

Consolidated / Income Statements

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year – 01/01/2011 to 12/31/2011
3.01	Gross revenue of sales and/or services	817,847	778,911
3.01.01	Water supply services	462,645	443,093
3.01.02	Sewage services	200,675	157,673
3.01.03	Construction revenue	154,135	177,889
3.01.04	Revenue finished products	392	256
3.02	Cost of services rendered	-479,915	-458,506
3.02.01	Cost of services rendered	-327,108	-283,586
3.02.02	Construction cost	-152,807	-174,920
3.03	Gross profit	337,932	320,405
3.04	Operating expenses/income	-140,334	-107,431
3.04.01	Sales expenses	-55,594	-40,817
3.04.02	General and administrative expenses	-93,415	-79,118
3.04.04	Other operating income	45,821	34,162
3.04.05	Other operating expenses	-37,146	-21,658
3.04.05.01	Other operating expenses	-29,461	-13,914
3.04.05.02	Employee profit sharing	-7,685	-7,744
3.05	Income before financial result and tax result	197,598	212,974
3.06	Financial result	-31,216	-20,488
3.06.01	Financing income	29,904	18,970
3.06.02	Financing expense	-61,120	-39,458
3.07	Income before income taxes	166,382	192,486
3.08	Income tax and social contribution	-43,374	-63,857
3.08.01	Current	-41,836	-46,292
3.08.02	Deferred	-1,538	-17,565
3.09	Net profit from continuing operations	123,008	128,629
3.11	Net income for the period	123,008	128,629
3.11.01	Assigned to partner of controlling company	123,008	128,629
3.99	Income per share (R$)		
3.99.01	Basic income per share		
3.99.01.01	ON	1.07000	1.12000
3.99.02	Income diluted per share		
3.99.02.01	ON	1.05000	1.09000

Consolidated /Comprehensive Income Statements

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
4.01	Consolidated Net income for the period	124,382	130,247
4.02	Other comprehensive income	-1,374	-1,618
4.03	Consolidated comprehensive income for the period	123,008	128,629
4.03.01	Assigned to partner of controlling company	123,008	128,629

Consolidated / Cash Flow Statement

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
6.01	Net cash flow from operating activities	323,932	303,284
6.01.01	Cash generated by operating activities	282,712	257,877
6.01.01.01	Net income for the period	123,008	128,629
6.01.01.02	Allowance for doubtful accounts	22,281	10,208
6.01.01.03	Recovery of written-off accounts	-7,745	-7,690
6.01.01.04	Interest/ Monetary variation of accounts receivables	-7,555	-2,772
6.01.01.05	Deferred income tax and social contribution	1,539	17,567
6.01.01.06	Exchange variation on financing collaterals	1,047	591
6.01.01.07	Interest financing collaterals	-2,278	-1,996
6.01.01.09	Write off PP&E and inteangible assets	832	5,098
6.01.01.10	Depreciation and amortization	89,640	79,110
6.01.01.11	Interest on loans	59,817	40,622
6.01.01.12	Monetary and exchange variation on loans	4,687	1,170
6.01.01.13	Taxes in installments and provision	-17,555	-11,270
6.01.01.14	Provisions for contingencies	13,591	-272
6.01.01.15	Pension plan provision	-792	-5,557
6.01.01.16	Interest/ Monetary variation on cemig/previminas	4,686	6,823
6.01.01.17	Deferred revenue	-2,491	-2,384
6.01.02	Changes in assets and liabilities	41,220	45,407
6.01.02.01	Accounts receivable	-38,727	-17,280
6.01.02.02	Financing assets held-to-maturity	0	56,365
6.01.02.03	Inventory	-2,596	-1,448
6.01.02.04	Recoverable taxes	43	-359
6.01.02.05	Bank account – agreement	-5,783	2,422
6.01.02.06	Colleteral guarantee	3,667	-2,141
6.01.02.07	Restricted Investments	44,675	3,441
6.01.02.08	Other credits	1,269	2,499
6.01.02.09	Suppliers	12,975	3,729
6.01.02.10	Taxes payable	10,340	-3,985
6.01.02.11	Provision for vacation pay and 13th salary	6,195	2,227
6.01.02.12	Employee profit sharing	7,685	7,744
6.01.02.13	Technical cooperation agreement	13,603	-3,808
6.01.02.14	Pension plan	5,707	-9,875
6.01.02.15	Eletric Power	-540	-1,165
6.01.02.17	Other	-11,287	-996
6.01.02.18	Financing assets	-6,006	8,037
6.02	Net cash from investment activities	-170,032	-205,197
6.02.02	Increase investments	0	-21,800
6.02.03	Increase PP&E and intangible assets	-170,032	-183,397

Consolidated / Cash Flow Statement

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
6.03	Net cash from financing activities	312,249	-27,786
6.03.01	Proceed from new loans	457,948	90,160
6.03.02	Payment of principal - Loans	-74,370	-57,723
6.03.03	Payment of interest – Loans	-46,303	-36,395
6.03.04	Interest on equity capital paid	0	-3,099
6.03.05	Payment of principal - Previminas/Cemig	-9,378	-8,747
6.03.06	Payment of interest - Previminas/Cemig	-2,301	-1,917
6.03.07	Taxes in installment paid	-11,251	-10,065
6.03.08	Payment of Debts Concessions	-2,096	0
6.05	Increase (decrease) cash and cash equivalent	466,149	70,301
6.05.01	Cash and cash equivalents at beginning of the period	242,370	77,652
6.05.02	Cash and cash equivalents at the end of the period	708,519	147,953

Consolidated / Statements of Changes in Shareholders' Equity – 01/01/2012 to 03/31/2012

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity	Participation of non-controlling	Consolidated equity
5.01	At the beginning of the period	2,636,499	3,782	1,861,396	0	31.927	4,533,604	0	4,533,604
5.03	Beginning of the period adjusted	2,636,499	3,782	1,861.396	0	31.927	4,533,604	0	4,533,604
5.04	Capital transaction with shareholders	0	0	0	-37,755	0	-37,755	0	-37,755
5.04.07	Interest on equity	0	0	0	-37,755	0	-37,755	0	-37,755
5.05	Other comprehensive income	0	0	0	124,382	-1,374	123,008	0	123,008
5.05.01	Net income of the period	0	0	0	124,382	0	124,382	0	124,382
5.05.02	Other Comprehensive results	0	0	0	0	-1,374	-1,374	0	-1,374
5.05.02.06	Amortization of monetary adjustments on Fixed Assets 96/97	0	0	0	0	-2,082	-2,082	0	-2,082
5.05.02.07	Deferred Tax and social security contribution on Fixed Assets 96/97	0	0	0	0	708	708	0	708
5.07	Total at the end of the period	2,636,499	3,782	1,861,396	86,627	30,553	4,618,857	0	4,618,857

Consolidated / Statements of Changes in Shareholders' Equity – 01/01/2011 to 03/31/2011

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity	Participation of non-controlling	Consolidated equity
5.01	At the beginning of the period	2,636,460	3,782	1,544,086	0	37,857	4,222,185	0	4,222,185
5.03	Beginning of the period adjusted	2,636,460	3,782	1,544.086	0	37,857	4,222,185	0	4,222,185
5.04	Capital transaction with shareholders	0	0	0	-39,420	0	-39,420	0	-39,420
5.04.07	Interest on equity	0	0	0	-39,420	0	-39,420	0	-39,420
5.05	Other comprehensive income	0	0	0	130,247	-1,618	128,629	0	128,629
5.05.01	Net income of the period	0	0	0	130,247	0	130,247	0	130,247
5.05.02	Other Comprehensive results	0	0	0	0	-1,618	-1,618	0	-1,618
5.05.02.06	Amortization of monetary adjustments on Fixed Assets 96/97	0	0	0	0	-2,451	-2,451	0	-2,451
5.05.02.07	Deferred Tax and social security contribution on Fixed Assets 96/97	0	0	0	0	833	833	0	833
5.07	Total at the end of the period	2,636,460	3,782	1,544,086	90,827	36,239	4,311,394	0	4,311,394

Consolidated / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 03/31/2012	Accumulated Previous Year 01/01/2011 to 03/31/2011
7.01	Revenue	909,314	864,246
7.01.01	Sales of products and services	731,638	662,404
7.01.02	Other revenue	38,076	26,472
7.01.03	Construction revenue of own assets	154,135	177,889
7.01.04	Allowance for doubtful accounts	-14,535	-2,519
7.02	Manufacturing component purchased from third parties	-348,460	-331,578
7.02.01	Cost of products and services	-295,149	-296,753
7.02.02	Material, energy, third-party services and other	-26,778	-22,533
7.02.04	Other	-26,533	-12,292
7.03	Gross Value Added	560,854	532,668
7.04	Retention	-89,640	-79,110
7.04.01	Depreciation, amortization and exhaustion	-89,640	-79,110
7.05	Net value added	471,214	453,558
7.06	Value added received in transfer	29,904	18,970
7.06.02	Financial income	29,904	18,970
7.07	Total value added to be distributed	501,118	472,528
7.08	Value added distribution	501,118	472,528
7.08.01	Personnel	187,492	160,273
7.08.01.01	Payroll	120,347	102,420
7.08.01.02	Benefits	44,839	41,360
7.08.01.03	FGTS	14,621	8,749
7.08.01.04	Other	7,685	7,744
7.08.01.04.01	Employee profit sharing	7,685	7,744
7.08.02	Taxes and contributions	130,259	144,969
7.08.02.01	Federal	127,212	142,206
7.08.02.02	State	2,687	2,547
7.08.02.03	Municipal	360	216
7.08.03	Third party remuneration	60,359	38,657
7.08.03.01	Interest	59,634	37,991
7.08.03.02	Rental	725	666
7.08.04	Equity remuneration	123,008	128,629
7.08.04.01	Interest on equity capital	37,755	39,420
7.08.04.03	Retained profits / losses of the period	85,253	89,209

(A free translation into English from the original issued in Portuguese)

Notes to quarterly information as of March 31, 2012 and 2011
(In thousands of reais - unless otherwise stated)

01. Operations

Companhia de Saneamento de Minas Gerais - COPASA (the "Company"), is a publicly-traded, mixed-capital company, controlled by the Government of the State of Minas Gerais, having its registered offices in the City of Belo Horizonte, at Rua Mar de Espanha 525, district of Santo Antônio. The Company is engaged in planning, designing, performing, expanding, remodeling, managing and providing public utility services comprising water supply and wastewater services, and can operate in Brazil and abroad. The Company is subject to the arbitration of São Paulo Stock Exchange's Market Arbitration Chamber, as set forth in an arbitration clause included in its articles of incorporation.

At March 31, 2012, the Company has the following wholly-owned subsidiaries:

- Copasa Águas Minerais de Minas S/A, established by State Law No. 16693, of January 11, 2007, is engaged in producing, bottling, distributing and selling mineral water from the springs it owns or has license to explore, and managing and exploiting the water and spring parks of Caxambu, Araxá, Cambuquira and Lambari.

- COPASA Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S/A COPANOR, established by State Law No. 16698, of April 17, 2007, is engaged in planning, designing, executing, expanding, remodeling, exploiting and providing public utility services comprising water supply and sewage treatment; collection, recycling, treatment and final disposal of urban, domestic and industrial waste, draining and management of rain water in urban areas in cities of the North of Minas Gerais and the water basins of the Jequitinhonha, Mucuri, São Mateus, Buranhém, Itanhém and Jucuruçu rivers.

- COPASA Serviços de Irrigação S/A, established by State Law No. 16698, of April 17, 2007, is engaged in managing, executing and exploiting the irrigation systems of the Jaíba Project, and conducting its maintenance, using both own and outsourced personnel and resources. This subsidiary may contract, when economically viable, through regular bidding processes, the execution of services and construction work necessary to the operation of the system, and purchase products, equipment and materials required for the execution of its purposes.

01. **Operations**--Contiued

At March 31, 2012, the Company operates 877 locations in the State of Minas Gerais (875 in December 2011), in water supply and/or sanitary sewage activities, totaling approximately 4,368,548 connections (4,338,678 in December 2011). The twenty major water and sewage concessions the Company holds are:

Water concessions			**Sewage concessions**	
Location	No. of connections	Expiration	Location	Expiration
Belo Horizonte	938,277	2034	Belo Horizonte	2034
Contagem	216,713	2073	Contagem	2073
Betim	125,807	2042	Montes Claros	2028
Montes Claros	119,884	2028	Betim	2042
Ribeirão das Neves	88,087	2034	Ipatinga	2022
Divinópolis	85,225	2041	Divinópolis	2041
Ipatinga	78,599	2022	Ribeirão das Neves	2034
Santa Luzia	65,735	2013	Santa Luzia	2013
Patos de Minas	51,355	2038	Patos de Minas	2038
Ibirité	48,526	2034	Pouso Alegre	2046
Pouso Alegre	47,393	2046	Varginha	2013
Varginha	46,951	2013	Conselheiro Lafaiete (2)	2010
Conselheiro Lafaiete (2)	45,766	2010	Lavras	2034
Teófilo Otoni	39,623	2034	Ibirité	2034
Sabará (1)	39,542	2007	Araxá	2032
Lavras	38,233	2034	Teófilo Otoni	2034
Araxá	36,414	2032	Itajubá	2034
Ubá	33,321	2014	Alfenas	2033
Itajubá	33,253	2034	Coronel Fabriciano	2033
Coronel Fabriciano	32,729	2033	Pará de Minas	2009

1) The concession agreement with the city of Sabará terminated on August 3, 2007. An agreement has already been entered into by the city of Sabará and the State of Minas Gerais, and the negotiations with the Company should proceed aiming at assumption of sewage services. The water supply revenue for Sabará in 1Q12 was R$4,619 (R$4,291 in 2011), or 0.61% (0.62% in 2011) of the Company's total revenues.

2) The concession agreements with the cities of Conselheiro Lafaiete and Pará de Minas terminated on July 23, 2010, and October 11, 2009, respectively. The water supply and sewage revenues in 1Q12 was R$6,588 for Conselheiro Lafaiete and R$6,583 for Pará de Minas (R$6,333 and R$6,477 in 1Q11), or 0.88% and 0.88% of the Company's total revenues, respectively (0.91% and 0.94% in 2011). The Company is endeavoring to renew these concession agreements.

02. Basis of Preparation and Presentation of the Financial Statements

The Executive Board's authorization to complete the preparation of the individual and consolidated quarterly information of the Company as at March 31, 2012 was obtained on April 24, 2011.

The individual and consolidated quarterly information of the Company is presented in thousands of Reais (R$ 000), unless otherwise stated.

(a) Basis of preparation

The individual and consolidated quarterly information was prepared based on historical cost.

The Company's individual information was prepared and presented in accordance with accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian SEC (CVM) and the pronouncements issued by the Brazilian FASB (CPC).

The consolidated information was prepared and presented in accordance with accounting practices adopted in Brazil, which comprise the rules issued by the Brazilian SEC (CVM) and the pronouncements issued by the Brazilian FASB (CPC), which are in conformity with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Brazilian accounting practices applied to the Company's individual quarterly information differ from the accounting practices applied to the consolidated quarterly information prepared in accordance with IFRS for measuring investments in subsidiaries by the equity method; for IFRS purposes, however, such measurement would be at cost or fair value (see Note 08), plus monetary gains on intangible and property, plant and equipment assets for years 1996 and 1997, the recording of which is not allowed by Brazilian corporation legislation, whereas required by IAS and, therefore, recorded for IFRS purposes (see Note 02 "c").

As of January 1, 2011, the following pronouncements and interpretations became effective: IAS 24 – Disclosure Requirements for State-owned Entities and Definition of a Related Party (Revised); IFRIC 14 – Prepayments of a Minimum Funding Requirement; and IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. Adoption of these pronouncements and interpretations had no impact on the quarterly information as of March 31, 2012.

With regard to first-time adoption of IFRS 9 – Financial Instruments – Classification and Measurement, IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosures of Interests in Other Entities, IFRS 13 - Fair Value Measurement, IAS 27 (R) - Consolidated and Separate Financial Statements and IAS 28 (R) - Investments in Associates, effective for fiscal years beginning January 1, 2013, Company management does not anticipate significant impacts on its financial statements and quarterly information reports.

02. Basis of Preparation and Presentation of the Financial Statements-- Continued

(b) Consolidation

The consolidated quarterly information includes the operations of the Company and the following subsidiaries, whose percentage ownership interest at the balance sheet date is summarized as under:

	Ownership interest %	
	Total	**Voting**
Subsidiaries:		
Copasa Águas Minerais de Minas S/A	100	100
Copasa Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S/A – Copanor	100	100
Copasa Serviços de Irrigação S/A	100	100

Subsidiaries are all entities whose financial and operational policies can be directed by the Company and in which the equity interest held by the Company is typically more than half the voting rights or any other condition that allows the holder to exercise control thereof. At present all subsidiaries are wholly owned by the Company. These subsidiaries are fully consolidated beginning the date on which their control is transferred to the Company, and they will no longer be consolidated as from the date on which such control ceases to exist.

The quarterly information of the subsidiaries is prepared as of the same reporting date as that of the Company, and the Company's accounting practices are consistently adopted by its subsidiaries. All intercompany balances, revenues and expenses as well as unrealized gains and losses arising from intercompany transactions are fully eliminated.

Changes in a parent's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

(c) Consolidated monetary adjustment

All intangible and property, plant and equipment assets are presented in the consolidated financial statements at their historical costs monetarily adjusted through December 31, 1997, date when the Brazilian economy ceased to be considered hyperinflationary, based on official indices, less depreciation. Book adjustments arising from such monetary restatement impacted the consolidated equity and the consolidated net income, net of deferred income and social contribution taxes amounting to R$30,553 and R$1,374, respectively, at March 31, 2012 (R$36,239 and R$1,618, respectively, at March 31, 2011).

03. Summary of Significant Accounting Practices

The quarterly information is presented based on the same accounting policies described in Note 03 to the Financial Statements as of December 31, 2011.

04. Significant Accounting Judgments, Estimates and Assumptions

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 04 to the Financial Statements as of December 31, 2011.

05. Public Service Concession Agreements

At March 31, 2012, the Company is the holder of public utility concessions for water supply and sewage services in 877 locations in the State of Minas Gerais. The concession agreements are executed with each municipality, for periods ranging from 30 to 99 years, and all of them are quite similar in terms of rights and obligations of both holder and grantor.

The tariff system for water supply and sewage services is controlled by the Minas Gerais State Regulatory Water and Wastewater Agency (ARSAE – MG) and reviewed annually, being designed to maintain the Company's financial and economic balance, considering both the investments made and its cost and expense structure. Services are charged directly to users, based on the volume of water consumed and sewage collected multiplied by the authorized tariff.

Major concession periods and major changes occurred for the quarter ended March 31, 2012 are described in Note 01.

At March 31, 2012, the Company has accounts receivable from grantor (the municipalities) totaling R$327,269, which corresponds to the expected amount to be received at the end of the term of the concession arrangements (R$321,179 at December 31, 2011). These amounts were discounted to present values upon initial recognition using weighted average capital cost (WACC) rates linked to the respective accounts receivable. Intangible assets were accounted for by the difference between fair value of the assets constructed or acquired for the purpose of the concession services and the book value of the financial assets recognized.

Below are the results of the construction services performed by the Company during the quarter:

	3/31/2012	3/31/2011
Construction revenue	154,135	177,889
Construction costs	(152,807)	(174,920)

06. Cash and Cash Equivalents

	Company	
	3/31/2012	**12/31/2011**
Cash and banks	35,190	34,632
Short-term bank deposit certificates	672,830	206,904
Total	**708,020**	**241,536**

	Consolidated	
	3/31/2012	**12/31/2011**
Cash and banks	35,517	35,174
Short-term bank deposit certificates	673,002	207,197
Total	**708,519**	**242,371**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 06 to the Financial Statements as of December 31, 2011.

07. Accounts Receivable – Customers and Other Receivables

Accounts receivable – customers mature as follows:

	Company		Consolidated	
	3/31/2012	**12/31/2011**	**3/31/2012**	**12/31/2011**
Falling due	108,753	74,096	112,251	75,530
Up to 30 days past due	74,523	66,010	74,987	66,395
From 31 to 60 days past due	25,676	30,040	25,899	30,266
From 61 to 90 days past due	12,700	15,753	12,856	15,915
From 91 to 180 days past due	24,260	25,322	24,642	25,683
Over 180 days past due	31,127	55,484	32,777	57,060
Billed amounts	277,039	266,705	283,412	270,849
Unbilled amounts	251,186	231,238	251,220	232,537
Accounts receivable – customers	528,225	497,943	534,632	503,386
(-) Allowance for doubtful accounts	(17,077)	(26,146)	(18,664)	(27,660)
Accounts receivable – current	511,148	471,797	515,968	475,726
Accounts receivable – non-current	217,606	220,060	217,606	220,060
Accounts receivable – customers, net	728,754	691,857	733,574	695,786
Pledging of loans and debentures	129,342	131,778	129,342	131,778
Receivables from subsidiaries	77,489	76,048	-	-
Restricted investment	289,812	328,891	289,812	328,891
Other	19,591	16,534	20,238	17,241
Total	**1,244,988**	**1,245,108**	**1,172,966**	**1,173,696**
Non-current assets	**(733,840)**	**(773,311)**	**(656,998)**	**(697,970)**
Current assets	**511,148**	**471,797**	**515,968**	**475,726**

07. Accounts Receivable – Customers and Other Receivables-- Continued

At March 31, 2012, accounts receivable – customers in the amount of R$577,545 remained delinquent (R$525,394 in December 2011).

At March 31, 2012, accounts receivable – customers in the amount of R$124,540 (R$123,484 in December 2011) were overdue, but not provisioned. These accounts refer to a series of independent customers for whom there is no recent history of default. The aging list of these accounts receivable is:

	3/31/2012	12/31/2011
Up to three months	106,072	104,636
From three to six months	17,742	18,221
Minas Gerais State	726	627
Total	**124,540**	**123,484**

At March 31, 2012, accounts receivable – customers totaling R$17,077 (R$26,146 in December 2011) were overdue and considered likely to remain uncollectible. Accounts receivable individually considered uncollectible refer manly to health service providers to whom COPASA, consistent with its corporate policy and image, does not disrupt its water supply and sewage services. Based on management's assessment, a portion of these accounts receivable can be recovered. These accounts receivable mature as follows:

	3/31/2012	12/31/2011
Falling due	777	728
Up to 30 days past due	899	905
From 31 to 60 days past due	794	930
From 61 to 90 days past due	868	975
From 91 to 180 days past due	2,775	3,053
From 181 to 360 days past due	5,578	5,219
Over 360 days past due	5,386	14,336
Total	**17,077**	**26,146**

The Company's accounts receivable from customers and other receivables are maintained only in reais, there are no foreign currency receivables.

Changes in the Company's allowance for doubtful accounts were as follows:

	2012	
	Company	**Consolidated**
At January 1	**26,146**	**27,660**
Allowance for doubtful accounts	12,362	12,682
Charge-off of uncollectible accounts receivable during the period	(21,431)	(21,678)
At March 31	**17,077**	**18,664**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 07 to the Financial Statements as of December 31, 2011.

08. Investments

	Company	
	3/31/2012	**12/31/2011**
Subsidiaries accounted for under the equity method		
Águas Minerais	1	1
Copanor	1	1
Serviços de Irrigação	1	1
	3	**3**
Investments accounted for under the cost method		
Foz de Jeceaba	21,800	21,800
Other	260	260
	22,060	**22,060**
Total	**22,063**	**22,063**

	Consolidated	
	3/31/2012	**12/31/2011**
Investments accounted for under the cost method		
Foz de Jeceaba	21,800	21,800
Other	260	260
Total	22,060	22,060

Significant information on investments in subsidiaries is as follows:

Subsidiaries	FCC	Capital deficiency	Capital	Accumulated losses	No. of shares	Copasa interest (%)
3/31/2012						
Águas Minerais	(21,783)	(31,327)	13,929	(67,039)	13,929	100
Copanor	-	(14,032)	1	(14,033)	1	100
Serviços de Irrigação	-	(840)	1	(841)	1	100
12/31/2011						
Águas Minerais	(20,243)	(31,046)	13,929	(65,219)	13,929	100
Copanor	-	(13,665)	1	(13,664)	1	100
Serviços de Irrigação	-	(893)	1	(894)	1	100

Changes in investments in subsidiaries are as follows:

	12/31/2011	Equity pickup	3/31/2012
Águas Minerais	1	-	1
Copanor	1	-	1
Serviços de Irrigação	1	-	1
Total	**3**	-	**3**

At March 31, 2012, the subsidiaries present a capital deficiency of R$46,199 (R$45,607 in December 2011), for which the Company set up a capital deficit reserve. This reserve is recorded in non-current liabilities, under “Other liabilities”.

	12/31/2011	FCC	Equity pickup	3/31/2012
Águas Minerais	(31,047)	1,540	(1,820)	(31,327)
Copanor	(13,666)	-	(366)	(14,032)
Serviços de Irrigação	(894)	-	54	(840)
Total	**(45,607)**	**1,540**	**(2,132)**	**(46,199)**

08. Investments--Continued

Copasa Águas Minerais presents accumulated losses and working capital deficiency. This subsidiary started up operations in September 2008, and due to high production costs it could not reach its projected sales goals.

At February 8, 2012, the Executive Board of COPASA approved the business plan of Copasa Águas Minerais prepared in December 2011, which provides for conversion of the existing debt balance of loan agreements as of December 31, 2011, in the amount of R$57,541, into future capital contribution, the implementation of which depends upon approval by the Board of Directors and Special Shareholders' Meeting in meetings to be held in 2Q12. The financial statements of Copasa Águas Minerais, which serve as base for the equity pickup and consolidation of the Company, were prepared under a going concern assumption and do not include adjustments related to realization and classification of its assets or measurement of its liabilities, which would be required should the going concern basis not be appropriate to this subsidiary.

09. Intangible assets

	Company					
Cost	**Water systems**	**Sewage**	**Use rights**	**Other (*)**	**In development**	**Total**
Book balance at 12/31/2011	**4,392,128**	**2,890,364**	**288,810**	**(178,237)**	**1,927,472**	**9,320,537**
Additions	13,522	9,447	4,128	1,927	139,877	**168,901**
Write-offs	(951)	(12)	-	(302)	(197)	**(1,462)**
Transfers (**)	38,827	7,875	1,022	(347)	(53,839)	**(6,462)**
Book balance at 3/31/2012	**4,443,526**	**2,907,674**	**293,960**	**(176,959)**	**2,013,313**	**9,481,514**
Amortization						
Book balance at 12/31/2011	**(2,480,380)**	**(769,739)**	**(88,316)**	**33,703**	**-**	**(3,304,732)**
Additions	(44,216)	(33,583)	(4,144)	2,993	-	**(78,950)**
Write-offs	676	5	-	-	-	**681**
Transfers (**)	(400)	18	-	-	-	**(382)**
Book balance at 3/31/2011	**(2,524,320)**	**(803,299)**	**(92,460)**	**36,696**	**-**	**(3,383,383)**
Net balance at 3/31/2012	**1,919,206**	**2,104,375**	**201,500**	**(140,263)**	**2,013,313**	**6,098,131**
Net balance at 12/31/2011	**1,911,748**	**2,120,625**	**200,494**	**(144,534)**	**1,927,472**	**6,015,805**

09. Intangible assets--Continued

The amortization for 1Q12, allocated to income, amounted to R$75,187 (R$66,619 in 1Q11) as cost of services, to R$944 (R$1,036 in 1Q11) as selling expenses, and to R$3,201 (R$2,960 in 1Q11) as administrative expenses.

(*) This refers mainly to the reversal of donations.

(**) These amounts refer to changes between intangible and property, plant and equipment assets.

	Consolidated					
Cost	**Water systems**	**Sewage**	**Use rights**	**Other (*)**	**In development**	**Total**
Book balance at 12/31/2011	**4,746,979**	**2,924,834**	**293,703**	**(179,633)**	**1,927,472**	**9,713,355**
Additions	13,617	9,454	4,128	1,937	139,877	**169,013**
Write-offs	(1,023)	(12)	-	(303)	(197)	**(1,535)**
Transfers (**)	38,827	6,890	1,022	(347)	(53,839)	**(7,447)**
Book balance at 3/31/2012	**4,798,400**	**2,941,166**	**298,853**	**(178,346)**	**2,013,313**	**9,873,386**
Amortization						
Book balance at 12/31/2011	**(2,778,662)**	**(818,880)**	**(90,181)**	**34,829**	**-**	**(3,652,894)**
Additions	(46,007)	(33,880)	(4,150)	2,989	-	**(81,048)**
Write-offs	748	5	-	-		**753**
Transfers (**)	(400)	-	-	-	-	**(400)**
Book balance at 3/31/2012	**(2,824,321)**	**(852,755)**	**(94,331)**	**37,818**	**-**	**(3,733,589)**
Net balance at 3/31/2012	**1,974,079**	**2,088,411**	**204,522**	**(140,528)**	**2,013,313**	**6,139,797**
Net balance at 12/31/2011	**1,968,317**	**2,105,954**	**203,522**	**(144,804)**	**1,927,472**	**6,060,461**

The amortization for 1Q12, allocated to income, amounted to R$77,241 (R$69,002 in 1Q11) as cost of services, to R$944 (R$1,113 in 1Q11) as selling expenses, and to R$3,213 (R$2,987 in 1Q11) as administrative expenses.

In 1Q12, the Company capitalized interest and charges amounting to R$16,588 (R$18,497 in 1Q11) under the caption “Construction in progress”.

(*) This refers mainly to the reversal of donations.

(**) These amounts refer to changes between intangible and property, plant and equipment assets.

10. Property, plant and equipment

	Company				
Cost	**Land and construction**	**Machinery and equipment**	**Vehicles**	**Other**	**Total**
Book balance at 12/31/2011	**110,279**	**234,375**	**102,950**	**142**	**447,746**
Additions	500	119	10	-	**629**
Write-offs	-	(507)	(34)	-	**(541)**
Transfers (*)	2,378	2,339	1,746	-	**6,463**
Book balance at 3/31/2012	**113,157**	**236,326**	**104,672**	**142**	**454,297**
Depreciation					
Book balance at 12/31/2011	**(60,563)**	**(129,462)**	**(96,056)**	**(113)**	**(286,194)**
Additions	(624)	(5,859)	(1,468)	(3)	**(7,954)**
Write-offs	-	456	34	-	**490**
Transfers (*)	-	382	-	-	**382**
Book balance at 3/31/2012	**(61,187)**	**(134,483)**	**(97,490)**	**(116)**	**(293,276)**
Net balance at 3/31/2012	**51,970**	**101,843**	**7,182**	**26**	**161,021**
Net balance at 12/31/2011	**49,716**	**104,913**	**6,894**	**29**	**161,552**

The depreciation for 1Q12, allocated to income, amounted to R$7,176 (R$5,294 in 1Q11) as cost of services, to R$90 (R$82 in 1Q11) as selling expenses, and to R$306 (R$235 in 1Q11) as administrative expenses.

(*) These amounts refer to changes between intangible and property, plant and equipment assets.

10. Property, plant and equipment--Continued

	Consolidated					
Cost	**Land and construction**	**Machinery and equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
Book balance at 12/31/2011	**121,372**	**260,944**	**106,172**	**912**	**1,722**	**491,122**
Additions	500	133	11	104	271	**1,019**
Write-offs	-	(558)	(34)	-	-	**(592)**
Transfers (*)	2,378	3,324	1,745	-	-	**7,447**
Book balance at 3/31/2012	**124,250**	**263,843**	**107,894**	**1,016**	**1,993**	**498,996**
Depreciation						
Book balance at 12/31/2011	**(68,166)**	**(138,436)**	**(98,327)**	**(494)**	-	**(305,423)**
Additions	(680)	(6,337)	(1,539)	(36)	-	**(8,592)**
Write-offs	-	507	35	-	-	**542**
Transfers (*)	-	400	-	-	-	**400**
Book balance at 3/31/2012	**(68,846)**	**(143,866)**	**(99,831)**	**(530)**	-	**(313,073)**
Net balance at 3/31/2012	**55,404**	**119,977**	**8,063**	**486**	**1,993**	**185,923**
Net balance at 12/31/2011	**53,206**	**122,508**	**7,845**	**418**	**1,722**	**185,699**

The depreciation for 1Q12, allocated to income, amounted to R$7,769 (R$5,426 in 1Q11) as cost of services rendered, to R$100 (R$87 in 1Q11) as selling expenses, and to R$323 (R$235 in 1Q11) as administrative expenses.

(*) These amounts refer to changes between intangible and property, plant and equipment assets.

11. Suppliers and Other Liabilities

	Company		Consolidated	
	3/31/2012	12/31/2011	3/31/2012	12/31/2011
Accounts payable to suppliers	123,047	108,068	124,469	111,494
Taxes payable	59,942	49,801	60,463	50,122
Taxes in installments (a)	256,089	261,299	256,089	261,299
Accrued vacation pay and 13th monthly salary	82,692	76,587	83,145	76,949
Electric power	17,996	24,670	17,996	24,670
Construction work	33,234	27,875	33,237	27,878
Investment valuation allowance (Note 08)	46,199	45,607	-	-
Sundry liabilities	52,192	67,491	52,206	67,675
Total	**671,391**	**661,398**	**627,605**	**620,087**
Non-current liabilities	**(303,665)**	**(304,475)**	**(257,468)**	**(258,871)**
Current liabilities	**367,726**	**356,923**	**370,137**	**361,216**

The non-current portion is mainly comprised of taxes in installment.

a) Taxes in installments

	Company/Consolidated	
	3/31/2012	12/31/2011
Taxes in installments (*)	7,022	10,533
ISS in installments (**) (Note 25)	249,067	250,766
Total	**256,089**	**261,299**
Current portion	**(38,483)**	**(41,239)**
Noncurrent portion	**217,606**	**220,060**

(*) On November 27, 2009 the Company filed a request for debt installment arrangement of IPI premium-credit previously used to offset federal taxes in the amount of R$54,492, to be paid in 12 installments, in conformity with Provisional Executive Order (MP) No. 470, of 2009. In September 2010, the Company applied for another debt installment arrangement, in the amount of R$28,086, payable in 24 installments, as a complement to its previous request, with maturity in September 2012.

(**) This refers to the Offset Agreement which establishes that tax and non-tax debts payable by COPASA shall be offset against its credits arising from water supply and sewage service invoices payable by the Belo Horizonte Municipal Government. The reciprocal debts shall be paid in 120 monthly and consecutive installments, bearing 1% interest and annual monetary restatement on the Special Extended Consumer Price Index (IPCA-E). At March 31, 2012, 95 installments remain payable and the maturity of the arrangement will be in February 2020.

11. Suppliers and Other Liabilities--Continued

The additional explanations concerning this Note did not change significantly in relation to existing disclosures in Note 11 to the Financial Statements for the year ended December 31, 2011, save for the fact that in January 2012, the Company received funds under the Federal Government Water Basin Depollution Program (PRODES), amounting to R$4,612, through Brazil's National Water Agency (ANA), in consideration for the Federal Government's participation in the construction of the Wastewater Treatment Plant in the municipality of Ibireté (ETE Ibireté). As stipulated in clause 6 of Agreement No. 099/2011, executed as of December 21, 2011, payment for treated wastewater shall be released to the Company in twelve quarterly consecutive installments after certification of the pollutant load reduction goals by that agency. The contract remains effective until December 31, 2018.

12. Loans and Debentures

	Company/Consolidated	
	3/31/2012	**12/31/2011**
Current		
State Government/BDMG	4,767	4,717
Federal Savings and Loan Bank (CEF)	116,651	114,916
National Treasury	37,391	36,875
BNDES – BNE	55,432	54,074
Promissory notes – Citibank	159,785	155,924
Federal government – bonds	5,148	4,719
Bank loans and financing	**379,174**	**371,225**
Simple debentures	109,274	102,715
Convertible debentures	72,145	69,742
Debentures	**181,419**	**172,457**
Total current	**560,593**	**543,682**
Non-current		
State Government/BDMG	7,026	7,756
Federal Savings and Loan Bank (CEF)	597,994	613,804
National Treasury	32,432	41,806
BNDES – BNE	535,608	533,973
Federal government – bonds	49,281	51,031
Bank loans and financing	**1,222,341**	**1,248,370**
Simple debentures	1,363,512	952,614
Convertible debentures	65,292	65,293
Debentures	**1,428,804**	**1,017,907**
Total non-current	**2,651,145**	**2,266,277**
Total current and non-current	**3,211,738**	**2,809,959**

12. Loans and Debentures--Continued

Book values compared to the respective estimated fair values are as follows:

	Values			
	Book	Fair	Book	Fair
	3/31/2012	3/31/2012	12/31/2011	12/31/2011
Bank loans and financing	1,601,515	1,676,488	1,619,595	1,719,016
Simple debentures	1,472,786	1,427,622	1,055,329	1,012,141
Convertible debentures	137,437	137,438	135,035	134,532
Total	**3,211,738**	**3,241,548**	**2,809,959**	**2,865,689**

Market values of liabilities are calculated on a projected debt balance, restated at the contractual rate over the remaining months before repayment. The value arrived at is adjusted to the current period, using the following market rates:

Credit facilities	Contractual rate	Period in months	Market rates	Remarks
State Government/BDMG	9.03%	36	7.33%	CEF rate, as there is no similar market
CEF/FGTS	9.83%	151	7.33%	CEF rate quoted in March/12
National Treasury	5.38%	22	7.33%	CEF rate, as there is no similar market
BNDES/BNE	7.57%	118	7.55%	BNDES/BNE rate quoted in March/12
Promissory notes	10.94%	04	10.01%	Contractual rate, as there is no similar market
Federal Government	4.68%	145	7.33%	CEF rate, as there is no similar market
Simple debentures	8.74%	110	9.59%	BNDES/BND rate quoted in March/12
Convertible debentures	8.30%	15	8.30%	BNDES/BNA rate quoted in March/12

a) Bank loans and financing

On July 18, 2011, the Company and the Citibank signed an agreement for coordination, placement and public offering of Commercial Papers - Promissory Notes, under a firm subscription guarantee, of the first issue of COPASA MG. The amount of R$148,000 is divided into 37 Promissory Notes, in single series of R$4,000, with maturity of 360 days, and COPASA MG will be entitled to payment of compensatory interest, on maturity date, on their nominal par value, corresponding to the accumulated variation of 105.2% of the average daily rate of the over extra-group One-Day Interbank Deposits (ID).

The funds thus raised are going to be used by COPASA MG as a complement to its Investment Program.

12. Loans and Debentures--Continued

a) Bank loans and financing--Continued

Bank loans and financing have maturity until 2032 and average coupon rates of 8.59% p.a. (8.70% p.a. as of December 31, 2010). The long-term portion matures as follows:

Maturity	3/31/2012	12/31/2011
2013	161,289	212,188
2014	178,819	175,683
2015	143,909	141,171
2016	109,213	106,814
2017	74,813	72,858
2018	75,740	73,766
2018 to 2035	478,558	465,890
Total	**1,222,341**	**1,248,370**

The book values of the Company foreign currency loans total R$54,429 (R$55,750 at December 31, 2011).

b) Guarantees of bank loans and financing

As collateral for financing, the Company has pledged the following:

Foreign currency agreements

Federal government – bonds:

These are backed up to the contract balance by the Minas Gerais State Government and by the Company tariff revenues, up to the limit sufficient for payment of the installments and other charges due on the maturity dates. As an accessory guarantee for Discount Bond and Par Bond, the Company maintains a reserve account at Banco do Brasil in the amount of R$34,145, restated through March 31, 2012 (R$35,192 in 2011), by applying the average price of the Zero Coupon Bond of the US Treasury, recorded under the caption “collateral for financing”.

Local currency agreements

12. Loans and Debentures--Continued

b) Guarantees of bank loans and financing--Continued

Fiduciary transfer of receivables and restricted account agreement:

- In order to improve and expand the systems in operation, the Company had raised funds, between 1995 and 2001, with various financing agencies, and on October 29, 2002, these agreements were encompassed under the Restricted Account Agreement made between the Company, the Federal Savings and Loan Bank (CEF), designated as administrator, and Unibanco, as the financial agent, whereby new funds were released from the Unemployment Compensation Fund (FGTS). New agreements for fiduciary transfer of receivables and restricted accounts for the release of new FGTS funds were entered into as of July 4, 2006, under the Sanitation for All Program ("Programa Saneamento Para Todos"), which superseded all previously existing programs, having Bradesco and Itaú also acting as financial agents of the funds. The Company made the following pledges for these agreements:

  - Fiduciary collateral transfer of part of COPASA's receivables from water supply and sewage collection public utility services provided to its private sector consumers, in the minimum amounts of R$ 17,000 and R$ 15,300 per month, non-cumulative, adjusted based on the variation of IPCA (Extended Price Consumer Index) disclosed by FIP;

  - Fiduciary transfer of part of the assignors receivables from CEF, related to the temporary cash investment funds, comprised of funds deposited in the restricted account and reserve account, which shall correspond to 3 (three) times the amount of the installments falling due and whose balance at March 31, 2012 is recorded as collateral for financing in the amount of R$26,195 (R$25,862 at December 31, 2011).

- Loans and financing contracts with the Brazilian Development Bank (BNDES) for optimization and expansion of water supply and sewage treatment systems in the concession areas are guaranteed by the fiduciary transfer of part of the receivables for provision of public utility services - water supply and sewage services, in an amount equivalent to the minimum amounts of R$ 3,000 and R$ 23,000 per month, adjusted annually by the IPCA / IBGE, and by reserve account deposits whose minimum balance corresponds to 3 (three) times the amount of the installments falling due. The balance of this account recorded as collateral for financing, at March 31, 2012 is R$24,625 (R$26,527 at December 31, 2011).

12. Loans and Debentures--Continued

b) Guarantees of bank loans and financing--Continued

- Loans and financing agreements entered into with CEF under the CAIXA PAC - 2009 program, for the expansion of the water supply and sewage treatment systems in the concession areas, are collateralized by concession receivables pledged as guarantee, referring to tariff revenues charged in the municipalities where the construction projects will be performed, whose minimum balance corresponds to 3 (three) times the value of the monthly charge, credited in a centralized account, and for reserve account deposits whose minimum balance corresponds to one (1) time the amount of the installments falling due. The balance of this account, recorded as collateral for financing, at March 31, 2012 is R$605 (R$555 at December 31, 2011).

  Other financing:

  Loans and financing agreements entered into with CEF, for performance of construction projects and services for expansion of the building supply grid and connections, are collateralized by deposits in a collateral account whose minimum balance corresponds to one (1) time the value of the monthly charge, for the agreement executed as of December 9, 2003 and three (3) times the value of the monthly charge, for the agreement executed as of June 30, 2004, calculated on the most recent collection available under these agreements. The balance of this account, recorded as collateral for financing, at March 31, 2012 is R$9,979 (R$9,918 at December 31, 2011).

  Other financing transactions related to both the State Government/BDMG and the National Treasury are collateralized by the Minas Gerais State Government and by the Company's tariff revenues.

  The financing related to the Promissory Notes, from Citibank, requires no financial guarantees.

12. Loans and Debentures--Continued

c) Non-convertible and convertible debentures

		Company/Consolidated			
		3/31/2012		12/31/2011	
Subscriptions/ series	Subscription date	Current	Non-current	Current	Non-current
Non-convertible debentures					
Subscription - 1st issue					
1st and 2nd	6/30/2004	7,807	10,311	7,815	12,245
3rd and 4th	11/9/2004	7,807	10,311	7,815	12,245
5th and 6th	7/29/2004	7,807	10,311	7,815	12,245
7th	12/19/2005	3,903	5,156	3,907	6,122
8th and 9th	4/24/2006	7,807	10,311	7,815	12,244
10th	12/19/2006	3,904	5,156	3,907	6,122
11th and 12th	3/23/2007	7,807	10,311	7,815	12,244
Total 1st issue		**46,842**	**61,867**	**46,889**	**73,467**
Subscription - 3rd issue					
1st to 6th	12/6/2007	16,285	106,983	16,299	110,945
7th	9/25/2008	2,714	17,830	2,717	18,491
8th	12/6/2008	8,143	53,491	8,149	55,472
9th to 11th	3/30/2009	8,143	53,491	8,149	55,472
12th to 14th	11/27/2009	2,714	17,831	2,717	18,491
15th to 17th	5/26/2010	8,143	53,491	8,150	55,473
18th	7/2/2010	2,714	17,831	2,717	18,491
Total 3rd issue		**48,856**	**320,948**	**48,898**	**332,835**
Subscription - 4th issue					
1st	12/27/2010	3,883	222,210	3,395	222,210
2nd	11/24/2011	3,395	69,587	1,198	36,102
Total 4th issue		**7,278**	**291,797**	**4,593**	**258,312**
Subscription - 5th issue					
Single	10/27/2011	2,371	288,000	2,335	288,000
Total 5th issue		**2,371**	**288,000**	**2,335**	**288,000**
Subscription - 6th issue					
1st	2/23/2011	2,476	200,000	-	-
2nd	2/23/2011	1,451	200,900	-	-
Total 6th issue		**3,927**	**400,900**	**-**	**-**
Total non-convertible debentures		**109,274**	**1,363,512**	**102,715**	**952,614**
Convertible debentures					
Subscription - 2nd issue					
Single	8/28/2007	44,644	39,050	43,313	39,050
Single	9/6/2007	26,201	25,002	25,180	25,002
Single	12/3/2007	1,300	1,240	1,249	1,241
Total convertible debentures		**72.145**	**65,292**	**69,742**	**65,293**
Total debentures		**181,419**	**1,428,804**	**172,457**	**1,017,907**

12. Loans and Debentures--Continued

c) Non-convertible and convertible debentures--Continued

Non-convertible debentures

Subscription - 1st issue:

In June 2004, the Company placed 300 (three hundred) nonconvertible simple debentures of R$1,000 each, in a private issue, through exclusive subscription by the BNDES. These debentures were issued in 12 (twelve) series of R$25,000 each. The subscription price of each series was equivalent to the nominal value plus the interest mentioned below, calculated on a pro rata basis from the issue date to the effective subscription date, under the following contractual terms and conditions:

Issue date	June 15, 2004
Term	10 years
Grace period of the principal	36 months
Amortization	84 months
Final maturity	July 15, 2014
Yield	TJLP + 3.58% p.a.
Guarantee	20% of the revenue collected, plus reserve account

This 1st issue is guaranteed by 20% of the Company's tariff revenues and a reserve account, the minimum balance of which corresponds to three monthly installments falling due, related to all debentures of all series issued and subscribed for, deposited in an investment fund, recorded as collateral for financing. At March 31, 2012, the amount pledged as collateral totaled R$14,173 (R$14,205 at December 31, 2011).

The funds from this issue are earmarked for financing of projects for expansion and modernization of water supply and sewage treatment systems in the concession areas.

Subscription - 3rd issue:

In December 2007, the Company placed 450 (four hundred fifty) nonconvertible simple debentures of R$1,000 each, in a private issue, through exclusive subscription by the BNDES. These debentures were issued in 18 (eighteen) series of R$25,000 each, under the following contractual terms and conditions:

12. Loans and Debentures--Continued

c) Non-convertible and convertible debentures--Continued

Issue date	June 1, 2007
Term	12 years
Grace period of the principal	30 months
Amortization	114 months
Final maturity	December 15, 2019
Yield	TJLP + 2.3% p.a.
Guarantee	Floating, with assignment and restriction of funds receivable, plus reserve account

This 3rd issue is guaranteed by monthly minimum deposits of R$18,000, related to tariff revenues of the Company, updated annually based on the IPCA, and by a reserve account, whose minimum balance must be equal to 3 (three) monthly installments falling due, related to all debentures of all series issued and subscribed for, deposited in a investment fund, recorded as collateral for financing. At March 31, 2012, the amount pledged as collateral totaled R$19,620 (R$19,519 at December 31, 2011).

Subscription - 4th issue:

In July 2010, the Company placed nonconvertible simple debentures, in a private issue to be carried out in 3 (three) series. The first and the third series, in the amount of R$222,210 and R$296,280, respectively, through exclusive subscription by the BNDES, and the second series, in the amount of R$222,210, will be through exclusive subscription by BNDES Participações S.A. – BNDESPAR. The first and the second series will be comprised of 3,000 (three thousand) debentures each, and the third series of 4,000 (four thousand) debentures, totaling 10,000 (ten thousand) debentures of R$74.07 each, under the following contractual terms and conditions:

Issue date	July 15, 2010
Term	144 months for the 1st and 3rd series and 145 months for the 2nd series
Grace period of the principal	36 months for the 1st and 3rd series and 37 months for the 2nd series
Amortization	108 months for the 1st and 3rd series and 145 months for the 2nd series
Final maturity	December 15, 2022
Yield	TJLP + 1.55% p.a. for the 1st and 3rd series, and IPCA + 9.046555% p.a. for the 2nd series
Guarantee	Fiduciary transfer

This 4th issue is guaranteed by the Company's tariff revenues corresponding to the monthly installment of R$32,000, updated annually by the IPCA, and Company's receivables from the "Depository Bank", related to the deposits to be made and funds existing in the "Restricted Account" earmarked for fiduciary transfer of receivables.

12. Loans and Debentures--Continued

c) Non-convertible and convertible debentures--Continued

Subscription - 5th issue:

In August 2011, the Company placed nonconvertible simple debentures, in a private issue, through exclusive subscription by Planner Trustee DTVM, consisting of 288,000 (two hundred eighty-eight thousand) bonds of R$ 1,000 each, which issue will be held in a single series in the amount of R$ 288,000, under the following contractual terms and conditions:

Issue date	September 20, 2011
Term	240 months
Grace period of the principal	42 months
Amortization	198 months
Final maturity	September 30, 2031
Yield	TR + 9% p.a.
Guarantee	Assignment and restriction of funds receivable

Funds from the “settlement account” to the “demand account” will be released according to the work plan for each project, upon an express request filed by the issuer, and will depend on previous confirmation from the fiduciary agent of the conditions contained in this contract:

This 5th issue is guaranteed by part of the Company's tariff revenue equivalent to the monthly amount not less than 4.5% on the outstanding balance of the debentures at December 31 each year, by the accounts transferred and by all shares held by the Company in investments allowed.

The funds from this issue are earmarked for the development of basic sanitation projects of the Company.

Subscription - 6th issue:

On February 15, 2012, the Company placed 400 (four hundred) unsecured nonconvertible simple debentures of R$1,000 each, in a public offering, through exclusive subscription by Pentágono Distribuidora de Títulos e Valores Mobiliários. These debentures were issued in 2 (two) series of R$200,000 under the following terms and conditions:

12. Loans and Debentures--Continued

c) Non-convertible and convertible debentures--Continued

Issue date	February 15, 2012
Term	60 months for the 1st and 3rd series and 84 months for the 2nd series
Grace period of the principal	24 months
Amortization	07 equal consecutive monthly installments for the 1st series, and 06 equal consecutive annual installments for the 2nd series
Final maturity	February 15, 2017 or the 1st series and February 15, 2019 for the 2nd series
Yield	100% of the over extra-group Interbank Deposit rate for the 1st series and IPCA plus compensatory interest corresponding to 100% of the remuneration on National Treasury Notes (NTN) - series B for the 2nd series
Guarantee	Unsecured

The funds from this issue will be used in the 2012-2014 Investment Program to be conducted in partnership with the municipalities to which the Company will provide water supply and sewage services under concession agreements, and in the debt rescheduling process.

Convertible debentures

Subscription - 2nd issue:

On July 16, 2007, the Company executed a Convertible Debentures Indenture in the amount of R$141,024 under the following terms and conditions:

Issue date	June 1, 2007
Number of debentures	1,130,000
Par value in reais	R$124.80
Grace period of the principal	59 months
Amortization	June 1, 2012 and June 1, 2013
Yield	TJLP + 2.3% p.a.
Guarantee	Floating

The fair value of the financial component recorded in liabilities was calculated using the market interest rate applicable to a similar nonconvertible debt bond. The residual book value, corresponding to the equity conversion option, is included in equity as income reserves (Note 18).

12. Loans and Debentures--Continued

c) Non-convertible and convertible debentures--Continued

The shareholders of the Company were granted the preemptive right to subscribe for debentures on the same proportion to the number of COPASA shares held on July 30, 2007, so that in order to subscribe for one (1) debenture, a shareholder would have to be the holder of 102 shares of COPASA. The deadline to exercise the preemptive right is 30 days after July 30, 2007, day of publication of the Notice to Shareholders, hence, matured at August 28, 2007. COPASA's shares (under tick symbol CSMG3 at the São Paulo Stock Exchange) were traded ex-rights of debentures subscription as from July 31, 2007.

The conversion option is available for the period between June 2, 2008 and May 31, 2012, when each debenture can be converted into four common shares of our issue, and between June 1, 2012 and May 31, 2013, when each debenture can be converted into two common shares issued by the Company, at the price of R$ 31.20 per share, as restated under the indenture terms. The following conversions were made through March 31, 2012:

	Number	
Date	**Converted debentures**	**Common shares**
8/4/2008	188	752
3/6/2009	5,396	21,584
3/12/2009	973	3,892
4/01/2009	20,595	82,380
6/18/2009	2,039	8,156
7/2/2009	4,208	16,832
7/21/2009	240	960
11/29/2011	314	1,256
Total	**33,853**	**135,812**

The convertible debt bond recognized in the balance sheet is calculated as follows:

	3/31/2012	**12/31/2011**
Liability component at the beginning of the period	135,035	134,242
Financial expenses	2,892	11,683
Interest paid	(490)	(10,890)
Liability component at the end of the period	**137,437**	**135,035**

12. Loans and Debentures--Continued

c) Non-convertible and convertible debentures--Continued

The fair value of the financial component of the convertible debt bond at March 31, 2012 totals R$137,437. The fair value is determined using cash flows discounted at a rate applicable to a similar instrument without the conversion option, namely 2.8% p.a., plus long-term interest rate (TJLP).

The funds from the 2nd issue were used in the Company's 2007-2010 Investment Program to modernize, expand and implement water and wastewater treatment plants, optimize operations with improvements in the control of loss reduction and for water supply and sewage services studies and projects, as well as in investments in new concessions and institutional development.

d) Covenants

Under its loan and debenture contracts, the Company has covenants which require that the following specific ratios are met:

d.1) Covenants in syndicated loans:

Ratio	Limit
Total debt/equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.55
Water and sewage connections/no. of employees	Equal or greater than 350

d.2) Covenants in agreements with CEF - the agreements originally signed with Unibanco, involving FGTS funds, were subsequently transferred to CEF (administrator), as described above in item 2 "Fiduciary transfer of receivables and restricted account agreement".

Ratio	Limit
Total debt/equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.7
Current liquidity (adjusted)	Above 0.9
Water and sewage connections/no. of employees	Greater than 365

d.3) Convenants in agreements with BNDES-BNA/BND/BNE:

Ratio	Limit
Net debt/EBITDA	Equal or less than 3.0
EBITDA/ROL	Equal or greater than 36%
EBITDA/debt service	Equal or greater than 1.5

12. Loans and Debentures--Continued

d) Covenants--Continued

d.4) Convenants in agreements with BNDES/debentures:

Ratio	Limit
EBITDA/debt service	Equal or greater than 1.5
EBITDA margin	Equal or greater than 33%
Indebtedness	Equal or less than 70%

d.5) Convenants in agreements with CEF/debentures:

Ratio	Limit
Net debt/equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.5
Total debt/equity	Equal or less than 1.0
Net debt/EBITDA	Equal or less than 3.0
EBITDA/ROL	Equal or greater than 36%

None of the covenants above had been breached through March 31, 2012.

13. Tax and Litigation Provisions

Provisions are recorded based on management's expectation that the settlement of an obligation is to result in an outflow of economic benefits. Provisions are recorded as current or non-current liabilities based on the dates when these outflows are expected to occur.

	Company	
	3/31/2012	**12/31/2011**
PIS/COFINS matching credit	10,608	28,163
IPI premium-credit	16,456	16,456
Tax provisions	27,064	44,619
Litigation provision	58,356	43,956
Total	**85,420**	**88,575**

	Consolidated	
	3/31/2012	**12/31/2011**
PIS/COFINS matching credit	10,608	28,163
IPI premium-credit	16,456	16,456
Tax provisions	27,064	44,619
Litigation provision	60,037	46,447
Total	**87,101**	**91,066**

13. Tax and Litigation Provisions--Continued

The Company's criterion, based on the opinion of its legal counsel, is to set up provisions for civil, labor and tax litigation proceedings and for legal obligations rated as probable losses.

a) Provisions

Changes in provisions can be showed as follows:

	Company					
	Provisions					
	Litigation				Tax	
	Civil	Labor	Tax	Judicial / escrow deposits	PIS COFINS and IPI	Total
December 31, 2011	**29,473**	**14,616**	**2,081**	**(2,214)**	**44,619**	**88,575**
Additions	13,802	2,384	41	(78)	157	**16,306**
Reversals/	(30)	(742)	-	-	(17,712)	**(18,484)**
Use	(389)	(588)	-	-	-	**(977)**
March 31, 2012	**42,856**	**15,670**	**2,122**	**(2,292)**	**27,064**	**85,420**

	Consolidated					
	Provisions					
	Litigation				Tax	
	Civil	Labor	Tax	Judicial / escrow deposits	PIS COFINS and IPI	Total
December 31, 2011	**29,473**	**17,619**	**2,081**	**(2,726)**	**44,619**	**91,066**
Additions	13,802	2,970	41	(641)	157	**16,329**
Reversals/	(30)	(1,575)	-	-	(17,712)	**(19,317)**
Use	(389)	(588)	-	-	-	**(977)**
March 31, 2012	**42,856**	**18,426**	**2,122**	**(3,367)**	**27,064**	**87,101**

Use refers to provisions settled or cases dismissed which were lost by the Company and classified as accounts payable.

13. Tax and Litigation Provisions--Continued

b) Contingent liabilities--Continued

COPASA is a party to other lawsuits for which the likelihood of loss is possible. For these litigation proceedings, no provisions were recognized to cover contingent losses, as the Company believes it has a solid, legitimate defense.

Ongoing proceedings at various administrative and judicial levels, in which the Company is a defendant, are as follows:

	Company	
Nature	**3/31/2012**	**12/31/2011**
Civil (*)	397,448	402,021
Tax (**)	57,414	55,623
Total	**454,862**	**457,644**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 13 to the Financial Statements as of December 31, 2011, except for the write-off in March 2012 due to the expiration of the period of limitation allowed to take the PIS/PASEP and COFINS matching credit for the year 2006, amounting to R$17,712.

14. Employee Profit Sharing

The 2008/2010 Collective Agreement introduced changes to the previous regulation, as formally approved at the meeting held on July 25, 2008, and ratified by the 2012 Collective Agreement, establishing that the computed amount shall be linearly distributed among all employees, in two equal installments (50% each), the first one payable in April and the second one in October.

At March 31, 2012, the Company provisioned R$7,685 (R$7,744 in 1Q11) referring to the employee profit sharing for the quarter.

15. Income and Social Contribution Taxes

a) Current income and social contribution taxes

In Brazil, income taxes comprise both federal income and social contribution taxes. The statutory tax rates applicable to income and social contribution taxes are 25% and 9%, respectively, which corresponds to a 34% rate for September 2011 and 2010. The amounts reported as income tax expenses in the income statements of the Company are reconciled to the statutory tax rates as follows:

15. Income and Social Contribution Taxes--Continued

a) Current income and social contribution taxes--Continued

	Company		Consolidated	
	3/31/2012	3/31/2011 (*)	3/31/2012	3/31/2011 (*)
		Reclassification		Reclassification
Income before taxes	168,452	194,939	166,382	192,486
Statutory rate	34%	34%	34%	34%
Expected expense at the statutory rate	**(57,274)**	**(66,279)**	**(56,570)**	**(65,445)**
Income and social contribution taxes on:				
(Additions) /exclusions				
Equity pickup	(725)	(1,496)	-	-
Realization of special monetary adjustment reserve	(321)	(793)	(321)	(793)
Government grants	847	810	847	810
Actuarial reserve - transfer to accounts payable	-	(12,091)	-	(12,091)
Other (additions) /exclusions	(260)	713	(993)	(782)
Other reconciliation items				
Interest on equity	12,837	13,403	12,837	13,403
Tax incentives	826	1,041	826	1,041
Income and social contribution taxes	**(44,070)**	**(64,692)**	**(43,374)**	**(63,857)**
Current income and social contribution taxes	(41,824)	(46,292)	(41,836)	(46,292)
Deferred income and social contribution taxes	(2,246)	(18,400)	(1,538)	(17,565)
	(44,070)	**(64,692)**	**(43,374)**	**(63,857)**
Effective rate	26.2%	33.19%	26.1%	33.17%

(*) Reclassified due to the fact that the balances of donations and grants and other temporary differences were pushed back.

b) Deferred income and social contribution taxes

Deferred income and social contribution taxes are recognized on respective tax losses, and corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The applicable tax rates, currently defined for calculation of deferred tax assets, are 25% for income tax and 9% for social contribution tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be used, based on projections of future results prepared and based on Company assumptions and future economic scenarios which may, therefore, be subject to changes.

15. Income and Social Contribution Taxes--Continued

a) Current income and social contribution taxes--Continued

The offset amounts are as follows:

	Company		Consolidated	
Asset and liability balances	3/31/2012	12/31/2011	3/31/2012	12/31/2011
In non-current assets				
Temporary differences:				
Allowance for doubtful accounts	77,725	72,316	77,725	72,316
Reserve for actuarial liabilities	28,951	29,743	28,951	29,743
Provisions for adjustments required under CPCs	343,388	330,904	343,388	330,904
Tax provisions	175,658	200,138	175,658	200,138
Other temporary provisions - sundry	15,010	7,645	16,306	8,941
Total	**640,732**	**640,746**	**642,028**	**642,042**
Deferred income tax	160,183	160,187	160,507	160,510
Deferred social contribution tax	57,666	57,667	57,783	57,784
	217,849	**217,854**	**218,290**	**218,294**
In non-current liabilities				
Temporary differences:				
Deferred exchange gains (losses) (on financing)	5,490	5,072	5,490	5,072
Provisions for adjustments required under CPCs	154,609	148,436	201,930	197,841
Total	**160,099**	**153,508**	**207,420**	**202,913**
Deferred income tax	40,025	38,377	51,855	50,728
Deferred social contribution tax	14,409	13,816	18,668	18,262
	54,434	**52,193**	**70,523**	**68,990**
Deferred income and social contribution taxes	**163,415**	**165,661**	**147,767**	**149,304**

Net income from January 1 to March 31	Company 2012	Consolidated 2012
1. Increase / (decrease) in deferred assets		
Deferred income tax	(4)	(4)
Deferred social contribution tax	(1)	(1)
	(5)	**(5)**
2. Decrease / (increase) in deferred liabilities		
Deferred income tax	1,648	1,127
Deferred social contribution tax	593	406
	2,241	**1,533**
Result of deferred taxes for the quarter (1 - 2)		
(Increase) /decrease in tax expenses	**(2,246)**	**(1,538)**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 15 to the Financial Statements as of December 31, 2011.

16. Technical Cooperation Agreements

The net balance of these agreements:

	Company		
	Receivables (assets)	**Advances (liabilities)**	**Net**
March 31, 2012			
State	213,295	(214,686)	**(1,391)**
Other	10,165	(12,195)	**(2,030)**
Total	**223,460**	**(226,881)**	**(3,421)**
December 31, 2011			
State	211,111	(206,370)	**4,741**
Other	12,446	(12,102)	**344**
Total	**223,557**	**(218,472)**	**5,085**

	Consolidated		
	Receivables (assets)	**Advances (liabilities)**	**Net**
March 31, 2012			
State	496,564	(502,321)	**(5,757)**
Other	10,165	(12,195)	**(2,030)**
Total	**506,729**	**(514,516)**	**(7,787)**
December 31, 2011			
State	484,400	(478,927)	**5,473**
Other	12,446	(12,102)	**344**
Total	**496,846**	**(491,029)**	**5,817**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 16 to the Financial Statements as of December 31, 2011.

17. Pension Plan

	Company	
	3/31/2012	**12/31/2011**
Non-current liabilities	143,140	145,235
Current liabilities	12,349	12,072
	155,489	**157,307**
Normal contributions	5,751	47
Total liabilities recognized in the balance sheet	**161,240**	**157,354**

17. Pension Plan

Changes in net liabilities are as follows:

Company	
Net liabilities at December 31, 2011	**157,354**
Expenses (income) recognized in the income statement – actuarial liabilities	(792)
Expenses recognized in the income statement - Contributions from COPASA	7,474
Reserve for monthly contributions	9,909
Monetary restatement	1,916
Debt amortization	(2,944)
Amortization of monthly contributions	(11,677)
Net liabilities at March 31, 2012	**161,240**
Current liabilities	**(18,100)**
Non-current liabilities	**143,140**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 17 to the Financial Statements as of December 31, 2011.

18. Equity and Dividends

(a) Capital

The number of authorized common shares total 115,301 thousand. All shares issued have been paid up, without par value.

The Company is controlled by the State of Minas Gerais, which holds 53.07% of the Company's shares. The remaining 46.93% thereof are held by sundry shareholders.

The Company holds 370 thousand own-issued common shares in treasury, in the amount of R$9,190, mostly acquired from the State of Minas Gerais through transactions related to settlement of debts originated from provision of water supply and sewage services and technical cooperation agreements. These shares are recorded as "treasury shares". The Company has the right to reissue these shares on a subsequent date. All shares issued by the Company were paid up.

The Company's Free Float at March 31, 2012 is 46.6%.

18. Equity and Dividends--Continued

(b) Shareholders' compensation

Under the Articles of Incorporation, shareholders of any type are entitled to a mandatory minimum dividend of 25% of net income, adjusted by reducing or increasing the amounts specified in Article 202, items I, II and III of Law No. 6404/76. The approved dividends bear no interest and the amounts not claimed within 3 years after the date they are available to the shareholders become time-barred in favor of the Company.

At a meeting held on March 16, 2012 and in accordance with the resolution made at the Special Shareholders' Meeting of April 28, 2009, the Company Board of Directors approved the 2012 dividend distribution, as Interest on Equity, at 35% on budgeted profit.

The Company Board of Directors approved credit of Interest on Equity to shareholders, as decided in the following meetings:

Date	Gross amount declared	Value per share
16/03/2012	37,755	0.33
	37,755	

Declared Interest on Equity will be imputed on the mandatory dividends for the year 2012.

As provided for in Article 9 of Law No. 9249/95, and based on the Long-Term Interest Rate (TJLP), interest was recorded as financial expenses deductible when calculating both income and social contribution taxes, thereby generating a tax benefit of R$12,837. Under Brazilian corporation law, interest on equity is disclosed as a debit to retained earnings, in equity.

Changes in the balance of interest on equity are as follows:

	3/31/2012	12/31/2011
Beginning balance	26,921	66,859
Proposed interest on equity	37,755	153,127
Prepaid Withholding Income Tax (IRRF)	-	(15,627)
Paid interest on equity	-	(177,438)
Balance of interest on equity in current liabilities	**64,676**	**26,921**

18. Equity and Dividends--Continued

(c) Earnings per share

- Basic earnings

Basic earnings per share is reached after dividing the income attributed to the Company common shareholders, by the weighted average of common shares issued during the year, net of common shares purchased by the Company and recorded as treasury shares (letter "a" of this Note).

	Company		Consolidated	
	3/31/2012	**3/31/2011**	**3/31/2012**	**3/31/2011**
Income attributed to the Company shareholders	124,382	130,247	123,008	128,629
Weighted average of common shares issued - thousands	114,931	114,929	114,931	114,929
Basic earnings per share	**1.08**	**1.13**	**1.07**	**1.12**

- Diluted earnings

Diluted earnings per share is reached after adjusting the weighted average of common shares outstanding, assuming conversion of all potential diluted common shares. The Company has a category of potential diluted common shares: convertible debt. It is assumed that the convertible debt has been converted into common shares and that the net income is adjusted so as to eliminate the financial expense less relevant tax effect.

	Company		Consolidated	
	3/31/2012	**3/31/2011**	**3/31/2012**	**3/31/2011**
Income				
Income attributed to the Company shareholders	124,382	130,247	123,008	128,629
Financial expense on convertible debt (net of tax effect)	2,892	1,188	2,892	1,888
Income used to determine diluted earnings per share	**126,291**	**132,135**	**124,917**	**130,517**
Weighted average of common shares issued - thousands	114,931	114,929	114,931	114,929
Adjustments from:				
Assumed conversion of the convertible debt - thousands	4,353	4,520	4,353	4,520
Weighted average of common shares for diluted earnings per share – thousands	119,284	119,449	119,284	119,449
Diluted earnings per share	**1.06**	**1.11**	**1.05**	**1.09**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 18 to the Financial Statements as of December 31, 2011.

19. Financial Risk Management Objectives and Policies

(a) Financial risk management

Major financial liabilities recognized by the Company are loans payable, accounts payable and other payables. The main purpose of these financial liabilities is to raise funds necessary for Company operations. The Company has loans and other receivables, accounts receivable from customers and other receivables and demand and short-term cash deposits, arising directly from its operations.

The Company is exposed to market, credit and liquidity risks.

The Company's financial oversight board oversees the management of these controls, supported by the executive board which provides advice on financial risks and proper financial risk governance for the Company. The executive board provides assurance to the Company's financial oversight board that the Company's activities in which financial risks are assumed follow proper policies and procedures and that the financial risks are identified, assessed and managed in accordance with the Company's policies and the Group's risk appetite. The Company's policy is not to engage in any derivative transactions.

The Board of Directors reviews and establishes policies for managing each of these risks, as summarized below:

(i) Market risk

Market risk is the risk that the fair value of future cash flows from a financial instrument may vary due to market price changes. Market price involves four types of risk: interest rate, currency, commodities price and other price risks, such as share price risk. Financial instruments affected by market risk include loans payable, deposits and available-for-sale instruments.

The sensitivity analyses in the following sections refer to the Company's position at March 31, 2012 and December 31, 2011.

The sensitivity analyses considered the net debt amount, fixed to floating interest rate ratio, and the percentage of financial instruments in foreign currency, all of which are constant values.

These analyses did not include changes from the impact of market variables on the book value of pension and post-employment plan liabilities, provisions and non-financial assets and liabilities from foreign transactions.

The sensitivity analysis of the corresponding income statement item is the effect of assumed changes in the underlying market risks. It is based on financial assets and liabilities recorded at March 31, 2012 and December 31, 2011.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(i) Market risk--Continued

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument may vary due to changes in market interest rates. The Company's exposure to market interest rate risk substantially refers to its non-current liabilities subject to floating interest rates.

The Company is exposed to risk of increase in international interest rates, with impact on loans and financing in foreign currency at floating interest rate (mainly the basket of interest rates on agreements related to the Federal Government - Bonds).

Several scenarios are simulated considering refinancing, renewal of existing positions and loans. Based on these scenarios, the Company defines a reasonable interest rate change and calculates its impact on income. The scenarios are prepared only for major financial assets and liabilities.

Sensitivity to interest rates

The following table shows the sensitivity to a possible change in interest rates for this portion of loans payable. Assuming that all other variables remain constant, the Company's income before taxes is affected by the impact on loans payable subject to floating rates, as under.

	Increase/ decrease in base points	Effect on income before taxes
3/31/2012		
R$	+ 0.5%	(14,240)
R$	- 0.5%	14,240
12/31/2011		
R$	+ 0.5%	(12,770)
R$	- 0.5%	12,770

The change in base points assumed in the analysis of sensitivity to interest rates is based on current interest rates prevailing in the market, indicating volatility significantly higher than in prior years.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will be affected by changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates substantially refers to equipment imports, short-term investments and loans and financing, basically in relation to US dollar.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(i) Market risk--Continued

Financing in foreign currency are intended for specific works to improve and expand water supply and sewage collection and treatment systems. The Company does not hedge against currency risks.

The Company's exposure in foreign currency, represented by its U.S. dollar-denominated debt, amounts to R$54,429 at March 31, 2012 (R$55,750 at December 31, 2011), i.e., 1.7% of its total debt (2.0% at December 31, 2011). As of March 31, 2012, the Company maintains collateral of R$34,145 (R$35,192 at December 31, 2011) for part of its financing in foreign currency (Note 12).

Foreign exchange sensitivity

The following table shows the sensitivity to a reasonable change that may occur in the US$ exchange rate, assuming that all other variables remain constant, on the Company's income before taxes and equity.

	Change in US$ rate	Effect on income before taxes
3/31/2012	+ 20%	(10,662)
	- 20%	10,662
	+10%	(5,331)
	-10%	5,331
12/31/2011	+ 20%	(11,036)
	- 20%	11,036
	+10%	(5,518)
	-10%	5,518

Change in income and equity derives from change in US dollar loans.

(ii) Credit risk

Credit risk is the risk of financial loss due to a counterparty's failure to perform an obligation under a financial instrument or customer contract. The Company is exposed to credit risk from its operating and financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Accounts receivables

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(ii) Credit risk--Continued

Credit risk on accounts receivable is subject the Company's established procedures, controls and policy. Credit limits are established for all customers based on internal rating criteria. A significant portion of sales is distributed among a large number of customers. For these customers, credit risk is minimal as a result of the large and diverse nature of the Company's customer base and its control procedures over such risk. Doubtful accounts are adequately covered by an allowance for losses on their realization.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Treasury in accordance with the policy established by that department. Cash surplus is invested only with approved counterparties and within the credit limits assigned to each of them. Counterparty credit limits are reviewed on annual basis.

For banks and financial institutions, the Company's funds are mainly invested in securities of entities independently awarded a minimum "A" rating.

Quality of financial assets that are not overdue or impaired may be assessed by reference to external credit ratings or historical information on counterparty default rates.

	Company	
	3/31/2012	**12/31/2011**
Current account, bank deposits and short-term investments (*)		
AAA	433,253	94,559
AA	63,404	63,469
A	131,555	26,520
B (BAA, BA and BBB)	79,808	56,988
	708,020	**241,536**

	Consolidated	
	3/31/2012	**12/31/2011**
Current account, bank deposits and short-term investments (*)		
AAA	433,752	95,394
AA	63,404	63,469
A	131,555	26,520
B (BAA, BA and BBB)	79,808	56,988
	708,519	**242,371**

(*) According to risk rating agency Moody's classification.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(iii) Liquidity risk

The Company monitors the risk of cash shortage using a recurring liquidity planning tool.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions.

Management monitors the Company's liquidity level by considering its expected cash flows as well as its cash and cash equivalents (Note 6). Generally, this is performed locally by the Company's operating companies, in accordance with the Company's established practice and limits. These limits vary by location as they consider the liquidity of the market in which the entity operates. Also, the liquidity management policy adopted by the Company requires projection of cash flows and analysis of the level of net assets required to meet these projections, monitoring of liquidity ratios in the balance sheet in relation to internal and external regulatory requirements, and maintenance of debt financing plans.

The following table analyzes financial liabilities settled for net value, by maturity bracket, corresponding to the remaining period in the balance sheet in relation to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances falling due within 12 months are equal to carry-over balances since the discount impact is not significant.

	Maturity brackets (i)			
	Up to 1 year	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**
At March 31, 2012				
Amortization	524,183	685,412	624,904	1,340,829
Interest	36,410	-	-	-
Loans and financing	**560,593**	**685,412**	**624,904**	**1,340,829**
Suppliers and other liabilities	**154,241**	**21,858**	**56,083**	**65,199**
At December 31, 2011				
Amortization	521,288	660,715	431,026	1,174,536
Interest	22,394	-	-	-
Loans and financing	**543,682**	**660,715**	**431,026**	**1,174,536**
Suppliers and other liabilities	**139,415**	**24,489**	**44,366**	**64,261**

(i) The maturity analysis applies solely to financial instruments, therefore, legal and statutory obligations, including, among others, taxes, dividends, interest on equity capital, supplemental pension plan and provisions are not included.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(iii) Liquidity risk--Continued

The Company is not engaged in transactions involving derivative financial instruments.

The following table sets out collaterals pledged by COPASA for financing agreements.

Institution	Collateral (committed revenue)	3/31/2012	12/31/2011
CEF until 1998 and National Treasury	10% receivables	22,510	22,459
CEF 2003, 2004, 2007, 2008 and 2009	Committed revenue equal to 3 times the monthly debt service	11,234	11,234
Unibanco 2002 and syndicated agreements 2004	R$17 MM annually restated by IPCA, since July 4, 2006	21,956	21,956
Syndicated agreements II – 2006	R$15.3 MM annually restated by IPCA, since July 4, 2006	19,760	19,760
BNDES 2004 (I issue of debentures) 300 MM	R$18 MM annually restated by IPCA, since February 1, 2009	21,291	20,115
BNDES 2007 (III issue of debentures) 450 MM	R$18 MM annually restated by IPCA, since December 12, 2007	21,215	21,215
BNDES PAC 2007/2008	R$18 MM annually restated by IPCA, since May 20, 2008	30,907	30,907
BNDES 181 MM	R$7 MM annually restated by IPCA, since April 22, 2010	7,498	7,498
BNDES simple debentures 740 MM	R$32 MM annually restated by IPCA, since July 1, 2010	34,487	34,487
BNDES 288 MM	Committed revenue equal to 4.5% of the balance of debentures	12,960	13,070

(b) Capital risk management

The primary objective of the Company's capital risk management is to ensure that it maintains a strong credit rating and a sound capital ratio in order to support is businesses and maximize shareholder value.

Capital structure is managed and adjusted by the Company in light of changes to economic conditions. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to them, or issue new shares.

No changes were made in the objectives, policies or processes in the periods ended March 31, 2012 and December 31, 2011.

19. Financial Risk Management Objectives and Policies--Continued

(b) Capital risk management--Continued

Alike other sector companies, COPASA monitors its capital based on financial leverage and debt ratios. Financial leverage ratio corresponds to the net debt divided by total capital. Net debt, in turn, corresponds to total loans (including short and long-term loans, as disclosed in the consolidated balance sheet), less cash and cash equivalents. Total capital is determined adding equity, as disclosed in the consolidated balance sheet, to net debt.

In 2011, the Company's strategy, which remained unaltered in relation to 2010, was that of maintaining the financial leverage and debt ratios below 100%. Total liabilities to equity ratio at March 31, 2012 and December 31, 2011 can be summarized as under:

	Company	
	3/31/2012	**12/31/2011**
Total loans and debentures (Note 12)	3,211,738	2,809,959
Less: Cash and cash equivalents (Note 06)	(708,020)	(241,536)
Net debt	**2,503,718**	**2,568,423**
Total equity	4,588,304	4,501,677
Total capital	**7,092,022**	**7,070,100**
Financial leverage ratio - %	35	36
Debt ratio - %	55	57

	Consolidated	
	3/31/2012	**12/31/2011**
Total loans and debentures (Note 12)	3,211,738	2,809,959
Less: Cash and cash equivalents (Note 06)	(708,519)	(242,371)
Net debt	**2,503,219**	**2,567,588**
Total equity	4,618,857	4,533,604
Total capital	**7,122,076**	**7,101,192**
Financial leverage ratio - %	35	36
Debt ratio - %	54	57

(c) Fair value estimate

The Company does not have financial assets or liabilities measured at fair value. The Company's financial assets and liabilities, as disclosed in Note 03 (i and j), are classified as loans and receivables at amortized cost.

20. Revenues

The Company's operating revenues for the periods ended March 31, 2012 and 2011 are set out below:

	Company	
	3/31/2012	**3/31/2011**
Gross revenue from water supply and sewage services	738,429	669,563
Construction revenue	154,135	177,889
Total gross revenue:	**892,564**	**847,452**
Sales taxes	(67,206)	(60,979)
Other deductions	(11,877)	(10,334)
Net revenue	**813,481**	**776,139**

	Consolidated	
	3/31/2012	**3/31/2011**
Gross revenue from water supply and sewage services	742,808	672,334
Gross revenue from sales of goods	800	412
Construction revenue	154,135	177,889
Total gross revenue	**897,743**	**850,635**
Sales taxes	(67,926)	(61,390)
Other deductions	(11,970)	(10,334)
Net revenue	**817,847**	**778,911**

Other operating income earned by the Company for the periods ended March 31, 2012 and 2011 are set out below:

	Company	
	3/31/2012	**3/31/2011**
Reversal of nondeductible provision	29,207	22,669
Recovery of accounts written off as loss	7,711	7,671
Other revenues	7,905	3,729
Total other operating income	**44,823**	**34,069**

	Consolidated	
	3/31/2012	**3/31/2011**
Reversal of nondeductible provision	30,082	22,721
Recovery of accounts written off as loss	7,745	7,690
Other revenues	7,994	3,751
Total other operating income	**45,821**	**34,162**

21. Expenses by Nature

	Company	
	3/31/2012	3/31/2011
Salaries and charges	213,704	182,570
Materials	27,105	23,740
Outsourced services	117,481	97,608
General	22,156	20,979
Depreciation and amortization	86,904	76,486
Allowance for doubtful accounts	21,961	9,970
Provision for losses on obsolete materials	12	670
Construction costs	152,807	174,920
Litigation provision	16,385	5,380
Equity pickup	2,132	4,401
Employee profit sharing	7,685	7,744
Other	11,974	7,279
Operating expenses	**680,306**	**611,747**
(-) Tax credits	**(21,372)**	**(15,636)**
Net operating expenses	**658,934**	**596,111**
Costs	**474,453**	**454,170**
Expenses	**184,481**	**141,941**

	Consolidated	
	3/31/2012	3/31/2011
Salaries and charges	215,888	184,261
Materials	27,656	24,277
Outsourced services	119,323	99,358
General	22,866	21,396
Depreciation and amortization	89,640	79,110
Allowance for doubtful accounts	22,281	10,208
Provision for losses on obsolete materials	12	670
Construction costs	152,807	174,920
Litigation provision	16,971	6,401
Employee profit sharing	7,685	7,744
Other	12,490	7,513
Operating expenses	**687,619**	**615,858**
(-) Tax credits	**(21,549)**	**(15,759)**
Net operating expenses	**666,070**	**600,099**
Costs	**479,915**	**458,506**
Expenses	**186,155**	**141,593**

22. Expenses with Employee Benefits

	Company	
	3/31/2012	3/31/2011
Salaries	119,119	101,549
Social security costs	35,839	31,546
FGTS	14,532	8,677
Pension plan contribution	7,474	8,095
Workers' meal program	23,725	21,006
Health program	9,288	8,402
Other benefits	3,727	3,295
Total	**213,704**	**182,570**
Employee headcount (unaudited)	11,508	11,393

	Consolidated	
	3/31/2012	3/31/2011
Salaries	120,861	102,904
Social security costs	36,081	31,731
FGTS	14,621	8,755
Pension plan contribution	7,474	8,095
Workers' meal program	23,777	21,045
Health program	9,310	8,412
Other benefits	3,764	3,319
Total	**215,888**	**184,261**
Employee headcount (unaudited)	11,775	11,602

23. Financial Income and Expenses

The changes in financial income (expenses), net for 1Q12 as compared to the same period in 2011 is as under:

	Company	
	1/1/2012 to 3/31/2012	1/1/2011 to 3/31/2011
Interest income	5,720	6,613
Effective yield from investments	10,273	3,668
Monetary and foreign exchange gains	10,896	6,726
Capitalization of financial/other assets	3,282	3,272
Total financial income	**30,171**	**20,279**
Interest expenses	(49,892)	(30,029)
Monetary and foreign exchange losses	(9,742)	(7,961)
Other expenses	(1,455)	(1,447)
Total financial expenses	**(61,089)**	**(39,437)**
Financial income (expenses), net	**(30,918)**	**(19,158)**

23. Financial Income and Expenses--Continued

	Consolidated	
	1/1/2012 to 3/31/2012	1/1/2011 to 3/31/2011
Interest income	5,813	6,661
Effective yield from investments	10,277	3,684
Monetary and foreign exchange gains	10,499	5,167
Capitalization of financial/other assets	3,315	3,458
Total financial income	**29,904**	**18,970**
Interest expenses	(49,892)	(30,029)
Monetary and foreign exchange losses	(9,742)	(7,961)
Other expenses	(1,486)	(1,468)
Total financial expenses	**(61,120)**	**(39,458)**
Financial income (expenses), net	**(31,216)**	**(20,488)**

24. Transactions with Related Parties

The Company is controlled by the State of Minas Gerais, which holds 53.07% of the Company's shares. The remaining 46.93% thereof are held by sundry shareholders.

In addition to the balance payable to CEMIG, disclosed in Note 11, and the agreements described in Note 16, the remaining transactions with related parties are substantially those carried out with the State of Minas Gerais and subsidiaries. Significant balances and transactions with related parties are set out below:

	Company				
	3/31/2012				
	Subsidiaries				Other
	Águas Minerais	Copanor	Serviços de Irrigação	Total	MG State
Assets					
Current assets					
Accounts receivable - customers					
Billed amounts	-	-	-	-	11,446
Non-current assets					
Loans	58,210	17,878	1,401	77,489	-
Investments	1	1	1	3	-
Total assets	**58,211**	**17,879**	**1,402**	**77,492**	**11,446**
Liabilities					
Current liabilities					
Agreements	-	-	-	-	1,391
Interest on equity	-	-	-	-	20,101
Non-current liabilities					
Investment valuation allowance	31,327	14,032	840	46,199	-
Total liabilities	**31,327**	**14,032**	**840**	**46,199**	**21,492**
Income statement					
Revenue from water supply and sewage services	-	-	-	-	21,951
Gains on monetary variation	-	366	33	399	-

24. Transactions with Related Parties--Continued

	Company				
	12/31/2011				
	Subsidiaries				Other
	Águas Minerais	Copanor	Serviços de Irrigação	Total	MG State
Assets					
Current assets					
Accounts receivable - customers					
Billed amounts	-	-	-	-	8,905
Agreements	-	-	-	-	4,741
Loans	57,541	17,139	1,368	76,048	
Investments	1	1	1	3	-
Total assets	**57,542**	**17,140**	**1,369**	**76,051**	**13,646**
Liabilities					
Current liabilities					
Interest on equity	-	-	-	-	15,870
Non-current liabilities					
Investment valuation allowance	31,047	13,666	894	45,607	-
Total liabilities	**31,047**	**13,666**	**894**	**45,607**	**15,870**
	3/31/2011				
Income statement					
Revenue from water supply and sewage services	-	-	-	-	19,958
Gains on monetary variation	1,167	351	42	1,560	-

Balances and transactions with related parties are conducted under prices and conditions considered by Management to be similar to those prevailing in the market, except for the form of financial settlement, which may occur through special negotiations (matching of accounts). The loan agreements with subsidiaries Copanor e Serviços de Irrigação pay 101% of CDI. As from January 2012, monetary restatement on loan agreements with subsidiary Águas Minerais has no longer been calculated and accounted for because the balance of these agreements will be converted into future capital contribution, the implementation of which depends upon approval by the Board of Directors and Special Shareholders' Meeting in meetings to be held in 2Q12, as mentioned in Note 08.

- Electric power supply

  COPASA is one of the major consumers of electric power in the State of Minas Gerais, where electricity is supplied primarily by the Minas Gerais electric power utility company CEMIG, controlled by COPASA's controlling shareholder, i.e., the State of Minas Gerais. More than 300 electric power supply agreements were signed, each one for a specific consumer unit, as mentioned in Note 11.

24. Transactions with Related Parties--Continued

- Financing agreements with BDMG

  The Company entered into various financing agreements with BDMG in the normal course of its business.

- Agreements with CODEMIG

  As of March 22, 2006, the Company signed an intention protocol for technical cooperation and, as of September 30, 2006, a lease agreement was made to take over the rights related to mineral waters of Araxá, Cambuquira, Caxambu and Lambari, as mentioned in Note 01.

- Guarantee of the State of Minas Gerais in Company's agreements with Brazilian Federal Government

  Agreements with the Brazilian Federal Government guaranteed by the State of Minas Gerais:

  Debt acknowledgement and settlement agreement with the Federal Government as of January 20, 1994: (i) offset any amounts with own revenues and portions of certain taxes collected, in amounts sufficient to settle any past due installments; and (ii) request the transfer of funds existing in the State's revenue centralizing accounts maintained in a certain financial institution, in amounts sufficient to settle any installment in default. At March 31, 2012, the outstanding balance of these agreements totals R$69,823, as mentioned in Note 12.

  Debt acknowledgement and consolidation agreement with the Federal Government as of August 5, 1998: the State of Minas Gerais assigned and transferred to the Federal Government credits from certain taxes collected, in amounts sufficient to pay installments and charges due on each maturity date. At March 31, 2012, the outstanding balance of these agreements totals R$54,429, as mentioned in Note 12.

- Key management personnel compensation

  Key management members include Board of Directors and Officers, Executive Committee members and the Internal Audit Officer. Compensation paid or payable to key management members, for employee services rendered by them over the year, is as follows:

	3/31/2012	3/31/2011
Salaries and other short-term benefits to employees	1,360	949
Post-employment benefits	-	-
	1,360	**949**

25. Water Supply and Sewage Services in Belo Horizonte

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 25 to the Financial Statements as of December 31, 2011.

26. Fair Value Measurement and Hierarchy

The fair value is an existing price, representing the value that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Accordingly, fair value is a market-based measurement and should consider the assumptions that market participants would use in pricing an asset or liability. Such consideration is based on a 3-level fair value hierarchy established to prioritize the inputs used for fair value measurement, as follows:

1. Level 1 - Market observable inputs such as those whose quoted prices are available in active markets;
2. Level 2 - Inputs, other than those with quoted prices in active markets that are observable either directly or indirectly; and
3. Level 3 - Unobservable inputs for which there are few or no available market data,

which requires the reporting entity to develop its own assumptions.

At March 31, 2012, the Company has no financial instruments measured at fair value.

27. Commitments

COPASA entered into new venture construction contracts, under which obligations are recorded as the services are rendered. The main outstanding contracts with subcontractors and suppliers at March 31, 2012 are listed below:

Subcontractor	Amount	Execution date	Term in days (1)
Construtora Andrade Gutierrez S.A.	186,404	8/25/2011	1,080
Construções Camargo Corrêa S/A.	121,904	11/24/2011	900
Construtora Barbosa Mello S/A.	43,272	12/26/2011	540
Egesa Engenharia S/A.	42,121	9/13/2010	1,080
Perfil Engenharia S/A.	26,731	1/5/2012	540
Construtora R. Fonseca	22,731	6/30/2009	1,080
Prefisan Ltda.	21,624	3/14/2012	1,080
Infracon Engenharia e Comércio Ltda.	21,596	9/5/2011	360
Consorcio Ecosan	19,642	10/1/2010	600
Socienge Construções Ltda.	16,707	2/5/2010	840
Encibra S/A Est. Projeto de Engenharia	13,818	1/24/2012	1,080

1) As from the date established in the first service order.

27. Commitments--Continued

Upon renewal or review of some concession agreements, the Company assumed commitments of participating financially in sewage network construction and river valley treatment works, to be carried out by the municipal governments. Among works carried out, those in public sites (stream channeling, open sewage channels) are treated as intangible assets – 'concession rights', and amortized over the remaining concession term. Sewage interceptors are incorporated to the Company's intangible assets.

The main committed amounts refer to the following municipalities:

	R$		
Municipalities	**Committed**	**Realized**	**Realization %**
Betim	80,286	73,521	91.57
Belo Horizonte (Note 25)	261,140	50,297	19.26
Contagem	83,155	83,155	100
Montes Claros	121,941	61,417	50.37
Ribeirão das Neves	86,411	70,977	82.14
Teófilo Otoni	54,360	-	-

28. Insurance

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 28 to the Financial Statements as of December 31, 2011.

29. ICMS (State VAT) Levy

According to State Law No. 9944 of September 20, 1989, and State Decree No. 38104/96, the Company started paying ICMS (State VAT) under a special tax regime, whereby this tax was levied and collected on the supply of piped water for the period between 1989 and 1991. In 1991, the Company suspended the tax collection as a result of a preliminary decision on Direct Unconstitutionality Proceeding (ADIN) No. 567-7, which established that this collection necessitated a particular law to regulate it. The ADIN was declared impaired by loss of the subject matter, and this issue has been the subject of uncontested understanding by the Supreme Court in a decision awarded on Direct Unconstitutionality Proceeding No. 2224, published on March 21, 2007, whereby the supply of treated water to end consumers is an essential public service, by express constitutional determination. However, as the merits of the action have not yet been judged, and although there are pronouncements from the STF (Supreme Court) and the STJ (Higher Court of Justice), and repeated understanding of the Minas Gerais state law that there would be no ICMS levy on the supply of drinking water by concession operators that provide this public service, so far there is no definitive Judicial Branch position. Due to the suspension of the tax collection, the amount of the referred to tax is not currently included in the calculation of tariffs of the Company, and it is not being charged either from customers or passed on to the State Government. Furthermore, there is no tax deficiency notice from the state tax authorities that would render the establishment of a provision for this tax justifiable.

30. Material Facts

Companhia de Saneamento de Minas Gerais - COPASA MG, pursuant to CVM Ruling No. 358/2002, informed its shareholders and the market in general, via a press release dated April 12, 2012, that the Minas Gerais State Regulatory Water and Wastewater Agency (ARSAE – MG) had disclosed on its website, www.arsae.mg.gov.br, as of that date, Resolution No. 20/2012, authorizing an average tariff adjustment of 4.34% applicable water supply and sewage services provided by COPASA MG effective for consumption of as from May 13, 2012.