Quarterly Information

Companhia de Saneamento de Minas Gerais - COPASA

Quarter ended June 30, 2012 with Review Report of Independent Auditors

Comments on Performance

01. General Data on Customer Services

The population served by water supply increased by 461 thousand people, thus reaching 13.8 million inhabitants with water supply connection, as compared to 13.4 million in the second quarter of 2011 (2Q11). The number of municipalities with water services increased from 605 in June 2011 to 611 in June 2012.

COPASA MG
General Data on Water Supply Services
2nd quarter of 2012 and 2011

Items	Units	2Q12	2Q11	Variation	
				Amount	%
Municipalities with concession (1) (*)	number	624	618	6	1.0
Municipalities with operation (2) (*)	number	611	605	6	1.0
Population served (3) (*)	thousand inhabitants	13,832	13,371	461	3.4
Billed connections (*)	thousand connections	3,703	3,565	138	3.9
Network length (*)	km	44,476	43,325	1.151	2.6
Billed water supply volume (*)	1000 m³/quarter	163,397	159,346	4.051	2.5
Produced water supply volume (*)	1000 m³/ quarter	228,535	224,902	3.633	1.6

(1) Total municipalities where Company has concessions: headquarters, hamlet, villages, among others.
(2) Total municipalities where Company has any form of operation: headquarters, hamlet, villages, among others.
(3) Population connected to water supply.
(*) Consolidated data, including subsidiary (COPANOR).

Comments on Performance

In relation to billed water connections there was an increase of 138 thousand connections, totaling 3.7 million new connections, representing an increase of 3.9% in relation to 2Q11. The water distribution network was expanded by 1,151 km, totaling 44,476 km, up 2.6% in relation to 2Q11 (43,325 km).

In relation to sewage systems the number of served municipalities increased by 7.2%, from 167 in June 2011 to 179 in June 2012 resulting in total population of 8.5 million people with sewage connection (7.9 million in 2Q11), representing a 6.6% increase (530 thousand people).

COPASA MG
General Data on Sewage Services
2nd Quarter 2012 and 2011

Items	Units	2Q12	Q111	Variation	
				Amount	%
Municipalities with concession (1) (*)	Number	236	220	16	7.3
Municipalities with operation (2) (*)	Number	179	167	12	7.2
Population served (3) (**)	Thousand inhabitants	8,519	7,989	530	6.6
Billed connections (**)	Thousand connections	2,178	2,012	166	8.3
Network length (**)	km	18,569	16,499	2,070	12.5
Billed sewage treatment service (**)	1,000 m³/quarter	105,510	98,754	6,756	6.8
Treated sewage volume (**)	1,000 m³/quarter	52,068	43,567	8,501	19.5

(1) Total municipalities where Company has concessions: headquarters, hamlet, villages, among others.
(2) Total municipalities where Company has any form of operation: headquarters, hamlet, villages, among others.
(3) Population connected to sewage network.
(*) Consolidated data, includes subsidiary (COPANOR).
(**) Only Company data (COPASA).

These services are rendered through 2.2 million billed sewage connections (approximately 2.0 million in 2Q11), representing an increase of 166 thousand connections (8.3%). The sewage collection network was expanded by 2,070 km, totaling 18,569 km, up 12.5% in relation to the 2Q11.

Treated sewage volume reached 52.1 million m³ in the quarter, up 19.5% in relation to the same prior year period, mainly due to the beginning of operation of the new Wastewater Treatment Plants (ETEs), among them Teófilo Otoni.

Comments on Performance

02. Performance Indicators

The Company's expansion in the period led to an increase in billed water supply and sewage service volume by 10.8 million m³ in relation to 2Q11. 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.

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 2.08 employees/1,000 connections in 2Q11 to 1.99 in 2Q12 mainly due to growth in the number of connections.

COPASA MG
Operational/Commercial Performance Indicators
2nd Quarter 2012 and 2011

Items	Units	2Q12	2Q11	Variation	
				Amount	%
1 - Employees (*)	number	11,719	11,596	123	1.1
2 – Employees/ connections (A+E)	employees/1,000 connections	1.99	2.08	-0.09	-4.3
3 – Billed volume					
Water	1,000m³/quarter	163,397	159,346	4,051	2.5
Sewage	1,000m³/quarter	105,510	98,754	6,756	6.8
Total	1,000 m³/quarter	268,907	258,100	10,807	4.2
4 – Volume of water produced	1,000 m³/quarter	228,535	224,902	3,633	1.6
5 – Water metering index	%	99.89	99.96	-0.07	-0.1
6 – Water not converted into revenue – ANCR (1)	l/connection/day	228.38	232.41	-4.03	-1.7

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

The percentage of water metered connections reached 99.89% in June 2012, which is one of the best records 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 228.38 l/connection/day in 2Q12, down 1.7% in relation to 2Q11 (232.41).

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).

Comments on Performance

03. Investments 2Q12

In 2Q12 investments were mainly earmarked for work on the Complex R-13 RMBH (Northeast Water Pipeline), the expansion of the Itamarandiba water supply system, the implementation of Sewage Treatment Systems of Carmo do Paranaíba, the expansion of the Sewage System Belo Horizonte/Contagem (objective 2014), Lagoa Santa, Ribeirão das Neves, Santa Luzia and Vespasiano, in the implementation of the sewage treatment supply system at Barbacena, Nova Serrana, Patos de Minas, Pedra Azul, Santa Luzia (headquarters), Teófilo Otoni and, also in the expansion of the sewage treatment supply stations at Ribeirão Arrudas-ETE Arrudas and Betim (ETE Central).

INVESTMENTS (IN R$ MILLION)	2011	2Q12	2Q11
WATER	270.4	63.9	56.9
SEWAGE	390.6	106.1	93.7
OTHER	21.9	4.0	6.0
TOTAL	**682.9**	**174.0**	**156.6**

04. Financial Performance - Company

The charts below present the Company's financial performance for the second quarter of 2012, compared to the prior year:

Company	Income statement 6/30/2012		6/30/2011		Variation	
	R$	%	R$	%	R$	%
Water supply services	441,054	53.21	434,337	55.78	6,717	1.55
Sewage services	213,727	25.79	177,346	22.77	36,381	20.51
Construction revenue	174,089	21.00	167,036	21.45	7,053	4.22
Net operating revenue from services	**828,870**	**100.00**	**778,719**	**100.00**	**50,151**	**6.44**
Cost of services rendered	(348,708)	-42.07	(294,584)	-37.83	(54,124)	18.37
Construction costs	(171,187)	-20.65	(163,227)	-20.96	(7,960)	4.88
Cost of services rendered	**(519,895)**	**-62.72**	**(457,811)**	**-58.79**	**(62,084)**	**13.56**
Gross profit	**308,975**	**37.28**	**320,908**	**41.21**	**(11,933)**	**-3.72**
Selling expenses	(48,789)	-5.89	(42,027)	-5.40	(6,762)	16.09
General and administrative expenses	(86,155)	-10.39	(85,197)	-10.94	(958)	1.12
Other operating income	32,774	3.95	14,314	1.84	18,460	n.m.
Other operating expenses	(15,194)	-1.83	(21,421)	-2.75	6,227	-29.07
Employee profit sharing	(6,777)	-0.82	(7,323)	-0.94	546	-7.46
Equity pickup	(2,942)	-0.35	(3,880)	-0.50	938	-24.18
Operating income/expenses	**(127,083)**	**-15.33**	**(145,534)**	**-18.69**	**18,451**	**-12.68**
Income before financial result and taxes	**181,892**	**21.94**	**175,374**	**22.52**	**6,518**	**3.72**
Financial income	28,297	3.41	24,848	3.19	3,449	13.88
Financial expenses	(64,625)	-7.80	(39,669)	-5.09	(24,956)	62.91
Financial result	**(36,328)**	**-4.38**	**(14,821)**	**-1.90**	**(21,507)**	**n.m.**
Income before taxes	**145,564**	**17.56**	**160,553**	**20.62**	**(14,989)**	**-9.34**
Provision for income tax	(26,988)	-3.26	(33,601)	-4.31	6,613	-19.68
Provision for social contribution tax on net profit (CSLL)	(10,186)	-1.23	(12,448)	-1.60	2,262	-18.17
Net income for the period	**108,390**	**13.08**	**114,504**	**14.70**	**(6,114)**	**-5.34**

Comments on Performance

a. Net operating revenue from services – In the 2nd quarter of 2012, net revenue from Company water services were R$441,100 and sewage services were R$213,700, totaling R$654,800, which represents an increase of 6.44% in relation to the 2nd quarter of 2011. This increase is due to:

- Increase in the volume billed by the Company of 4.0%.
- Average tariff adjustment of 7.02% for consumption recorded as from April 23, 2011 and 4.34% applied on a pro-rata basis for consumption between May 14 and June 13, and fully applied for consumption as from June 14, 2012.
- Change in the percentage of collection for sewage rate tariffs, due to the beginning of operations at ETEs in the Bueno Brandão, Curvelo, Itajubá and João Pinheiro (June 2011); Alfenas, Araçuaí and Itaobim (September 2011); Itacarambi (October 2011); Coronel Murta (January 2012); Cláudio and Divisópolis (February 2012); Mata Verde (March 2012), Lavras (May 2012) and Pouso Alegre (June 2012) municipalities.

As mentioned the growth in revenue from water and sewage services was distinctive in the period under analysis. The increase in the tariff collection increase for sewage is from a 60% to 75% and later to a 90% water tariff, due to the beginning of water treatment, counterbalanced by the reduction in the water tariff, as a result of the marked increase in wastewater revenue in comparison with that obtained from water services.

b. Construction revenue – The increase in this account reflects higher Company investment made in the 2nd quarter of 2012.

c. Cost of services rendered – Costs of services rendered, comprised by expenses with operation, upkeep and maintenance of water and sewage systems, further to selling, administrative and construction costs, increased by R$69,804 in the 2nd quarter of 2012, i.e. 11.93% compared to the same prior year period, as stated below:

Operating, selling and administrative costs

Company	6/30/2012		6/30/2011		Variation	
		%		%	R$	%
Personnel	224,447	34.28	197,786	33.81	26,661	13.48
Material	25,813	3.94	24,897	4.26	916	3.68
Electrical energy	58,057	8.87	53,214	9.10	4,843	9.10
Outsourced services	72,479	11.07	61,240	10.47	11,239	18.35
Tariff transfer to municipal governments	16,396	2.50	15,610	2.67	786	5.04
General expenses	9,021	1.38	5,013	0.86	4,008	79.95
Depreciation and amortization	88,493	13.51	70,484	12.05	18,009	25.55
Construction costs	171,187	26.14	163,227	27.90	7,960	4.88
Recoverable tax credits (PIS-PASEP/COFINS)	(22,793)	-3.48	(16,665)	-2.85	(6,128)	36.77
Allowance for doubtful accounts	11,625	1.78	10,206	1.74	1,419	13.90
Provision for losses	114	0.02	23	0.00	91	n.m.
*** Cost of services rendered**	**654,839**	**100.00**	**585,035**	**100.00**	**69,804**	**11.93**

Comments on Performance

- **Personnel –** The increase in personnel expenses in the 2nd quarter of 2012 of 13.48% year-on-year, stems from:

  - ✓ Non-recurring expenses from voluntary termination program (PDV), represented a cost of R$2,200 in the 2nd quarter of 2012, with the termination of employee contracts over the six-month period. The change in labor legislation in 2011, that increased the prior remunerated notice period to up to 90 days contributed to an increase in spending with this program. It is important to stress that any new voluntary redundancy shall only occur in 2013.

  - ✓ Due to provisions set up over collective bargaining agreement the base date for which is May 1, given that up to the end of the quarter the negotiation were ongoing.

  - ✓ Increase in the number of Company employees by 88 professionals (+0.8%), over the last twelve months, mainly due to the operation of new systems.

- **Construction costs** – Increase is due to Company investment in the period.

- **Services** – Increase in services amounts to R$16,082 or 14.05% is due to the following factors:

  - ✓ **Postal and pouch services** – the increase was due to the implementation as from April 2012 of a system regarding payment reminder for defaulting customers in accordance with regulatory Standards. These amounts were fully passed onto to customers and recorded as indirect revenue from services.

  - ✓ **Upkeep and maintenance of systems** – Mainly water and sewage systems, as well as readjustment of contract prices, with an increase of approximately R$1,000 in Montes Claros, R$450 in Pará de Minas and R$450 in districts of the RMBH.

  - ✓ **Telephone** – Increase relating to the signature of new telecommunications service contract, as well as settlement of prior debts with operator.

  - ✓ **Institutional Communication** – Increase in expenses with institutional communications due to spending on communication with the local population relating to the provision of services and media action in strategic markets in order to win or renew concessions.

  - ✓ **Electrical energy** – the year-on-year increase in the 2nd quarter of 2012 is due to the average readjustment of 6% in the electricity tariff in April 2012, linked to the increase in consumption due to the Company's expansion.

Comments on Performance

- **General costs** – Increase in general costs amounts to R$4,794 or 23.25% due to the following factors:
  - ✓ **Collection** – Collection service fee amounting to R$2,000 in the 2nd quarter of 2012, while in 2011 there was no collection fee of this nature. It is important to highlight that this amount is passed onto customers under the specific heading water supply and sewage treatment services comprising indirect revenue from these services.
  - ✓ **Events stemming from Law No. 12232/10** – Changes in the manner events are recorded which as from the second six-month period 2011, began to be recorded as operating costs.
- **Depreciation and amortization** – the year-on-year increase in the 2nd quarter of 2012, of 25.55%, is due to the beginning of depreciation/ amortization of assets de that are "under construction" and began to be recorded as investments "in operation" due to the completion of works. This also influenced the recovery of tax credits (PIS-PASEP/COFINS), amounting to 36.77%.

d. Other operating income / expenses:

Company	6/30/2012		6/30/2011		Variation	
	R$	%	R$	%	R$	%
Technical services revenue	279	0.85	157	1.10	122	77.71
Reversal of non-deductible provision	15,145	46.21	3,225	22.53	11,920	n.m.
Recovery of written-off accounts	7,881	24.05	8,142	56.88	(261)	-3.21
Other revenues	9,469	28.89	2,790	19.49	6,679	n.m.
Total other operating income	**32,774**	**100.00**	**14,314**	**100.00**	**18,460**	**n.m.**
Contingent or extraordinary losses	(11,571)	52.66	(19,301)	67.15	7,730	-40.07
Other expenses	(3,623)	16.49	(2,120)	7.38	(1,503)	70.88
Employee profit sharing	(6,777)	30.85	(7,323)	25.48	546	-7.48
	(21,971)	**100.00**	**(28,744)**	**100.00**	**6,773**	**-23.58**
Equity pickup – Copanor	(654)	22.23	(550)	14.18	(104)	18.91
Equity pickup - Águas Minerais	(2,369)	80.52	(3,468)	89.38	1,099	-31.69
Equity pickup - Serviços Irrigação	81	-2.75	138	-3.56	(57)	-41.30
Total equity pickup	**(2,942)**	**100.00**	**(3,880)**	**100.00**	**938**	**-24.18**
Total other operating income	**(24,913)**	**100.00**	**(32,624)**	**100.00**	**7,711**	**-23.64**
Total other operating income/ expenses	**7,861**	**100,00**	**(18,310)**	**100,00**	**26,171**	**n.m.**

Comments on Performance

- **Reversal of non-deductible provision** – the change is due to reclassification of judicial proceedings assessed as probable losses to possible losses making a total of R$7,164.

- **Other revenue** – the increase in this account is due to the recovery of income tax (IRPJ) credits relating to the last five years.

- **Contingent or extraordinary losses** – Reduction in the balance of this account is due to non-recurrence in the 2nd quarter of 2012 of project write-offs.

- **Other expenses** – the increase is due to expenses with security for the Serra Azul, Várzea das Flores and Rio Manso systems in relation to Law Piau that up to the 2nd quarter of 2011, which were recorded as operating expenses.

- **Equity pickup at Águas Minerais subsidiary** the decrease is due a fall in losses for the period.

e. Financial income/ expenses:

Financial income/ expenses

Company	6/30/2012		6/30/2011		Variation	
	R$	%	R$	%	R$	%
Monetary and foreign exchange gains	3,578	12.64	9,634	38.77	(6,056)	-62.86
Interest	4,153	14.68	8,007	32.22	(3,854)	-48.13
Effective yield on investments	13,269	46.89	3,746	15.08	9,523	n.m.
Capitalization of financial assets	3,192	11.28	3,459	13.92	(267)	-7.72
Other revenues	4,105	14.51	2	0.01	4,103	n.m.
Total financial income	**28,297**	**100.00**	**24,848**	**100.00**	**3,449**	**13.88**
Monetary and foreign exchange losses	(9,583)	14.83	(7,937)	20.01	(1,646)	20.74
Fining interest expenses	(53,984)	83.53	(31,059)	78.30	(22,925)	73.81
Other expenses	(1,058)	1.64	(673)	1.70	(385)	57.21
Total financial expenses	**(64,625)**	**100.00**	**(39,669)**	**100.00**	**(24,956)**	**62.91**
Net financial income	**(36,328)**	**100.00**	**(14,821)**	**100.00**	**(21,507)**	**n.m.**

- **Monetary and foreign exchange gains** – this variation is due to the decrease in monetary gains from consumers amounting to R$4,129, the decrease in foreign exchange gains due to the decrease in liabilities of R$508 and the reduction in gains from monetary variation in loan agreements with subsidiaries amounting to R$1,419.

- **Interest** – The variation is due to the decrease in interest on late payments from the Company's consumers.

- **Effective yield on investments** – The year-on-year increase in financial income in the 2nd quarter of 2012, is mainly due to short-term investments stemming from the raising of R$400,000 in debentures realized in February 2012.

Comments on Performance

- **Monetary and foreign exchange losses** – This variation is due to the increase in the exchange rate of the US Dollar which increased foreign exchange losses on financing in foreign currency by R$3,551, offset by the reduction in foreign exchange losses due to the reduction in assets by R$1,903.

- **Financing interest expenses** – the increase is due to new financing taken by the Company with R$29,069 together with CEF and R$31,231 with the BNDES, further to R$429,628 in debentures.

f. Provision for income tax and social contribution tax on net profit – the decrease is due to lower taxable profit in the 2nd quarter of 2012 mainly due to personnel, third-party services, electrical energy services and depreciation.

g. Interest on equity capital – the decrease in this account is due to the same factors that influenced the reduction in the provision of income and social contribution taxes.

h. Income generation or EBITDA – The table below presents the EBITDA calculation:

	EBITDA			
Company	**6/30/2012**	**6/30/2011**	**Variation**	**%**
(+) Net revenue from water and sewage	654,781	611,683	43,098	7.05
(+) Other operating income	32,774	14,314	18,460	n.m.
(a) Net revenue from services	**687,555**	**625,997**	**61,558**	**9.83**
Operating, administrative and selling costs and expenses	(483,652)	(421,808)	(61,844)	14.66
Other operating expenses	(15,194)	(21,421)	6,227	-29.07
Depreciation and amortization	88,493	70,484	18,009	25.55
(b) Total operating costs and expenses (without depreciation)	(410,353)	(372,745)	(37,608)	10.09
(c) Operating income from subsidiaries (c)	(2,039)	(1,509)	(530)	35.12
(=) EBITDA (a) + (b) + (c)	**275,163**	**251,743**	**23,420**	**9.30**
EBITDA Margin	**39.66**	**39.98**	**(0.33)**	

(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.

Comments on Performance

05. Balance sheets – Company

Company	6/30/2012	12/31/2011	Variation R$	Variation %
Current assets	1,246,630	814,630	432,000	53.03
Non-current assets	7,580,294	7,459,571	120,723	1.62
Total assets	**8,826,924**	**8,274,201**	**552,723**	**6.68**
Current liabilities	1,013,658	967,962	45,696	4.72
Non-current liabilities	3,020,086	2,804,562	215,524	7.68
Equity	4,793,180	4,501,677	291,503	6.48
Total liabilities and net equity	**8,826,924**	**8,274,201**	**552,723**	**6.68**

a. Current assets

Company	6/30/2012	12/31/2011	Variation R$	Variation %
Cash and cash equivalents	518,054	241,536	276,518	n.m.
Trade accounts receivable	519,273	471,797	47,476	10.06
Financial assets held to maturity	67,410	0	67,410	n.m
Inventories	30,787	29,074	1,713	5.89
Taxes recoverable	42,243	36,236	6,007	16.58
Technical cooperation agreement	0	5,085	(5,085)	n.m.
Banks and agreements	49,222	9,161	40,062	n.m.
Sundry receivables	19,641	21,741	(2,101)	-9.66
Total current assets	**1,246,630**	**814,630**	**432,000**	**53.03**

- **Cash and cash equivalents** – This group increased in June 2012 in relation to December 2011, due to investments of funds obtained through the 6th issue of debentures of R$400,000 in February 2012.

- **Trade accounts receivable** – This group increased in June 2012 in relation to December 2011 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.

- **Taxes recoverable** – The increase in this account is due to the restatement of tax credit related to the Workers' Meal Program (PAT).

- **Banks and agreements** – the decrease is due to the application as from April 2012, of R$37,000 stemming from agreements with CODEVASF.

- **Sundry receivables** – decrease in June 2012 in relation to December 2011, was due to payment by COPASS Saúde of the balance under COPASA accounts.

Comments on Performance

b. Non-current assets

Company	6/30/2012	12/31/2011	Variation R$	Variation %
Trade accounts receivable	214,775	220,060	(5,285)	-2.40
Deferred income and social contribution taxes	166,109	165,661	448	0.27
Restricted investment	265,643	328,891	(63,248)	-19.23
Financing guarantee	135,831	131,778	4,053	3.08
Receivables with subsidiaries	19,951	76,048	(56,097)	-73.77
Financial assets	333,303	321,179	12,124	3.77
Sundry receivables	38,372	16,534	21,838	n.m.
Total non-current assets	**1,173,984**	**1,260,151**	**(86,167)**	**-6.84**
Investments	48,715	22,063	26,652	n.m.
Intangible assets	6,182,148	6,015,805	166,343	2.77
Property, plant and equipment	175,447	161,552	13,895	8.60
Total permanent assets	**6,406,310**	**6,199,420**	**206,890**	**3.34**
Total non-current assets	**7,580,294**	**7,459,571**	**120,723**	**1.62**

- **Restricted investment** – The decrease in June 2012 in relation to December 2011, due to redemption of CEF debentures of R$46,000 and R$21,000 in February and June 2012, respectively matched against earnings R$3,752.

- **Receivables with subsidiaries** – Decrease is due to the transfer of loans made to Copasa Águas Minerais de Minas - AGMM, amounting into R$57,000, to the advance for future capital increase (AFAC), up to the effective subscription of this capital increase.

- **Sundry receivables** – The increase is due to judicial deposits of R$18,000 made by the Company in the second quarter.

- **Investments** – The increase in this account in the second quarter of 2012 was basically due to the transfer of loans and financing balances to the subsidiary Copasa Águas Minerais de Minas - AGMM, amounting to R$57,000 offset by losses with investments amounting to R$36,123, as these amounts refers to investments and equity pickup in the subsidiary AGMM began to be stated at net value.

Comments on Performance

c. Current liabilities

Company	6/30/2012	12/31/2011	Variation R$	Variation %
Loans and financing	385,186	371,225	13,961	3.76
Debentures	113,377	172,457	(59,080)	-34.26
Contractors and suppliers	133,231	108,068	25,163	23.28
Taxes, charges and contributions	55,035	49,801	5,234	10.51
Tax installments	35,727	41,239	(5,512)	-13.37
Tax provision	10,748	0	10,748	n.m
Vacation accrual and 13th salary	101,692	76,587	25,105	32.78
Profit sharing	28,452	28,317	135	0.48
Interest on equity	36,118	26,921	9,197	34.16
Technical cooperation agreements	37,792	0	37,792	n.m
Pension plan	18,377	12,119	6,258	51.64
Electric power	10,926	24,670	(13,744)	-55.71
Sundry liabilities	46,997	56,558	(9,561)	-16.90
Total current liabilities	**1,013,658**	**967,962**	**45,696**	**4.72**

- **Debentures** – the decrease in this group of accounts is due to the conversion of debentures with transfer to the Advance for Future Capital Increase (AFAC).

- **Taxes, charges and contributions** – the increase in this account reflects the provisions made in the six-month period for income and social contribution taxes.

- **Tax installments** – the decrease is due to the amortization of agreed installments on approval of request to pay Federal VAT (IPI) tax credit bonus. In important to stress that of the 24 monthly payments 21 have already been paid up to the end of the quarter.

- **Tax provision** – the increase in this account is due to the transfer to short-term of amounts that up to that point had been recorded under long term. This tax liability had been written-off or reversed every five years due to lapsed “period of laches”. This balance is always restated by the SELIC rate and is expected to be realized in 2014.

- **Interest on equity** – The increase in this account is due to the declaration of tax credits of R$74,972 and payment of R$65,775 in the first six-month period of 2012.

- **Technical cooperation agreement** – This group received approximately R$37,000 in April in investments stemming from new agreements with CODEVASF.

- **Private pension plan** – This accounts increased R$17,383, in the 1st quarter of 2012 of set by the write-off of R$11,677.

- **Electric power** – the decrease is due to amortization of debt installments with the energy concessionaire.

Comments on Performance

- **Sundry obligations** – the variation is due to a reduction in the amounts owed to municipal city authorities.

Company	6/30/2012	12/31/2011	Variation R$	Variation %
Tariff transfer	12	7	5	71.43
Concession debts	28,354	50,536	(22,182)	-43.89
Total municipal governments	**28,366**	**50,543**	**(22,177)**	**-43.88**
Other	18,631	6,015	12,616	n.m.
Total sundry liabilities	**46,997**	**56,558**	**(9,561)**	**-16.90**

d. Non-current liabilities

Company	6/30/2012	12/31/2011	Variation R$	Variation %
Caixa Econômica Federal	584,655	613,804	(29,149)	-4.75
State Government / BDMG	6,876	7,756	(880)	-11.35
National Treasury	22,867	41,806	(18,939)	-45.30
BNDES/BNE	535,748	533,973	1,775	0.33
In local currency	1,150,146	1,197,339	(47,193)	-3.94
Federal Government – bonds	53,820	51,031	2,789	5.47
In foreign currency	53,820	51,031	2,789	5.47
Total loans and financing	**1,203,966**	**1,248,370**	**(44,404)**	**-3.56**
Nonconvertible debentures	1,343,309	952,614	390,695	41.01
Convertible debentures	0	65,293	(65,293)	n.m.
Total debentures	**1,343,309**	**1,017,907**	**325,402**	**31.97**
Provision for contingencies	49,379	43,956	5,423	12.34
Tax provision	16,456	44,619	(28,163)	-63.12
Tax installments	214,775	220,060	(5,285)	-2.40
Private pension plan	140,836	145,235	(4,399)	-3.03
Other liabilities	51,365	84,415	(33,050)	-39.15
Total non-current liabilities	**3,020,086**	**2,804,562**	**215,524**	**7.68**

- **Loans and financing** – the decrease is due to the transfer to short-term of R$104,704, offset by new debentures with CEF and BNDES, amounting to R$60,300.

- **Debentures** – The increase of this account is due to the 6th issue of debentures amounting to R$400,000, in February 2012, offset by the conversion of debentures with transfer to the Advance for Future Capital Increases (AFAC) heading.

- **Provision for contingencies** – The increase of this account is due to the provision for new civil proceedings and the reassessment of the likelihood of loss in other proceedings from possible to probable.

- **Tax provision** – The decrease is due the write off of the provision recorded in 2006, for use of PIS/PASEP and COFINS matching credits amounting to R$17,417, as well as the transfer to short term of R$10,748, for the provision for 2007.

Comments on Performance

e. Equity

Company	6/30/2012	12/31/2011	Variation R$	Variation %
Beginning balance	**4,501,677**	**4,184,328**	**317,349**	**7.58**
Inflow of convertible debentures	133,703	39	133,664	n.m.
Net income	232,772	470,437	(237,665)	-50.52
Interest on equity	(74,972)	(153,127)	78,155	-51.04
Closing balance	**4,793,180**	**4,501,677**	**291,503**	**6.48**

The increase in net equity is due to the conversion of Company debentures and income in the first six-month period of 2012.

6. Financial performance - Consolidated

The charts below present the consolidated financial performance for 2Q12 as compared to the same prior year period:

Income statement	6/30/2012		6/30/2011		Variation	
	R$	%	R$	%	R$	%
Water supply services	445,357	53.45	437,296	55.93	8,061	1.84
Sewage services	213,727	25.65	177,346	22.68	36,381	20.51
Construction revenue	174,089	20.89	167,036	21.36	7,053	4.22
Revenue from finished products	84	-0.02	219	-0.07	(135)	-61.64
Net operating revenue from services	**833,257**	**100.00**	**781,897**	**100.00**	**51,360**	**6.57**
Cost of services rendered	(355,907)	-42.71	(299,033)	-38.24	(56,874)	19.02
Construction costs	(171,187)	-20.54	(163,227)	-20.88	(7,960)	4.88
Cost of services rendered	**(527,094)**	**-63.26**	**(462,260)**	**-59.12**	**(64,834)**	**14.03**
Gross profit	**306,163**	**36.74**	**319,637**	**40.88**	**(13,476)**	**-4.22**
Selling expenses	(49,419)	-5.93	(42,470)	-5.43	(6,949)	16.36
General and administrative expenses	(87,435)	-10.49	(87,263)	-11.16	(172)	0.20
Other operating income	34,648	4.16	14,740	1.89	19,908	n.m.
Other operating expenses	(16,877)	-2.03	(22,158)	-2.83	5,281	-23.83
Employee profit sharing	(6,777)	-0.81	(7,323)	-0.94	546	-7.46
Operating income/expenses	**(125,860)**	**-15.10**	**(144,474)**	**-18.48**	**18,614**	**-12.88**
Income before financial result and taxes	**180,303**	**21.64**	**175,163**	**22.40**	**5,140**	**2.93**
Financial income	28,041	3.37	23,343	2.99	4,698	20.13
Financial expenses	(64,642)	-7.76	(39,738)	-5.08	(24,904)	62.67
Financial result	**(36,601)**	**-4.39**	**(16,395)**	**-2.10**	**(20,206)**	**n.m.**
Income before taxes	**143,702**	**17.25**	**158,768**	**20.31**	**(15,066)**	**-9.49**
Provision for income tax	(26,531)	-3.18	(33,163)	-4.24	6,632	-20.00
Provision for social contribution tax on net profit (CSLL)	(10,024)	-1.20	(12,292)	-1.57	2,268	-18.45
Net income for the period	**107,147**	**12.86**	**113,313**	**14.49**	**(6,166)**	**-5.44**

a. Net operating revenue from services – In the second quarter of 2012, net revenue stemming from the Company's water services was R$441,100 and wastewater services for R$213,700, totaling R$654,800, that represents an increase 6.57% in relation to the 2nd quarter of 2011. This increase is due to:

Comments on Performance

- A 4% increase in the amount billed by the Company.

- Average tariff readjustment of 7.02% for consumption recorded from April 23, 2011 and 4.34% applied on a pro-rata basis between May 14 and June 13 fully applied for consumption as from June 14, 2012.

- Change in the percentage of sewage collection fees due to the opening of operations at the Sewage Treatment Stations (ETEs) in the Bueno Brandão, Curvelo, Itajubá and João Pinheiro (June 2011); Alfenas, Araçuaí and Itaobim (September 2011); Itacarambi (October 2011); Coronel Murta (January 2012); Cláudio and Divisópolis (February 2012); Mata Verde (March 2012), Lavras (May 2012) and Pouso Alegre (June 2012).

As mentioned growth the revenue from water and sewage is distinct for the period under analysis. The increase in the percentage for sewage collection tariff from a 60% to 75% and then to a 90% for the water tariff, due to the start of sewage treatment operations do was counterbalanced by the reduction in the water tariff which resulted in a marked increase in revenue from sewage compared to that obtained with water services.

b. Revenue from construction work – The increase in this account reflects higher investment by the Company realized in the 2nd quarter of 2012.

c. Cost of services rendered – The total cost of services rendered, comprised of operating expenses, upkeep and maintenance e of water and sewages systems as well as selling administrative and construction costs increased by R$71,954 in the 2nd six-month period of 2012, i.e. 12.15% in relation to the same period of the prior year as follows:

Operating, selling and administrative costs

	6/30/2012		6/30/2011		Variation	
		%		%	R$	%
Personnel	227,356	34.24	199,449	33.69	27,907	13.99
Materials	26,146	3.94	25,404	4.29	742	2.92
Electric power	58,057	8.74	53,824	9.09	4,233	7.86
Outsourced services	74,897	11.28	62,194	10.51	12,703	20.42
Tariff transfer to municipal governments	16,396	2.47	15,610	2.64	786	5.04
General expenses	9,823	1.48	5,550	0.94	4,273	76.99
Depreciation and amortization	90,979	13.70	73,066	12.34	17,913	24.52
Construction costs	171,187	25.78	163,227	27.57	7,960	4.88
Taxes recoverable and tax credits (PIS-PASEP/COFINS)	(22,969)	-3.46	(16,822)	-2.84	(6,147)	36.54
Allowance for doubtful accounts	11,961	1.80	10,468	1.77	1,493	14.26
Provision for losses	114	0.02	23	0.00	91	n.m.
*** Costs of services rendered**	**663,947**	**100.00**	**591,993**	**100.00**	**71,954**	**12.15**

Comments on Performance

- **Personnel –** the increase in the 2nd quarter of 2012 in 13.99%, in comparison with the 2nd quarter of 2011, stems from:
  - ✓ Non-recurring expenses from voluntary termination program (PDV), represented a cost of R$2,200 in the 2nd quarter of 2012, with the termination of employee contracts over the quarter. The change in labor legislation in 2011, that increased the prior remunerated notice period to up to 90 days contributed to an increase in spending with this program. It is important to stress that any new voluntary redundancy shall only occur in 2013.
  - ✓ Due to provisions set up over collective bargaining agreement the base date for which is May 1, given that up to the end of the quarter the negotiation were ongoing.
  - ✓ Increase in the number of Company employees by 88 employees (+0.8%), over the last twelve months, mainly due to the operation of new systems.
- **Construction costs** – the increase is due to Company investments in this period.
- **Services** – Increase in services amounting to R$16,936 or 14.60% is due to the following:
  - ✓ **Posting and pouch services** – the increase was due to the implementation as from April 2012 of a system regarding payment reminder for defaulting customers in accordance with regulatory Standards. These amounts were fully passed onto to customers and recorded as indirect revenue from services.
  - ✓ **Upkeep and maintenance of systems** – Mainly water and sewage systems, as well as readjustment of contract prices, with an increase of approximately R$1,000 in Montes Claros, R$450 in Pará de Minas and R$450 in districts of the RMBH.
  - ✓ **Telephone** – Increase relating to the signature of new telecommunications service contract, as well as settlement of prior debts with operator.
  - ✓ **Institutional Communication** – Increase in expenses with institutional communication due to spending on communication with local population relating to the provision of services and media action in strategic markets in order to win or renew concessions.
  - ✓ **Electrical energy** – the year-on-year increase in the 2nd quarter of 2012 is due to the average readjustment of 6% in the electricity tariff in April 2012, linked to the increase in consumption due to the Company's expansion

Comments on Performance

- **General costs** – Increase in general costs amounts to R$5,059 or 23.91% due to the following factors:

  - ✓ **Collection** – Collection service fee amounting to R$2,000 in the 2nd quarter of 2012, while in 2011 there was no collection fee of this nature. It is important to highlight that this amount is passed onto customers under the specific heading water supply and sewage treatment services comprising indirect revenue from these services.

  - ✓ **Events stemming from Law No. 12232/10** – Changes in the manner events are recorded which as from the second six-month period 2011, began to be recorded as operating costs.

- **Depreciation and amortization** – the year-on-year increase in the 2nd quarter of 2012, of 24.52%, is due to the beginning of depreciation/ amortization of assets de that are "under construction" and began to be recorded as investments "in operation" due to the completion of works. This also influenced the recovery of tax credits (PIS-PASEP/COFINS), amounting to 36.54%.

d. Other operating income/ expenses:

	6/30/2012		6/30/2011		Variation	
		%		%	R$	%
Technical services revenue	279	0.81	157	1.07	122	77.71
Reversal of non-deductible provision	15,145	43.71	3,225	21.88	11,920	n.m.
Recovery of accounts written-off as loss	7,881	22.75	8,142	55.24	(261)	-3.21
Other revenues	11,343	32.74	3,216	21.82	8,127	n.m.
Total other operating revenue	**34,648**	**100.00**	**14,740**	**100.00**	**19,908**	**n.m.**
Contingent or extraordinary losses	(11,571)	68.56	(19,301)	87.11	7,730	-40.07
Other expenses	(5,306)	31.44	(2,857)	12.89	(2,449)	85.70
Total operating income/ expenses	**(16,877)**	**100.00**	**(22,158)**	**100.00**	**5,281**	**-23.85**
Employee profit sharing	(6,777)	40.16	(7,323)	33.05	546	-7.48
Total other operating income/ expenses	**10,994**	**100.00**	**(14,741)**	**100.00**	**25,735**	**n.m.**

- **Reversal of non-deductible provision** – the change is due to reclassification of judicial proceedings assessed as probable losses to possible losses making a total of R$7,164.

- **Other revenue** – The increase in this account is due to the recovery of income tax (IRPJ) credits relating to the last five years.

- **Contingent or extraordinary losses** – Reduction in the balance of this account is due to non-recurrence in the 2nd quarter of 2012 of project write-offs.

- **Other expenses** – the increase is due to expenses with security for the Serra Azul, Várzea das Flores and Rio Manso systems in relation to Law Piau that up to the 2nd quarter of 2011, which were recorded as operating expenses.

Comments on Performance

e. Financial income and expenses:

	6/30/2012		6/30/2011		Variation	
		%		%	R$	%
Monetary and foreign exchange variations	3,234	11.53	7,871	33.72	(4,637)	-58.91
Interest	4,214	15.03	8,062	34.54	(3,848)	-47.73
Effective yield on investments	13,269	47.32	3,758	16.10	9,511	n.m.
Capitalization of financial assets	3,192	11.38	3,459	14.82	(267)	-7.72
Other revenue	4,132	14.74	193	0.83	3,939	n.m.
Total financial income	**28,041**	**100.00**	**23,343**	**100.00**	**4,698**	**20.13**
Monetary and foreign exchange losses	(9,583)	14.82	(7,937)	19.97	(1,646)	20.74
Interest expenses	(53,984)	83.51	(31,060)	78.16	(22,924)	73.81
Other expenses	(1,075)	1.66	(741)	1.86	(334)	45.07
Total financial expenses	**(64,642)**	**100.00**	**(39,738)**	**100.00**	**(24,904)**	**62.67**
Net financial income (expenses)	**(36,601)**	**100.00**	**(16,395)**	**100.00**	**(20,206)**	**n.m.**

- **Monetary and foreign exchange gains** – this variation is due to the decrease in monetary gains from consumers amounting to R$4,129, the decrease in foreign exchange gains due to the decrease in liabilities of R$508.

- **Interest** – The variation is due to the decrease in interest on late payments from the Company's consumers.

- **Effective yield on investments** – The year-on-year increase in financial income in the 2nd quarter of 2012, is mainly due to short-term investments stemming from the raising of R$400,000 in debentures realized in February 2012.

- **Monetary and foreign exchange losses** – This variation is due to the increase in the exchange rate of the US Dollar which increased foreign exchange losses on financing in foreign currency by R$3,551, offset by the reduction in foreign exchange losses due to the reduction in assets by R$1,903.

- **Financing interest expenses** – the increase is due to new financing taken by the Company with R$29,069 together with CEF and R$31,231 with the BNDES, further to R$429,628 in debentures.

f. Provision for income and social contribution taxes – the decrease is due to lower taxable profit in the 2nd quarter of 2012 mainly due to personnel, third-party services, electrical energy services and depreciation.

g. Interest on equity capital – the decrease in this account is due to the same factors that influenced the reduction in the provision of income and social contribution taxes

Comments on Performance

h. Income generation or EBITDA – EBITDA calculations are as follows:

EBITDA

Company	6/30/2012	6/30/2011	Variation	%
(+) Net revenue from water and sewage services	659,168	614,861	44,307	7.21
(+) Other operating income	34,648	14,740	19,908	n.m.
(a) Net revenue from services	**693,816**	**629,601**	**64,215**	**10.20**
Operating, administrative and selling costs and expenses	(492,760)	(428,766)	(63,994)	14.93
Other operating expenses	(16,877)	(22,158)	5,281	-23.83
Depreciation and amortization	90,979	73,066	17,913	24.52
(b) Total operating costs and expenses (without depreciation)	(418,658)	(377,858)	(40,800)	10.80
(=) EBITDA (a) + (b)	**275,158**	**251,743**	**23,415**	**9.30**
EBITDA margin	**39.66**	**39.98**	**(0.33)**	

(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.

Comments on Performance

07. Balance sheet – Consolidated

Consolidated	6/30/2012	12/31/2011	Variation R$	Variation %
Current assets	1,262,074	826,321	435,753	52.73
Non-current assets	7,591,369	7,440,987	150,382	2.02
Total assets	**8,853,443**	**8,267,308**	**586,135**	**7.09**
Current liabilities	1,025,430	972,255	53,175	5.47
Non-current liabilities	3,005,523	2,761,449	244,074	8.84
Equity	4,822,490	4,533,604	288,886	6.37
Total liabilities and net equity	**8,853,443**	**8,267,308**	**586,135**	**7.09**

a. Current assets

Consolidated	06/30/2012	12/31/2011	Variation R$	Variation %
Cash and cash equivalents	519,361	242,371	276,990	n.m.
Accounts receivable - customers	523,775	475,726	48,049	10.10
Financial assets held to maturity	67,410	0	67,410	n.m
Inventories	33,293	31,965	1,328	4.15
Taxes recoverable	42,876	37,009	5,867	15.85
Technical cooperation agreement	0	5,817	(5,817)	n.m.
Banks and agreements	55,675	11,671	44,004	n.m.
Sundry receivables	19,684	21,762	(2,078)	-9.55
Total current assets	**1,262,074**	**826,321**	**435,753**	**52.73**

- **Cash and cash equivalents** – this group increased in june 2012 in relation to December 2011, due to the application of R$400,000 from the 6th issue of debentures in February 2012.

- **Trade accounts receivable** – this group increased in June 2012 in relation to December 2011 and was due to the increase in days billed and the increase in the consumed amount billed in water and sewage services in various locations.

- **Taxes recoverable** – The increase in this account is due to the restatement of tax credit related to the Workers' Meal Program (PAT).

- **Banks and agreements** – the decrease is due to the application as from April 2012, of R$37,000 stemming from agreements with CODEVASF.

- **Sundry receivables** – decrease in June 2012 in relation to December 2011, was due to payment by COPASS Saúde of the balance under COPASA accounts.

Comments on Performance

b. Non-current assets

Consolidated	6/30/2012	12/31/2011	Variation R$	Variation %
Accounts receivable - customers	214,775	220,060	(5,285)	-2.40
Deferred income and social contribution	151,104	149,304	1,800	1.21
Restricted investment	265,643	328,891	(63,248)	-19.23
Financing guarantee	135,831	131,778	4,053	3.08
Financial assets	337,557	325,493	12,064	3.71
Sundry receivables	39,017	17,241	21,776	n.m.
Total non-current assets	**1,143,927**	**1,172,767**	**(28,840)**	**-2.46**
Investments	22,060	22,060	0	0.00
Intangible assets	6,225,299	6,060,461	164,838	2.72
Property, plant and equipment	200,083	185,699	14,384	7.75
Total permanent	**6,447,442**	**6,268,220**	**179,222**	**2.86**
Total non-current assets	**7,591,369**	**7,440,987**	**150,382**	**2.02**

- **Restricted investment** – The decrease in June 2012 in relation to December 2011, due to redemption of CEF debentures of R$46,000 and R$21,000 in February and June 2012, respectively matched against earnings R$3,752.

- **Sundry receivables** – The increase is due to judicial deposits of R$18,000 made by the Company in the second quarter.

c. Current liabilities

Consolidated	06/30/2012	12/31/2011	Variation R$	Variation %
Loans and financing	385,186	371,225	13,961	3.76
Debentures	113,377	172,457	(59,080)	-34.26
Contractors and suppliers	139,021	111,494	27,527	24.69
Taxes payable	55,343	50,122	5,221	10.42
Taxes in installments	35,727	41,239	(5,512)	-13.37
Tax provision	10,748	0	10,748	n.m
Accrued vacation pay	77,895	76,949	946	1.23
Accrued 13th salary	24,549	0	24,549	n.m
Employee profit sharing	28,452	28,317	135	0.48
Interest on equity	36,118	26,921	9,197	34.16
Technical cooperation agreement	42,328	0	42,328	n.m
Pension plan	18,377	12,119	6,258	51.64
Electrical power	11,185	24,670	(13,485)	-54.66
Sundry liabilities	47,124	56,742	(9,618)	-16.95
Total current liabilities	**1,025,430**	**972,255**	**53,175**	**5.47**

- **Debentures** – The decrease is due to conversion of debentures with transfer to the Advance for Capital Increase (AFAC) heading.

- **Taxes, charges and contributions** – the increase reflects provisions for the six-month period for income and social contribution taxes.

- **Tax installments** – the decrease is due to the amortization of agreed installments on approval of request to pay Federal VAT (IPI) tax credit bonus. In important to stress that of the 24 monthly payments 21 have already been paid up to the end of the quarter.

Comments on Performance

- **Tax provision** – the increase in this account is due to the transfer to short-term of amounts that up to that point had been recorded under long term. This tax liability had been written-off or reversed every five years due to lapsed “period of laches”. This balance is always restated by the SELIC rate and is expected to be realized in 2014.

- **Interest on equity** – The increase in this account is due to the declaration of tax credits of R$74,972 and payment of R$65,775 in the first six-month period of 2012.

- **Technical cooperation agreement** – This group received approximately R$37,000 in April in investments stemming from new agreements with CODEVASF.

- **Private pension plan** – This accounts increased R$17,383, in the 1st quarter of 2012 of set by the write-off of R$11,677.

- **Electrical power** – the decrease is due to amortization of debt installments with the energy concessionaire.

- **Sundry obligations** – the variation is due to a reduction in the amounts owed to municipal city authorities

			Variation	
Consolidated	**6/30/2012**	**12/31/2011**	**R$**	**%**
Tariff transfer	14	7	7	100.00
Concession debts	38,699	50,536	(11,837)	-23.42
Total municipal governments	**38,713**	**50,543**	**(11,830)**	**-23.41**
Other	8,411	6,199	2,212	35.68
Total sundry liabilities	**47,124**	**56,742**	**(9,618)**	**-16.95**

Comments on Performance

d. Non-current liabilities

Consolidated	6/30/2012	12/31/2011	Variation R$	Variation %
Caixa Econômica Federal	584,655	613,804	(29,149)	-4.75
State Government / BDMG	6,876	7,756	(880)	-11.35
National Treasury	22,867	41,806	(18,939)	-45.30
BNDES/BNE	535,748	533,973	1,775	0.33
In local currency	1,150,146	1,197,339	(47,193)	-3.94
Federal Government – bonds	53,820	51,031	2,789	5.47
In foreign currency	53,820	51,031	2,789	5.47
Total loans and financing	**1,203,966**	**1,248,370**	**(44,404)**	**-3.56**
Nonconvertible debentures	1,343,309	952,614	390,695	41.01
Convertible debentures	0	65,293	(65,293)	n.m.
Total debentures	**1,343,309**	**1,017,907**	**325,402**	**31.97**
Provision for contingencies	50,439	46,447	3,992	8.59
Tax provision	16,456	44,619	(28,163)	-63.12
Tax installments	214,775	220,060	(5,285)	-2.40
Private pension plan	140,836	145,235	(4,399)	-3.03
Other liabilities	35,742	38,811	(3,069)	-7.91
Total non-current liabilities	**3,005,523**	**2,761,449**	**244,074**	**8.84**

- **Loans and financing** – the decrease is due to the transfer to short-term of R$104,704, offset by new debentures with CEF and BNDES, amounting to R$60,300.

- **Debentures** – The increase of this account is due to the 6th issue of debentures amounting to R$400,000, in February 2012, offset by the conversion of debentures with transfer to the Advance for Future Capital Increases (AFAC) heading.

- **Provision for contingencies** – The increase of this account is due to the provision for new civil proceedings and the reassessment of the likelihood of loss in other proceedings from possible to probable.

- **Tax provision** – The decrease is due the write off of the provision recorded in 2006, for use of PIS/PASEP and COFINS matching credits amounting to R$17,417, as well as the transfer to short term of R$10,748, for the provision for 2007.

e. Equity

Consolidated	6/30/2012	12/31/2011	Variation R$	Variation %
Beginning balance	**4,533,604**	**4,222,185**	**311,419**	**7.38**
Inflow of convertible debentures	133,703	39	133,664	n.m.
Net income	230,155	464,507	(234,352)	-50.45
Interest on equity	(74,972)	(153,127)	78,155	-51.04
Closing balance	**4,822,490**	**4,533,604**	**288,886**	**6.37**

The increase in equity is due to the conversion of debentures and to Company income in the first six-month period of 2012.

Companhia de Saneamento de Minas Gerais – COPASA

Quarterly Information - June 30, 2012

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Independent Auditors' Review Report on Interim Information

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

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form - ITR of Companhia de Saneamento de Minas Gerais - COPASA for the quarter ended June 30, 2012, comprising the balance sheet as at June 30, 2012 and related income statement for the three and six-month periods then ended, and the statement of changes in equity and cash flow statement for the six-month period then ended, including accompanying 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 fair presentation of this information consistently with the standards 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, consequently, does not enable 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 quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Quarterly Information – ITR, and presented consistently with the standards issued by the Brazilian Security Exchange Commission (CVM).

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 quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Quarterly Information – ITR, and presented consistently with the standards issued by the Brazilian Security Exchange Commission (CVM).

Emphasis of a matter

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 rates calculations either. Consequently, said tax is not being charged to consumers or provisioned for by the Company or transferred to the State Government. Our opinion is not qualified in respect to this matter.

Other matters

Interim informartion of value added

We have also reviewed the individual and consolidated interim statement of value added for the six-month period ended June 30, 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 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, nothing has come to our attention that causes us to believe that the interim statements of valued added were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Belo Horizonte (MG), July 31, 2012.

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

Flávio de Aquino Machado
Accountant CRC-1MG-065899/O-2

Individual / Balance sheets Asset

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 06/30/2012	Previous Year - 12/31/2011
1	Total assets	8,826,924	8,274,201
1.01	Current assets	1,246,630	814,630
1.01.01	Cash and cash equivalents	518,054	241,536
1.01.03	Accounts Receivable	678,148	522,279
1.01.03.01	Accounts Receivable - Customers	519,273	471,797
1.01.03.02	Other Accounts Receivable	158,875	50,482
1.01.03.02.01	Recoverable taxes	42,243	36,236
1.01.03.02.02	Technical cooperation agreement	0	5,085
1.01.03.02.03	Bank account – agreements	49,222	9,161
1.01.03.02.04	Financing assets held-to-maturity	67,410	0
1.01.04	Inventory	30,787	29,074
1.01.08	Other Current assets	19,641	21,741
1.01.08.03	Other	19,641	21,741
1.01.08.03.01	Advance to employees	11,192	9,974
1.01.08.03.02	Other	8,449	11,767
1.02	Noncurrent assets	7,580,294	7,459,571
1.02.01	Long-term assets	1,173,984	1,260,151
1.02.01.03	Accounts Receivable	654,621	697,263
1.02.01.03.01	Accounts Receivable - Customers	214,775	220,060
1.02.01.03.02	Other Accounts Receivable	439,846	477,203
1.02.01.06	Deferred taxes	166,109	165,661
1.02.01.06.01	Deferred Income Tax and Social Security Contribution	166,109	165,661
1.02.01.08	Intercompany credits	19,951	76,048
1.02.01.08.02	Receivables from subsidiaries	19,951	76,048
1.02.01.09	Other noncurrent assets	333,303	321,179
1.02.01.09.03	Ativos Financeiros - Contratos de Concessão	333,303	321,179
1.02.02	Investments	48,715	22,063
1.02.02.01	Investments in other companies	48,715	22,063
1.02.02.01.02	Investments in subsidiaries	26,655	3
1.02.02.01.04	Other investments in other companies	22,060	22,060
1.02.03	Property plant & equipment	175,447	161,552
1.02.03.01	Property plant & equipment in operation	175,447	161,552
1.02.04	Intangible	6,182,148	6,015,805
1.02.04.01	Intangibles	6,182,148	6,015,805
1.02.04.01.01	Concession agreements	4,435,540	4,088,333
1.02.04.01.02	Intangible in progress	1,746,608	1,927,472

Individual / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 06/30/2012	Previous Year - 12/31/2011
2	Total liabilities	8,826,924	8,274,201
2.01	Current liabilities	1,013,658	967,962
2.01.02	Suppliers	133,231	108,068
2.01.02.01	Nacional suppliers	133,231	108,068
2.01.03	Taxes obligations	55,035	49,801
2.01.03.01	Federal taxes obligations	54,277	48,917
2.01.03.01.02	Other federal taxes obligations	54,277	48,917
2.01.03.03	Municipal taxes obligations	758	884
2.01.03.03.01	ISSQN	758	884
2.01.04	Loans and financings	498,563	543,682
2.01.04.01	Loans and financings	385,186	371,225
2.01.04.01.01	In local currency	381,530	366,506
2.01.04.01.02	In foreign currency	3,656	4,719
2.01.04.02	Debentures	113,377	172,457
2.01.04.02.01	Non convertible	113,377	172,457
2.01.05	Other obligations	150,210	120,268
2.01.05.02	Other	150,210	120,268
2.01.05.02.01	Dividends and interest on equity capital payable	36,118	26,921
2.01.05.02.04	Pension plan	18,377	12,119
2.01.05.02.05	Electric power	10,926	24,670
2.01.05.02.06	Technical cooperation agreement	37,792	0
2.01.05.02.08	Sundry obligations	46,997	56,558
2.01.06	Provision	176,619	146,143
2.01.06.01	Provision for tax labor and civil	176,619	146,143
2.01.06.01.05	Taxes installments	35,727	41,239
2.01.06.01.06	Accrual for vacation pay and 13th salary	101,692	76,587
2.01.06.01.07	Employee profit sharing	28,452	28,317
2.01.06.01.08	Provision for tax	10,748	0
2.02	Noncurrent liabilities	3,020,086	2,804,562
2.02.01	Loans and financings	2,547,275	2,266,277
2.02.01.01	Loans and financings	1,203,966	1,248,370
2.02.01.01.01	In local currency	1,150,146	1,197,339
2.02.01.01.02	In foreign currency	53,820	51,031
2.02.01.02	Debentures	1,343,309	1,017,907
2.02.01.02.01	Non convertible	1,343,309	952,614
2.02.01.02.02	Convertible	0	65,293
2.02.02	Other obligations	192,201	229,650
2.02.02.01	Intercompany liabilities	15,446	45,607
2.02.02.01.02	Subsidiaries debts	15,446	45,607
2.02.02.02	Other	176,755	184,043
2.02.02.02.03	Pension plan	140,836	145,235
2.02.02.02.05	Other	33,665	27,875
2.02.02.02.06	Deferred income	2,254	6,763
2.02.02.02.07	Concessions Debts	0	4,170
2.02.04	Provision	280,610	308,635
2.02.04.01	Provision for tax, labor and civil	280,610	308,635
2.02.04.01.01	Provision for tax	16,456	44,619
2.02.04.01.05	Taxes in installment	214,775	220,060
2.02.04.01.06	Provision for contingencies	49,379	43,956
2.03	Shareholders' Equity	4,793,180	4,501,677
2.03.01	Paid-in Capital	2,636,499	2,636,499
2.03.02	Capital reserves	137,485	3,782
2.03.02.07	Convertible debentures	137,485	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	157,800	0

Individual / Income Statements

(In thousands of reais)

Account Code	Account Description	Actual quarter – 04/01/2012 to 06/30/2012	Accumulated for the current year – 01/01/2012 to 06/30/2012	Same quarter of previous Year – 04/01/2011 to 06/30/2011	Accumulated for the previous Year – 01/01/2011 to 06/30/2011
3.01	Gross revenue of sales and/or services	828,870	1,642,351	778,719	1,554,858
3.01.01	Water supply services	441,054	899,725	434,337	874,914
3.01.02	Sewage services	213,727	414,402	177,346	335,019
3.01.03	Construction revenue	174,089	328,224	167,036	344,925
3.02	Cost of services rendered	-519,895	-994,348	-457,811	-911,981
3.02.01	Cost of services rendered	-348,708	-670,354	-294,584	-573,834
3.02.02	Construction cost	-171,187	-323,994	-163,227	-338,147
3.03	Gross profit	308,975	648,003	320,908	642,877
3.04	Operating expenses/income	-127,083	-266,741	-145,534	-253,406
3.04.01	Sales expenses	-48,789	-103,866	-42,027	-81,874
3.04.02	General and administrative expenses	-86,155	-177,383	-85,197	-162,487
3.04.04	Other operating income	32,774	77,597	14,314	48,383
3.04.05	Other operating expenses	-21,971	-58,015	-28,744	-49,147
3.04.05.01	Other operating expenses	-15,194	-43,553	-21,421	-34,080
3.04.05.02	Employee profit sharing	-6,777	-14,462	-7,323	-15,067
3.04.06	Equity pick up	-2,942	-5,074	-3,880	-8,281
3.05	Income before financial result and tax result	181,892	381,262	175,374	389,471
3.06	Financial result	-36,328	-67,246	-14,821	-33,979
3.06.01	Financing income	28,297	58,468	24,848	45,127
3.06.02	Financing expense	-64,625	-125,714	-39,669	-79,106
3.07	Income before income taxes	145,564	314,016	160,553	355,492
3.08	Income tax and social contribution	-37,174	-81,244	-46,049	-110,741
3.08.01	Current	-39,868	-81,692	-41,597	-87,889
3.08.02	Deferred	2,694	448	-4,452	-22,852
3.09	Net profit from continuing operations	108,390	232,772	114,504	244,751
3.11	Net income for the period	108,390	232,772	114,504	244,751
3.99	Income per share (R$)				
3.99.01	Basic income per share				
3.99.01.01	ON	0.91000	1.95000	0.99000	2.13000
3.99.02	Income diluted per share				
3.99.02.01	ON	0.91000	1.95000	0.97000	2.08000

Individual /Comprehensive Income Statements

(In thousands of reais)

Account Code	Account Description	Actual quarter – 04/01/2012 to 06/30/2012	Accumulated for the current year – 01/01/2012 to 06/30/2012	Same quarter of previous Year – 04/01/2011 to 06/30/2011	Accumulated for the previous Year – 01/01/2011 to 06/30/2011
4.01	Net income for the period	108,390	232,772	114,504	244,751
4.03	Comprehensive income por the period	108,390	232,772	114,504	244,751

Individual / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated of actual quarter – 01/01/2012 to 06/30/2012	Accumulated of previous year – 01/01/2011 to 06/30/2011
6.01	Net cash flow from operating activities	578,848	512,901
6.01.01	Cash generated by operating activities	538,341	481,406
6.01.01.01	Net income for the period	232,772	244,751
6.01.01.02	Allowance for doubtful accounts	33,586	20,176
6.01.01.03	Recovery of written-off accounts	-15,592	-15,813
6.01.01.04	Interest and monetary variation of accounts receivables	-10,093	-6,849
6.01.01.05	Deferred income tax and social contribution	-447	22,852
6.01.01.06	Exchange variation on financing collaterals	-2,983	1,448
6.01.01.07	Interest financing collaterals	-9,342	-4,178
6.01.01.08	Monetary variation on loan subsidiary	-744	-3,323
6.01.01.09	Equity pickup	5,074	8,281
6.01.01.10	Write off PP&E and intangible assets	3,643	25,212
6.01.01.11	Depreciation and amortization	175,397	146.970
6.01.01.12	Interest on loans	125.810	45,391
6.01.01.13	Monetary and exchange variation on loans	14,803	1,989
6.01.01.14	Tax in installments and provision	-17,415	-10,830
6.01.01.15	Provision for contigencies	5,423	5,192
6.01.01.16	Pension plan provision	-1.560	-7,423
6.01.01.17	Interest and monetary variation on cemig/previminas	6,813	13,585
6.01.01.18	Deferred Revenue	-4,875	-5,029
6.01.01.19	Interest on collaterals NYB	-1,929	-996
6.01.02	Changes in assets and liabilities	40,507	31,495
6.01.02.01	Accounts receivable	-38,199	-22.950
6.01.02.02	Inventory	-1,713	-1,611
6.01.02.03	Recoverable taxes	-6,007	-2,370
6.01.02.04	Bank account – agreement	-40,061	2,140
6.01.02.05	Colleteral guarantee	5,046	-2,655
6.01.02.06	Restricted applications	74,809	2,699
6.01.02.07	Credit with subsidiaries	56,841	-4,430
6.01.02.08	Other credits	-19,739	412
6.01.02.09	Suppliers	25,163	-6,543
6.01.02.10	Taxes payable	5,234	4,752
6.01.02.11	Provision for vacation pay and 13th salary	25,105	19,622
6.01.02.12	Employee profit sharing	135	1,332
6.01.02.13	Technical cooperation agreement	42,877	-4,052
6.01.02.14	Pension plan	5,704	-4,421
6.01.02.15	Electric power	-1,332	-1,165
6.01.02.16	Sundry obligation	-13,822	7,874
6.01.02.17	Financing assets	-67.410	56,365
6.01.02.18	Financial assets held-to-maturity	-12,124	-13,504
6.02	Net cash from investment activities	-283,681	-349,472
6.02.01	Increase PP&E and intangible assets	-359,278	-327,672

Individual / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated of actual quarter – 01/01/2012 to 06/30/2012	Accumulated of previous year – 01/01/2011 to 06/30/2011
6.02.02	Increase investments	-61,888	-21,800
6.02.04	Convertion of debentures in shares	137,485	0
6.03	Net cash from financing activities	-18,649	-89,467
6.03.01	Proceed from new loans	489,928	256,960
6.03.02	Payment of principal - Loans	-289,479	-117,995
6.03.03	Payment of interest - Loans	-105,183	-80,185
6.03.04	Interest on equity capital paid	-65,775	-106,281
6.03.05	Payment of principal - Previminas/Cemig	-18,924	-17,506
6.03.06	Payment of interest - Previminas/Cemig	-2,306	-4,153
6.03.07	Taxes in installment paid	-22,690	-20,307
6.03.08	Payment of concession Debt	-4,220	0
6.05	Increase (decrease) cash and cash equivalent	276,518	73,962
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	518,054	149,755

Individual/Statements of Changes in Shareholders' Equity – 01/01/2012 to 06/30/2012

(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	133,703	0	-74,972	0	58,731
5.04.07	Interest on equity	0	0	0	-74,972	0	-74,972
5.04.08	Convertion of debentures	0	133,703	0	0	0	133,703
5.05	Other comprehensive income	0	0	0	232,772	0	232,772
5.05.01	Net income of the period	0	0	0	232,772	0	232,772
5.07	Total at the end of the period	2,636,499	137,485	1,861,396	157,800	0	4,793,180

Individual/Statements of Changes in Shareholders' Equity – 01/01/2011 to 06/30/2011

(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	-80,795	0	-80,795
5.04.07	Interest on equity	0	0	0	-80,795	0	-80,795
5.05	Convertion of debentures	0	0	0	244,751	0	244,751
5.05.01	Net income of the period	0	0	0	244,751	0	244,751
5.07	Total at the end of the period	2,636,460	3,782	1,544,086	163,956	0	4,348,284

Individual / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated actual semester – 01/01/2012 to 06/30/2012	Accumulated previous year – 01/01/2011 to 06/30/2011
7.01	Revenue	1,828,250	1,706,391
7.01.01	Sales of products and services	1,456,016	1,333,259
7.01.02	Other revenue	62,005	32,570
7.01.03	Construction revenue of own assets	328,223	344,925
7.01.04	Allowance for doubtful accounts	-17,994	-4,363
7.02	Manufacturing component purchased from third parties	-710,228	-669,669
7.02.01	Cost of products and services	-613,500	-592,612
7.02.02	Material, energy, third-party services and other	-57,641	-46,566
7.02.03	Loss/ Recovery of Assets	-39,087	-30,491
7.03	Gross Value Added	1,118,022	1,036,722
7.04	Retention	-175,397	-146,970
7.04.01	Depreciation, amortization and exhaustion	-175,397	-146,970
7.05	Net value added	942,625	889,752
7.06	Value added received in transfer	53,394	36,846
7.06.01	Equity pickup	-5,074	-8,281
7.06.02	Financial income	58,468	45,127
7.07	Total value added to be distributed	996,019	926,598
7.08	Value added distribution	996,019	926,598
7.08.01	Personnel	378,123	328,004
7.08.01.01	Payroll	244,648	212,924
7.08.01.02	Benefits	92,176	82,072
7.08.01.03	FGTS	26,837	17,941
7.08.01.04	Other	14,462	15,067
7.08.01.04.01	Employee profit sharing	14,462	15,067
7.08.02	Taxes and contributions	260,562	275,586
7.08.02.01	Federal	256,080	271,420
7.08.02.02	State	4,017	3,846
7.08.02.03	Municipal	465	320
7.08.03	Third party remuneration	124,562	78,257
7.08.03.01	Interest	123,202	76,987
7.08.03.02	Rental	1,360	1,270
7.08.04	Equity remuneration	232,772	244,751
7.08.04.01	Interest on equity capital	74,972	80,795
7.08.04.03	Retained profits / Losses of the period	157,800	163,956

Consolidated/ Balance sheets Asset

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 06/30/2012	Previous Year - 12/31/2011
1	Total assets	8,853,443	8,267,308
1.01	Current assets	1,262,074	826,321
1.01.01	Cash and cash equivalents	519,361	242,371
1.01.03	Accounts Receivable	689,736	530,223
1.01.03.01	Accounts Receivable - Customers	523,775	475,726
1.01.03.02	Other Accounts Receivable	165,961	54,497
1.01.03.02.01	Recoverable taxes	42,876	37,009
1.01.03.02.02	Technical cooperation agreement	0	5,817
1.01.03.02.03	Bank account – agreements	55,675	11,671
1.01.03.02.04	Financial assets held-to-maturity	67,410	0
1.01.04	Inventory	33,293	31,965
1.01.08	Other Current assets	19,684	21,762
1.01.08.03	Other	19,684	21,762
1.01.08.03.01	Advance to employees	11,235	9,991
1.01.08.03.02	Other	8,449	11,771
1.02	Noncurrent assets	7,591,369	7,440,987
1.02.01	Long-term assets	1,143,927	1,172,767
1.02.01.03	Accounts Receivable	655,266	697,970
1.02.01.03.01	Accounts Receivable – Customers	214,775	220,060
1.02.01.03.02	Other Accounts Receivable	440,491	477,910
1.02.01.06	Deferred taxes	151,104	149,304
1.02.01.06.01	Deferred Income Tax and Social Security Contribution	151,104	149,304
1.02.01.09	Other noncurrent assets	337,557	325,493
1.02.01.09.03	Financing assets - concession agreements	337,557	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	200,083	185,699
1.02.03.01	Property plant & equipment in operation	197,919	183,977
1.02.03.03	Property plant & equipment in progress	2,164	1,722
1.02.04	Intangible	6,225,299	6,060,461
1.02.04.01	Intangibles	6,225,299	6,060,461
1.02.04.01.01	Concession agreements	4,475,453	4,132,989
1.02.04.01.02	Intangible in progress	1,749,846	1,927,472

Consolidated / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 06/30/2012	Previous Year - 12/31/2011
2	Total liabilities	8,853,443	8,267,308
2.01	Current liabilities	1,025,430	972,255
2.01.02	Suppliers	139,021	111,494
2.01.02.01	Nacional suppliers	139,021	111,494
2.01.03	Taxes obligations	55,343	50,122
2.01.03.01	Federal taxes obligations	54,586	49,238
2.01.03.01.02	Other federal taxes obligations	54,586	49,238
2.01.03.03	Municipal taxes obligations	757	884
2.01.03.03.01	ISSQN	757	884
2.01.04	Loans and financings	498,563	543,682
2.01.04.01	Loans and financings	385,186	371,225
2.01.04.01.01	In local currency	381,530	366,506
2.01.04.01.02	In foreign currency	3,656	4,719
2.01.04.02	Debentures	113,377	172,457
2.01.04.02.01	Non convertible	113,377	172,457
2.01.05	Other obligations	155,132	120,452
2.01.05.02	Other	155,132	120,452
2.01.05.02.01	Dividends and interest on equity capital payable	36,118	26,921
2.01.05.02.04	Pension plan	18,377	12,119
2.01.05.02.05	Electric Power	11,185	24,670
2.01.05.02.06	Technical cooperation agreement	42,328	0
2.01.05.02.08	Sundry obligations	47,124	56,742
2.01.06	Provision	177,371	146,505
2.01.06.01	Provision for tax labor and civil	177,371	146,505
2.01.06.01.05	Taxes installments	35,727	41,239
2.01.06.01.06	Accrual for vacation pay and 13th salary	102,444	76,949
2.01.06.01.07	Employee profit sharing	28,452	28,317
2.01.06.01.08	Provision for tax	10,748	0
2.02	Noncurrent liabilities	3,005,523	2,761,449
2.02.01	Loans and financings	2,547,275	2,266,277
2.02.01.01	Loans and financings	1,203,966	1,248,370
2.02.01.01.01	In local currency	1,150,146	1,197,339
2.02.01.01.02	In foreign currency	53,820	51,031
2.02.01.02	Debentures	1,343,309	1,017,907
2.02.01.02.01	Non convertible	1,343,309	952,614
2.02.01.02.02	Convertible	0	65,293
2.02.02	Other obligations	176,578	184,046
2.02.02.02	Other	176,578	184,046
2.02.02.02.03	Pension plan	140,836	145,235
2.02.02.02.05	Other	33,488	27,878
2.02.02.02.06	Deferred income	2,254	6,763
2.02.02.02.07	Concessions Debts	0	4,170
2.02.04	Provision	281,670	311,126
2.02.04.01	Provision for tax, labor and civil	281,670	311,126
2.02.04.01.01	Provision for tax	16,456	44,619
2.02.04.01.05	Taxes in installment	214,775	220,060
2.02.04.01.06	Provision for contingencies	50,439	46,447
2.03	Shareholders' Equity	4,822,490	4,533,604
2.03.01	Paid-in Capital	2,636,499	2,636,499
2.03.02	Capital reserves	137,485	3,782
2.03.02.07	Convertible debêntures	137,485	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	157,800	0
2.03.08	Other comprehensive income	29,310	31,927

Consolidated / Income Statements

(In thousands of reais)

Account Code	Account Description	Actual quarter – 04/01/2012 to 06/30/2012	Accumulated for the current year – 01/01/2012 to 06/30/2012	Same quarter of previous Year – 04/01/2011 to 06/30/2011	Accumulated for the previous Year – 01/01/2011 to 06/30/2011
3.01	Gross revenue of sales and/or services	833,257	1,651,104	781,897	1,560,808
3.01.01	Water supply services	445,357	908,002	437,296	880,389
3.01.02	Sewage services	213,727	414,402	177,346	335,019
3.01.03	Construction revenue	174,089	328,224	167,036	344,925
3.01.04	Revenue finished products	84	476	219	475
3.02	Cost of services rendered	-527,094	-1,007,009	-462,260	-920,766
3.02.01	Cost of services rendered	-355,907	-683,015	-299,033	-582,619
3.02.02	Construction cost	-171,187	-323,994	-163,227	-338,147
3.03	Gross profit	306,163	644,095	319,637	640,042
3.04	Operating expenses/income	-125,860	-266,194	-144,474	-251,905
3.04.01	Sales expenses	-49,419	-105,013	-42,470	-83,287
3.04.02	General and administrative expenses	-87,435	-180,850	-87,263	-166,381
3.04.04	Other operating income	34,648	80,469	14,740	48,902
3.04.05	Other operating expenses	-23,654	-60,800	-29,481	-51,139
3.04.05.01	Other operating expenses	-16,877	-46,338	-22,158	-36,072
3.04.05.02	Employee profit sharing	-6,777	-14,462	-7,323	-15,067
3.05	Income before financial result and tax result	180,303	377,901	175,163	388,137
3.06	Financial result	-36,601	-67,817	-16,395	-36,883
3.06.01	Financing income	28,041	57,945	23,343	42,313
3.06.02	Financing expense	-64,642	-125,762	-39,738	-79,196
3.07	Income before income taxes	143,702	310,084	158,768	351,254
3.08	Income tax and social contribution	-36,555	-79,929	-45,455	-109,312
3.08.01	Current	-39,891	-81,727	-41,616	-87,908
3.08.02	Deferred	3,336	1,798	-3,839	-21,404
3.09	Net profit from continuing operations	107,147	230,155	113,313	241,942
3.11	Net income for the period	107,147	230,155	113,313	241,942
3.11.01	Assigned to partner of controlling company	107,147	230,155	113,313	241,942
3.99	Income per share (R$)				
3.99.01	Basic income per share				
3.99.01.01	ON	0.90000	1.93000	0.99000	2.11000
3.99.02	Income diluted per share				
3.99.02.01	ON	0.90000	1.93000	0.96000	2.06000

Consolidated /Comprehensive Income Statements

(In thousands of reais)

Account Code	Account Description	Actual quarter – 04/01/2012 to 06/30/2012	Accumulated for the current year – 01/01/2012 to 06/30/2012	Same quarter of previous Year – 04/01/2011 to 06/30/2011	Accumulated for the previous Year – 01/01/2011 to 06/30/2011
4.01	Consolidated Net income for the period	108,390	232,772	114,504	244,751
4.02	Other comprehensive income	-1,243	-2,617	-1,191	-2,809
4.03	Consolidated comprehensive income por the period	107,147	230,155	113,313	241,942
4.03.02	Assigned to partner of controlling company	107,147	230,155	113,313	241,942

Consolidated / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated of actual quarter – 01/01/2012 to 06/30/2012	Accumulated of previous year – 01/01/2011 to 06/30/2011
6.01	Net cash flow from operating activities	521,644	512,867
6.01.01	Cash generated by operating activities	534,430	477,484
6.01.01.01	Net income for the period	230,155	241,942
6.01.01.02	Allowance for doubtful accounts	34,242	20,676
6.01.01.03	Recovery of written-off accounts	-15,660	-15,854
6.01.01.04	Interest/ Monetary variation of accounts receivables	-10,093	-6,849
6.01.01.05	Deferred income tax and social contribution	-1,796	20,104
6.01.01.06	Exchange variation on financing collaterals	-2,983	1,448
6.01.01.07	Interest financing collaterals	-9,342	-4,178
6.01.01.10	Write off PP&E and inteangible assets	3,647	25,221
6.01.01.11	Depreciation and amortization	180,620	152,176
6.01.01.12	Interest on loans	125,810	45,391
6.01.01.13	Monetary and exchange variation on loans	14,803	1,989
6.01.01.14	Taxes in installments and provision	-17,415	-10,830
6.01.01.15	Provisions for contingencies	3,993	6,111
6.01.01.16	Pension plan provision	-1,560	-7,423
6.01.01.17	Interest/ Monetary variation on cemig/previminas	6,813	13,585
6.01.01.18	Deferred revenue	-4,875	-5,029
6.01.01.19	Interest on collaterals NYB	-1,929	-996
6.01.02	Changes in assets and liabilities	-12,786	35,383
6.01.02.01	Accounts receivable	-39,541	-24,068
6.01.02.02	Inventory	-1,327	-2,252
6.01.02.03	Recoverable taxes	-5,868	-2,368
6.01.02.04	Bank account – agreement	-44,003	-10,199
6.01.02.05	Colleteral guarantee	5,046	-2,655
6.01.02.06	Restricted Investments	74,809	2,699
6.01.02.08	Other credits	-19,697	433
6.01.02.09	Suppliers	27,527	-7,161
6.01.02.10	Taxes payable	5,221	6,008
6.01.02.11	Provision for vacation pay and 13th salary	25,493	19,752
6.01.02.12	Employee profit sharing	135	1,332
6.01.02.13	Technical cooperation agreement	48,144	8,688
6.01.02.14	Pension plan	5,704	-4,421
6.01.02.15	Electric power	-1,073	-1,165
6.01.02.16	Other	-13,879	7,887
6.01.02.17	Financing assets held-to-maturity	-67,410	56,365
6.01.02.18	Financing assets	-12,067	-13,492
6.02	Net cash from investment activities	-226,004	-349,987
6.02.01	Increase PP&E and intangible assets	-363,489	-328,187
6.02.02	Increase investments	0	-21,800
6.02.04	Convertion of debêntures in shares	137,485	0
6.03	Net cash from financing activities	-18,649	-89,467
6.03.01	Proceed from new loans	489,928	256,960
6.03.02	Payment of principal - Loans	-289,479	-117,995
6.03.03	Payment of interest – Loans	-105,183	-80,185
6.03.04	Interest on equity capital paid	-65,775	-106,281
6.03.05	Payment of principal - Previminas/Cemig	-18,924	-17,506
6.03.06	Payment of interest - Previminas/Cemig	-2,306	-4,153
6.03.07	Taxes in installment paid	-22,690	-20,307
6.03.08	Payment of Debts Concessions	-4,220	0
6.05	Increase (decrease) cash and cash equivalent	276,991	73,413
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	519,361	151,065

Consolidated / Statements of Changes in Shareholders' Equity – 01/01/2012 to 06/30/2012

(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	133,703	0	-74,972	0	58,731	0	58,731
5.04.07	Interest on equity	0	0	0	-74,972	0	-74,972	0	-74,972
5.04.08	Convertion of debentures	0	133,703	0	0	0	133,703	0	133,703
5.05	Other comprehensive income	0	0	0	232,772	-2,617	230,155	0	230,155
5.05.01	Net income of the period	0	0	0	232,772	0	232,772	0	232,772
5.05.02	Other Comprehensive results	0	0	0	0	-2,617	-2,617	0	-2,617
5.05.02.06	Amortization of monetary adjustments on Fixed Assets 96/97	0	0	0	0	-3,966	-3,966	0	0
5.05.02.07	Deferred Tax and social security contribution on Fixed Assets 96/97	0	0	0	0	1,349	1,349	0	0
5.07	Total at the end of the period	2,636,499	137,485	1,861,396	157,800	29,310	4,822,490	0	4,822,490

Consolidated / Statements of Changes in Shareholders' Equity – 01/01/2011 to 06/30/2011

(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	-80,795	0	-80,795	0	-80,795
5.04.07	Interest on equity	0	0	0	-80,795	0	-80,795	0	-80,795
5.05	Convertion of debentures	0	0	0	244,751	-2,809	241,942	0	241,942
5.05.01	Other comprehensive income	0	0	0	244,751	0	244,751	0	244,751
5.05.02	Net income of the period	0	0	0	0	-2,809	-2,809	0	-2,809
5.05.02.06	Other Comprehensive results	0	0	0	0	-4,257	-4,257	0	-4,257
5.05.02.07	Amortization of monetary adjustments on Fixed Assets 96/97	0	0	0	0	1,448	1,448	0	1,448
5.07	Deferred Tax and social security contribution on Fixed Assets 96/97	2,636,460	3,782	1,544,086	163,956	35,048	4,383,332	0	4,383,332

Consolidated / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated actual semester – 01/01/2012 to 06/30/2012	Accumulated previous year – 01/01/2011 to 06/30/2011
7,01	Revenue	1,840,372	1,713,194
7.01.01	Sales of products and services	1,465,921	1,340,045
7.01.02	Other revenue	64,810	33,069
7.01.03	Construction revenue of own assets	328,223	344,925
7.01.04	Allowance for doubtful accounts	-18,582	-4,845
7,02	Manufacturing component purchased from third parties	-719,395	-676,724
7.02.01	Cost of products and services	-618,161	-595,835
7.02.02	Material, energy, third-party services and other	-59,522	-48,559
7.02.03	Other	-41,712	-32,330
7,03	Gross Value Added	1,120,977	1,036,470
7,04	Retention	-180,620	-152,176
7.04.01	Depreciation, amortization and exhaustion	-180,620	-152,176
7,05	Net value added	940,357	884,294
7,06	Value added received in transfer	57,945	42,313
7.06.02	Financial income	57,945	42,313
7,07	Total value added to be distributed	998,302	926,607
7,08	Value added distribution	998,302	926,607
7.08.01	Personnel	382,679	330,951
7.08.01.01	Payroll	248,782	215,579
7.08.01.02	Benefits	92,423	82,223
7.08.01.03	FGTS	27,012	18,082
7.08.01.04	Other	14,462	15,067
7.08.01.04.01	Employee profit sharing	14,462	15,067
7.08.02	Taxes and contributions	260,794	275,361
7.08.02.01	Federal	255,927	270,985
7.08.02.02	State	4,378	4,038
7.08.02.03	Municipal	489	338
7.08.03	Third party remuneration	124,674	78,353
7.08.03.01	Interest	123,203	76,987
7.08.03.02	Rental	1,471	1,366
7.08.04	Equity remuneration	230,155	241,942
7.08.04.01	Interest on equity capital	74,972	80,795
7.08.04.03	Retained profits / losses of the period	155,183	161,147

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 June 30, 2012, the Company has the following wholly-owned subsidiaries:

- Copasa Águas Minerais de Minas S.A., established by State Law No. 16693, dated January 11, 2007, with a business purpose to produce, bottle, distribute and sell mineral water from sources where it is proprietor or concessionaire as well as manage and develop the Caxambu, Araxá, Cambuquira and Lambari Parques das Águas.

- 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.

  June 30, 2012, the Company operates 880 locations in the State of Minas Gerais (875 in December 2011), in water supply and/or sanitary sewage activities, totaling approximately 4,417,056 (4,338,678 December 2011). The twenty major water and sewage concessions the Company holds are:

01. Operations--Continued

Water concessions			Sewage concessions	
Location	No. of connections	Expiry	Location	Expiry
Belo Horizonte	942,949	2034	Belo Horizonte	2034
Contagem	219,239	2073	Contagem	2073
Betim	127,411	2042	Montes Claros	2028
Montes Claros	122,346	2028	Betim	2042
Ribeirão das Neves	89,443	2034	Ipatinga	2022
Divinópolis	85,927	2041	Divinópolis	2041
Ipatinga	79,289	2022	Ribeirão das Neves	2034
Santa Luzia	66,264	2013	Santa Luzia	2013
Patos de Minas	51,853	2038	Patos de Minas	2038
Ibirité	49,253	2034	Pouso Alegre	2046
Pouso Alegre	47,898	2046	Varginha	2013
Varginha	47,752	2013	Conselheiro Lafaiete (2)	2010
Conselheiro Lafaiete (2)	46,330	2010	Ibirité	2034
Teófilo Otoni	39,945	2034	Lavras	2034
Sabará (1)	39,717	2007	Araxá	2032
Lavras	38,500	2034	Teófilo Otoni	2034
Araxá	36,634	2032	Itajubá	2034
Ubá	33,637	2014	Alfenas	2033
Itajubá	33,627	2034	Pará de Minas (2)	2009
Coronel Fabriciano	32,980	2033	Coronel Fabriciano	2033

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 1st six-month period of 2012 was R$9,350 (R$8,685 in 2011), or 0.62% (0.62% in 2011) of the Company's total revenue.

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 the first six-month period of 2012 for Conselheiro Lafaiete was R$13,297 and for Pará de Minas R$13.425 (R$12,851 and R$12,969 in the first six-month period of 2011), or 0.88% and 0.88% (0.91% and 0.92% in 2011) of the Company's total revenue, respectively. The Company is endeavoring to renew these concession agreements.

02. Basis for preparation and presentation of the quarterly financial information

The Executive Board's authorization to complete the preparation of the individual and consolidated quarterly information of the Company as at June 30, 2012 was obtained on July 31, 2012.

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 June 30, 2012.

02. Basis for preparation and presentation of the quarterly financial information--Continued

(a) Basis of preparation--Continued

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.

(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.

02. Basis for preparation and presentation of the quarterly financial information--Continued

(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$29,310 and R$2,617, respectively, at June 30, 2012 (R$35,048 and R$2,808, respectively at June 30, 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 June 30, 2012, the Company is the holder of public utility concessions for water supply and sewage services in 880 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 June 30, 2012 are described in Note 01.

05. Public Service Concession Agreements--Continued

At June 30, 2012, the Company has accounts receivable from grantor (the municipalities) totaling R$333,303 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:

	Three month periods ended June 30,		Six month period ended June 30,	
	2012	**2011**	**2012**	**2011**
Construction revenue	174,089	167,036	328,224	344,925
Construction costs	(171,187)	(163,227)	(323,994)	(338,147)

06. Cash and cash equivalents

	Company	
	6/30/2012	**12/31/2011**
Cash and banks	42,738	34,632
Short-term bank deposit certificates	475,316	206,904
Total	**518,054**	**241,536**

	Consolidated	
	6/30/2012	**12/31/2011**
Cash and banks	43,873	35,174
Short-term bank deposit certificates	475,488	207,197
Total	**519,361**	**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

The aging list for accounts receivable is as follows:

	Company		Consolidated	
	6/30/2012	**12/31/2011**	**6/30/2012**	**12/31/2011**
Falling due	120,988	74,096	126,059	75,530
Up to 30 days past due	65,526	66,010	65,526	66,395
From 31 to 60 days past due	30,997	30,040	30,997	30,266
From 61 to 90 days past due	15,520	15,753	15,520	15,915
From 91 to 180 days past due	25,640	25,322	25,640	25,683
Over 180 days past due	32,138	55,484	32,138	57,060
Billed amounts	290,809	266,705	295,880	270,849
Unbilled amounts	246,510	231,238	247,775	232,537
Accounts receivable – customers	537,319	497,943	543,655	503,386
(-) Allowance for doubtful accounts	(18,046)	(26,146)	(19,880)	(27,660)
Accounts receivable – current	519,273	471,797	523,775	475,726
Accounts receivable – non-current	214,775	220,060	214,775	220,060
Accounts receivable – customers, net	734,048	691,857	738,550	695,786
Financial assets held to maturity	67,410	-	67,410	-
Pledging of loans and debentures	135,831	131,778	135,831	131,778
Receivables from subsidiaries	19,951	76,048	-	-
Restricted investment	265,643	328,891	265,643	328,891
Other	38,372	16,534	39,017	17,241
Total	**1,261,255**	**1,245,108**	**1,246,451**	**1,173,696**
Non-current assets	**(674,572)**	**(773,311)**	**(655,266)**	**(697,970)**
Current assets	**586,683**	**471,797**	**591,185**	**475,726**

At June 30, 2012, accounts receivable customer in the amount of R$582,273 remained delinquent (R$525,394 in December 2011).

June 30, 2012, accounts receivable – customers in the amount of R$125,054 (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:

	6/30/2012	**12/31/2011**
Up to three months	105,228	104,636
From three to six months	19,305	18,221
Minas Gerais State	521	627
Total	**125,054**	**123,484**

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

June 30, 2012, accounts receivable – customers totaling R$18,046 (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:

	6/30/2012	12/31/2011
Falling due	857	728
Up to 30 days past due	814	905
From 31 to 60 days past due	884	930
From 61 to 90 days past due	810	975
From 91 to 180 days past due	2,569	3,053
From 181 to 360 days past due	5,985	5,219
Over 360 days past due	6,127	14,336
Total	**18,046**	**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	23,987	24,643
Charge-off of uncollectible accounts receivable during the period	(32,087)	(32,423)
At June 30	**18,046**	**19,880**

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	
	6/30/2012	12/31/2011
Subsidiaries accounted for under the equity method		
Águas Minerais	26,653	1
Copanor	1	1
Serviços de Irrigação	1	1
	26,655	**3**
Investments accounted for under the cost method		
Foz de Jeceaba	21,800	21,800
Other	260	260
	22,060	**22,060**
Total	**48,715**	**22,063**

	Consolidated	
	6/30/2012	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 (%)
6/30/2012						
Águas Minerais	82,132	(36,123)	13,929	(69,408)	13,929	100
Copanor	-	(14,686)	1	(14,687)	1	100
Serviços de Irrigação	-	(760)	1	(761)	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	FCC	Equity pickup	6/30/2012
Águas Minerais	(31,046)	61,887	(4,188)	26,653
Copanor	(13,665)	-	(1,020)	(14,685)
Serviços de Irrigação	(893)	-	134	(759)
Total	**(45,604)**	**61,887**	**(5,074)**	**(11,209)**
Investments	**3**	**-**	**-**	**26,655**
Provision for investment losses	**(45,607)**	-	**-**	**(15,446)**

08. Investments--Continued

At June 30, 2012, the subsidiaries present a capital deficiency of R$51,569 (R$45,607 in December 2011), for which the Company set up a capital deficit reserve. R$15,446 is recorded under “non-current liabilities”, under the heading “sundry obligations”, and R$36,123 relating to AGMM is stated under the heading “investments”, under “fixed assets”.

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 October 2012. 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 12/31/2011	**4,392,128**	**2,890,364**	**288,810**	**(178,237)**	**1,927,472**	**9,320,537**
Additions	33,850	17,634	7,268	2,129	297,217	**358,098**
Write-offs	(1,001)	(12)	-	(340)	(2,958)	**(4,311)**
Transfers (**)	286,135	160,703	3,230	(2,134)	(475,122)	**(27,188)**
Book balance at 6/30/2012	**4,711,112**	**3,068,689**	**299,308**	**(178,582)**	**1,746,609**	**9,647,136**
Amortization						
Book balance 12/31/2011	**(2,480,380)**	**(769,739)**	**(88,316)**	**33,703**	-	**(3,304,732)**
Additions	(89,206)	(67,869)	(8,587)	5,985	-	**(159,677)**
Write-offs	721	5	-	-	-	**726**
Transfers (**)	(407)	(898)	-	-	-	**(1,305)**
Book balance at 6/30/2012	**(2,569,272)**	**(838,501)**	**(96,903)**	**39,688**	**-**	**(3,464,988)**
Net balance 6/30/2012	**2,141,840**	**2,230,188**	**202,405**	**(138,894)**	**1,746,609**	**6,182,148**
Net balance 12/31/2011	**1,911,748**	**2,120,625**	**200,494**	**(144,534)**	**1,927,472**	**6,015,805**

Amortization for the first six-month period of 2012, allocated to income, amounted to R$152,561 (R$126,632 in the first six-month period of 2011) with cost of services rendered R$1,865 (R$2,088 in the first six-month period 2011) as selling costs R$6,556 (R$5,964 in the first six-month period of 2011) as administrative expenses.

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

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

09. Intangible assets--Continued

	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	37,286	17,641	7,286	2,145	297,217	**361,575**
Write-offs	(1,075)	(12)	-	(341)	(2,958)	**(4,386)**
Transfers (**)	286,135	159,718	3,230	(2,140)	(475,122)	**(28,179)**
Book balance at 6/30/2012	**5,069,325**	**3,102,181**	**304,219**	**(179,969)**	**1,746,609**	**10,042,365**
Amortization						
Book balance 12/31/2011	**(2,778,662)**	**(818,880)**	**(90,181)**	**34,829**	**-**	**(3,652,894)**
Additions	(92,568)	(68,435)	(8,626)	5,980	-	**(163,649)**
Write-offs	795	5	-	-	-	**800**
Transfers (**)	(407)	(916)	-	-	-	**(1,323)**
Book balance 6/30/2012	**(2,870,842)**	**(888,226)**	**(98,807)**	**40,809**	**-**	**(3,817,066)**
Net balance 6/30/2012	**2,198,483**	**2,213,955**	**205,412**	**(139,160)**	**1,746,609**	**6,225,299**
Net balance 12/31/2011	**1,968,317**	**2,105,954**	**203,522**	**(144,804)**	**1,927,472**	**6,060,461**

The amortization for the first six-month period of 2012, allocated to income, amounted to R$156,438 (R$130,913 in the first six-month period of 2011) as selling expenses, and to R$1,915 (R$2,144 in the first six-month period of 2011) as selling expenses and to R$6,619 (R$6,001 in the first six-month period of 2011) as administrative expenses.

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

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

In the first six-month period of 2012 the Company capitalized under the “works in progress”, interest and charges of R$31,085 (R$36,487 in the first six-month period of 2011).

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	535	621	24	-	**1,180**
Write-offs	-	(603)	(130)	-	**(733)**
Transfers (*)	11,126	12,211	3,851	-	**27,188**
Book balance at 6/30/2012	**121,940**	**246,604**	**106,695**	**142**	**475,381**
Depreciation					
Book balance at 12/31/2011	**(60,563)**	**(129,462)**	**(96,056)**	**(113)**	**(286,194)**
Additions	(1,424)	(11,694)	(2,597)	(5)	**(15,720)**
Write-offs	-	545	130	-	**675**
Transfers (*)	-	1,563	(258)	-	**1,305**
Book balance at 6/30/2012	**(61,987)**	**(139,048)**	**(98,781)**	**(118)**	**(299,934)**
Net balance 6/30/2012	**59,953**	**107,556**	**7,914**	**24**	**175,447**
Net balance 12/31/2011	**49,716**	**104,913**	**6,894**	**29**	**161,552**

Depreciation in the first six month period of 2012, allocated to income, amounted to R$13,661 (R$11,742 in the six-month period of 2011) as selling expenses R$167 (R$141 in six-month period of 2011) as selling expenses R$587 (R$403 in the six-month period of 2011) 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	535	885	24	29	441	**1,914**
Write-offs	(15)	(657)	(130)	(76)	-	**(878)**
Transfers (*)	11,126	13,196	3,850	7	-	**28,179**
Book balance at 6/30/2012	**133,018**	**274,368**	**109,916**	**872**	**2,163**	**520,337**
Depreciation						
Book balance at 12/31/2011	**(68,166)**	**(138,436)**	**(98,327)**	**(494)**	-	**(305,423)**
Additions	(1,527)	(12,595)	(2,737)	(112)	-	**(16,971)**
Write-offs	-	598	131	88	-	**817**
Transfers (*)	-	1,581	(258)	-	-	**1,323**
Book balance at 6/30/2012	**(69,693)**	**(148,852)**	**(101,191)**	**(518)**	-	**(320,254)**
Net balance at 6/30/2012	**63,325**	**125,516**	**8,725**	**354**	**2,163**	**200,083**
Net balance 12/31/2011	**53,206**	**122,508**	**7,845**	**418**	**1,722**	**185,699**

Depreciation in the first six-month period of 2012 allocated to income, amounted to R$14,838 (R$12,549 in the first six-month period 2011) as cost of services rendered, to R$182 (R$148 in the first six-month period of 2011) as selling expenses and to R$628 (R$414 in the first six-month period of 2011) as administrative expenses.

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

11. Suppliers and other liabilities

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Accounts payable to suppliers	133,231	108,068	139,021	111,494
Taxes payable	55,035	49,801	55,343	50,122
Taxes in installments (a)	250,502	261,299	250,502	261,299
Accrued vacation pay and 13th monthly salary	101,692	76,587	102,444	76,949
Electric power	10,926	24,670	11,185	24,670
Construction work	33,665	27,875	33,488	27,878
Investment valuation allowance (Note 08)	15,446	45,607	-	-
Sundry liabilities	49,251	67,491	49,378	67,675
Total	**649,748**	**661,398**	**641,361**	**620,087**
Non-current liabilities	**(266,140)**	**(304,475)**	**(250,517)**	**(258,871)**
Current liabilities	**383,608**	**356,923**	**390,844**	**361,216**

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

a) Taxes in installments

	Company/Consolidated	
	6/30/2012	12/31/2011
Taxes in installments (*)	3,511	10,533
ISS in installments (**) (Note 25)	246,991	250,766
Total	**250,502**	**261,299**
Current portion	**(35,727)**	**(41,239)**
Non-current portion	**214,775**	**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 June 30, 2012, 92 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 :

(i) 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;

(ii) In May 2012 two installments were drawn down relating to the third stage of ETE Onça, amounting to R$4,990.

12. Loans and debentures

	Company/Consolidated	
	6/30/2012	**12/31/2011**
Current		
State Government/BDMG	5,034	4,717
Federal Savings and Loan Bank (CEF)	118,665	114,916
National Treasury	37,869	36,875
BNDES – BNE	56,671	54,074
Promissory notes – Citibank	163,291	155,924
Federal government – bonds	3,656	4,719
Bank loans and financing	**385,186**	**371,225**
Simple debentures	113,368	102,715
Convertible debentures	9	69,742
Debentures	**113,377**	**172,457**
Total current	**498,563**	**543,682**
Non-current		
State Government/BDMG	6,876	7,756
Federal Savings and Loan Bank (CEF)	584,655	613,804
National Treasury	22,867	41,806
BNDES – BNE	535,748	533,973
Federal government – bonds	53,820	51,031
Bank loans and financing	**1,203,966**	**1,248,370**
Simple debentures	1,343,309	952,614
Convertible debentures	-	65,293
Debentures	**1,343,309**	**1,017,907**
Total non-current	**2,547,275**	**2,266,277**
Total current and non-current	**3,045,838**	**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
	06/30/2012	06/30/2012	12/31/2011	12/31/2011
Bank loans and financing	1,589,152	1,656,238	1,619,595	1,719,016
Simple debentures	1,456,677	1,425,201	1,055,329	1,012,141
Convertible debentures	9	9	135,035	134,532
Total	**3,045,838**	**3,081,448**	**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%	33	7.33%	CEF rate, as there is no similar market
CEF/FGTS	9.68%	148	7.33%	CEF rate quoted in June/12
National Treasury	5.38%	19	7.33%	CEF rate, as there is no similar market
BNDES/BNE	7.57%	115	7.55%	BNDES/BNE rate quoted in June/12
Promissory notes	10.33%	01	8.82%	Contractual rate, as there is no similar market
Federal Government	4.68%	142	7.33%	CEF rate, as there is no similar market
Simple debentures	8.51%	107	9.12%	BNDES/BND rate quoted in June/12
Convertible debentures	8.30%	12	8.30%	BNDES/BNA rate quoted in June/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

On November 29, 2011, the Company and the Official German Agency *Kreditanstalt Fur Wiederaufbau* – KFW signed a loan agreement amounting to EUR 100,000,000.00 (one hundred million Euros). The remuneration is at a fixed interest rate of 2.07% p.a., a non-refundable commitment fee of 0.25% p.a. calculated on amounts not drawn down and a one-off administrative fee of 0.5% on the loan total.

The principal of this loan has a grace period of 36 (thirty six months). Amortization will be over 08 (eight) bi-annual, equal and consecutive installments amounting to EUR 5,555,000.00 (five million five hundred and fifty five thousand Euros), maturing between December 20, 2014 and June 20, 2018, and 10 (ten) bi-annual, equal and consecutive installments of EUR5,556,000.00 (five million, five hundred and fifty six thousand Euros), maturing between December 20, 2018 and June 30, 2023, the final maturity date of the loan.

The funds of the loan shall be utilized in the Paraopeba River Basin Depollution Program which includes the expansion and construction of sewage, water treatment stations treatment and dredging, building awareness and education on sanitary issues with the local population, the protection of water sources and consulting services.

Bank loans and financing mature up to 2035 and average coupons 8.44% per year (8.7% per year at December 31, 2011). Non-current portions mature as follows:

Maturity	6/30/2012	12/31/2011
2013	109,437	212,188
2014	182,786	175,683
2015	146,982	141,171
2016	111,860	106,814
2017	76,919	72,858
2018	77,866	73,766
2018 to 2035	498,116	465,890
Total	**1,203,966**	**1,248,370**

The recorded amount of these Company loans foreign currency amount to R$57,476 (R$55,750 at December 31, 2011).

12. Loans and debentures--Continued

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$40,104, restated through June 30, 2012 (R$35,192 in 2011by applying the average price of the Zero Coupon Bond of the US Treasury, recorded under the caption “collateral for financing”.

Kreditanstalt Fur Wiederaufbau – KFW:

These are guaranteed up to the balance of the loan agreement through guarantee from the State of Minas Gerais and Company tariff revenue, to a limit sufficient for payment of benefits and other charges due on each maturity date, by separate warranty contract, concluded between KFW and the Federative Republic of Brazil, and credit payment guaranteed by the Federal Republic of Germany. As ancillary cover the Company shall maintain a reserve account at the Caixa Econômica Federal, whose minimum balance shall be the value corresponding to the monthly payment of 01 (a) external debt service.

Local currency agreements

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:

12. Loans and debentures--Continued

b) Guarantees of bank loans and financing--Continued

- 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 June 30, 2012 is recorded as collateral for financing in the amount of R$26,639 (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 June 30, 2012, is R$25,095 (R$26,527 at December 31, 2011).

- 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 June 30, 2012, is R$671 (R$555 at December 31, 2011).

12. Loans and debentures--Continued

b) Guarantees of bank loans and financing--Continued

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 June 30, 2012, is R$10,006 (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.

c) Non-convertible and convertible debentures

		Company/Consolidated			
		6/30/2012		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	7,795	8,378	7,815	12,245
3rd and 4th	11/9/2004	7,795	8,378	7,815	12,245
5th and 6th	7/29/2004	7,795	8,378	7,815	12,245
7th	12/19/2005	3,897	4,189	3,907	6,122
8th and 9th	4/24/2006	7,795	8,378	7,815	12,244
10ª	12/19/2006	3,898	4,188	3,907	6,122
11th and 12th	3/23/2007	7,795	8,378	7,815	12,244
Total 1st issue		**46,770**	**50,267**	**46,889**	**73,467**
Subscription - 3rd issue					
1st to 6th	12/6/2007	16,245	103,021	16,299	110,945
7th	9/25/2008	2,707	17,170	2,717	18,491
8th	12/6/2008	8,123	51,510	8,149	55,472
9th to 11th	3/30/2009	8,123	51,510	8,149	55,472
12th to 14th	11/27/2009	2,707	17,170	2,717	18,491
15th to 17th	5/26/2010	8,122	51,510	8,150	55,473
18th	7/2/2010	2,707	17,170	2,717	18,491
Total 3rd issue		**48,734**	**309,061**	**48,898**	**332,835**

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

Subscription - 4th issue					
1st	12/27/2010	3,395	222,210	3,395	222,210
2nd	11/24/2011	5,532	70,432	1,198	36,102
Total 4th issue		**8,927**	**292,642**	**4,593**	**258,312**
Subscription - 5th issue					
Single	10/27/2011	2,175	288,000	2,335	288,000
Total 5th issue		**2,175**	**288,000**	**2,335**	**288,000**
Subscription - 6th issue					
1st	2/23/2011	2,324	200,000	-	-
2nd	2/23/2011	4,438	203,339	-	-
Total 6th issue		**6,762**	**403,339**	**-**	**-**
Total non-convertible debentures		**113,368**	**1,343,309**	**102,715**	**952,614**
Convertible debentures					
Subscription - 2nd issue					
Single	8/28/2007	-	-	43,313	39,050
Single	9/6/2007	-	-	25,180	25,002
Single	12/3/2007	9	-	1,249	1,241
Total convertible debentures		**9**	**-**	**69,742**	**65,293**
Total debentures		**113,377**	**1,343,309**	**172,457**	**1,017,907**

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

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

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 June 30, 2012, the amount pledged as collateral totaled R$13,957 (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:

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 June 30, 2012, the amount pledged as collateral totaled R$19,359 (R$19,519 at December 31, 2011).

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

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.

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

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

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 each, totaling R$400,000, under the following terms and conditions:

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.

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

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).

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 June 30, 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
5/31/2012	1,095,907	4,383,628
Total	**1,129,860**	**4,519,440**

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

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

	6/30/2012	12/31/2011
Liability component at the beginning of the period	135,035	134,242
Financial expenses	8,848	11,683
Interest paid	(6,389)	(10,890)
Debt conversion	(137,485)	-
Liability component at the end of the period	**9**	**135,035**

The fair value of the financial component of the convertible debt bond at June 30, 2012 totals R$9. 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:

(a) 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

(b) 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

12. Loans and debentures--Continued

d) Covenants

(c) Covenants 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

(d) Covenants 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%

(e) Loan agreement covenants KFW

Ratio	Limit
Total liabilities/ net liabilities	Equal or less than 1.0
EBITDA/amortization of debt	Equal or greater than 1.5

(f) Covenants in agreements with CEF/BB/HSBC, 5th and 6th issues 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 June 30, 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.

13. Tax and Litigation Provisions--Continued

	Company	
	6/30/2012	**12/31/2011**
PIS/COFINS matching credit	10,748	28,163
IPI premium-credit	16,456	16,456
Tax provisions	27,204	44,619
Litigation provision	49,379	43,956
Total	**76,583**	**88,575**
Current liabilities	10,748	-
Non-current liabilities	**65,835**	**88,575**

	Consolidated	
	6/30/2012	**12/31/2011**
PIS/COFINS matching credit	10,748	28,163
IPI premium-credit	16,456	16,456
Tax provisions	27,204	44,619
Litigation provision	50,439	46,447
Total	**77,643**	**91,066**
Current liabilities	10,748	-
Non-current liabilities	**66,895**	**91,066**

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	18,877	4,295	70	(163)	296	**23,375**
Reversals	(13,560)	(1,881)	-	-	(17,711)	**(33,152)**
Use	(1,126)	(1,089)	-	-	-	**(2,215)**
June 30, 2012	**33,664**	**15,941**	**2,151**	**(2,377)**	**27,204**	**76,583**

13. Tax and Litigation Provisions--Continued

a) Provisions--Continued

	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	18,877	4,881	70	(1,055)	296	**23,069**
Reversals	(13,560)	(3,006)	-	-	(17,711)	**(34,277)**
Use	(1,126)	(1,089)	-	-	-	**(2,215)**
June 30, 2012	**33,664**	**18,405**	**2,151**	**(3,781)**	**27,204**	**77,643**

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

b) Contingent liabilities

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	**6/30/2012**	**12/31/2011**
Civil (*)	453,580	402,021
Tax (**)	36,978	55,623
Total	**490,558**	**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 June 30, 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$17,711

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, signed on August 8, 2011, 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 June 30, 2012, the Company provisioned R$14,462, referring to the employee profit sharing for the first six-month period of 2012 (R$15,067 in the first six-month period of 2011).

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 June 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:

	Company			
	Three-month period ended June 30		Six-month period ended June 30	
	2012	2011	2012	2011
Income in the 2nd quarter of 2012 before taxes and contributions	145,564	160,553	314,016	355,492
Statutory rate	34%	34%	34%	34%
Expected expense at the statutory rate	**(49,492)**	**(54,588)**	**(106,765)**	**(120,867)**
Income and social contribution taxes on:				
(Additions) /exclusions				
Equity pickup	(1,302)	(1,320)	(2,027)	(2,816)
Realization of special monetary adjustment reserve	(130)	(614)	(451)	(1,407)
Government grants	810	799	1,657	1,609
Actuarial reserve - transfer to accounts payable	-	(2,582)	-	(14,673)
Other (additions) /exclusions	(628)	(2,777)	(889)	(2,064)
Other reconciliation items				
Interest on equity	12,654	14,067	25,491	27,470
Tax incentives	914	966	1,740	2,007
Income and social contribution taxes	**(37,174)**	**(46,049)**	**(81,244)**	**(110,741)**
Current income and social contribution taxes	(39,868)	(41,597)	(81,692)	(87,889)
Deferred income and social contribution taxes	2,694	(4,452)	448	(22,852)
	(37,174)	**(46,049)**	**(81,244)**	**(110,741)**
Effective rate	25.5%	28.68%	25.9%	31.15%

15. Income and social contribution taxes--Continued

a) Current income and social contribution taxes--Continued

	Consolidated			
	Three-month period ended June 30		Six-month period ended June 30	
	2012	2011	2012	2011
Income for the second quarter of 2012 before income and social contribution taxes	143,702	158,768	310,084	351,254
Statutory rate	34%	34%	34%	34%
Expected expense at statutory rate	**(48,859)**	**(53,981)**	**(105,429)**	**(119,426)**
Income and social contribution taxes on: (Additions) /exclusions				
Realization of special monetary adjustment reserve	(130)	(614)	(451)	(1,407)
Government subsidies	810	799	1,657	1,609
Actuarial provision transferred to accounts prec.	-	(2,582)	-	(14,673)
Other (additions) /exclusions	(1,944)	(4,110)	(2,937)	(4,892)
Other reconciliation items				
Equity interest	12,654	14,067	25,491	27,470
Tax incentives	914	966	1,740	2,007
Income and social contribution taxes	**(36,555)**	**(45,455)**	**(79,929)**	**(109,312)**
Current income and social contribution taxes	(39,891)	(41,616)	(81,727)	(87,908)
Deferred income and social contribution taxes	3,336	(3,839)	1,798	(21,404)
	(36,555)	**(45,455)**	**(79,929)**	**(109,312)**
Effective rate	25.4%	28.63%	25.8%	31.12%

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

b) Deferred income and social contribution taxes--Continued

The offset amounts are as follows:

	Company		Consolidated	
Assets and liability balances	6/30/2012	12/31/2011	6/30/2012	12/31/2011
In non-current assets				
Temporary differences:				
Allowance for doubtful accounts	69,802	72,316	69,802	72,316
Reserve for actuarial liabilities	28,183	29,743	28,183	29,743
Provisions for adjustments required under CPCs	353,628	330,904	353,628	330,904
Tax provisions	168,874	200,138	168,874	200,138
Other temporary provisions - sundry	30,121	7,645	31,417	8,941
Total	**650,608**	**640,746**	**651,904**	**642,042**
Deferred income tax	162,652	160,187	162,976	160,510
Deferred social contribution tax	58,555	57,667	58,671	57,784
	221,207	**217,854**	**221,647**	**218,295**
In non-current liabilities				
Temporary differences:				
Deferred exchange gains (losses) (on financing)	130	5,072	130	5,072
Provisions for adjustments required under CPCs	161,922	148,436	207,353	197,841
Total	**162,052**	**153,508**	**207,483**	**202,913**
Deferred income tax	40,513	38,377	51,871	50,728
Deferred social contribution tax	14,585	13,816	18,673	18,262
	55,098	**52,193**	**70,544**	**68,990**
Deferred income and social contribution taxes	**166,109**	**165,661**	**151,104**	**149,304**

	Three month periods ended June 30, 2012		Six-month period ended June 30, 2012	
	Company	Consolidated	Company	Consolidated
In income for the period				
1. Increase / (decrease) in deferred assets				
Deferred income tax	2,469	2,469	2,465	2,466
Deferred social contribution tax	889	889	888	887
	3,358	3,358	3,353	3,353
2. Decrease / (increase) in deferred liabilities				
Deferred income tax	488	16	2,136	1,143
Deferred social contribution tax	176	6	769	412
	664	22	2,905	1,555
Result of deferred taxes for the quarter (1 - 2) (Increase) /decrease in tax expenses	2,694	3,336	448	1,798

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**
June 30, 2012			
State	218,345	(254,172)	**(35,827)**
Other	10,307	(12,272)	**(1,965)**
Total	**228,652**	**(266,444)**	**(37,792)**
June 30, 2012			
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**
June 30, 2012			
State	502,591	(542,954)	**(40,363)**
Other	10,307	(12,272)	**(1,965)**
Total	**512,898**	**(555,226)**	**(42,328)**
June 30, 2012			
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	
	6/30/2012	**12/31/2011**
Non-current liabilities	140,836	145,235
Current liabilities	12,628	12,072
	153,464	**157,307**
Normal contributions	5,749	47
Total liabilities recognized in the balance sheet	**159,213**	**157,354**

17. Pension Plan--Continued

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	(1,560)
Expenses recognized in the income statement - Contributions from COPASA	15,133
Reserve for monthly contributions	19,406
Monetary restatement	3,570
Debt amortization	(5,855)
Amortization of monthly contributions	(28,835)
Net liabilities at June 30, 2012	**159,213**
Current liabilities	**(18,377)**
Non-current liabilities	**140,836**

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 119,684 thousand shares, of which 115.301 have been paid in and 4,383 thousand are to be paid-in in July 2012. All shares issued have been paid up, without par value.

The Company is controlled by the State of Minas Gerais, which holds 51.13% of the Company's shares. The remaining 48.87% thereof are held by sundry shareholders.

At June 30, 2012, 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 June 30, 2012, is 48.6%.

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:

Data	Gross amount declared	Value per share
3/16/2012	37,755	0.33
6/18/2012	37,217	0.31
	74,972	

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

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$25,490. 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:

	6/30/2012	12/31/2011
Beginning balance	26,921	66,859
Proposed interest on equity	74,972	153,127
Prepaid Withholding Income Tax	(2,252)	(15,627)
Paid interest on equity	(63,523)	(177,438)
Balance of interest on equity in current liabilities	**36,118**	**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			
	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	2012	2011
Income attributed to the Company shareholders	108,390	114,504	232,772	244,751
Weighted average of common shares issued - thousands	119,314	114,929	119,314	114,929
Basic earnings per share	0.91	0.99	1.95	2.13

	Consolidated			
	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	2012	2011
Income attributable to Company shareholders	107,147	113,313	230,155	241,942
Weighted average of common shares issued - thousands	119,314	114,929	119,314	114,929
Earnings per share	0.90	0.99	1.93	2.11

- Diluted earnings per share

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.

18. Equity and Dividends--Continued

(c) Earnings per share--Continued

- Diluted earnings per share--Continued

	Company			
	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	2012	2011
Income				
Income attributed to the Company shareholders	108,390	114,504	232,772	244,751
Financial expense on convertible debt (net of tax effect)	-	1,936	-	3,824
Income used to determine diluted earnings per share	108,390	116,440	232,772	248,575
Weighted average of common shares issued - thousands	119,314	114,929	119,314	114,929
Adjustments from:				
Assumed conversion of the convertible debt - thousands	-	4,520	-	4,520
Weighted average of common shares for diluted earnings per share – thousands	119,314	119,449	119,314	119,449
Diluted earnings per share	0.91	0.97	1.95	2.08

	Consolidated			
	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	2012	2011
Income				
Income attributed to the Company shareholders	107,147	113,313	230,155	241,942
Financial expense on convertible debt (net of tax effect)	-	1,936	-	3,824
Income used to determine diluted earnings per share	107,147	115,249	230,155	245,766
Weighted average of common shares issued - thousands	119,314	114,929	119,314	114,929
Adjustments from:				
Assumed conversion of the convertible debt - thousands	-	4,520	-	4,520
Weighted average of common shares for diluted earnings per share – thousands	119,314	119,449	119,314	119,449
Diluted earnings per share	0.90	0.96	1.93	2.06

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 June 30, 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.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(i) Market risk-Continued

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 June 30, 2012 and December 31, 2011.

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
6/30/2012		
R$	+ 0.5%	(13,243)
R$	- 0.5%	13,243
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.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(i) Market risk-Continued

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.

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$57,476 at June 30, 2012 (R$55,750 at December 31, 2011), 1.9% of its total debt (2.0% at December 31, 2011). As of June 30, 2012 the Company also maintains collateral R$40,104 (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
6/30/2012	+ 20%	(11,379)
	- 20%	11,379
	+10%	(5,689)
	-10%	5,689
12/31/2011	+ 20%	(11,036)
	- 20%	11,036
	+10%	(5,518)
	-10%	5,518

Changes in income and equity are due to changes in loans in US Dollars.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(ii) Credit risk

Credit risk is the risk of financial loss due to 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

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.

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	
	6/30/2012	**12/31/2011**
Current account, bank deposits and short-term investments (*)		
AAA	379,017	94,559
AA	9,166	63,469
A	71,100	26,520
B (BAA, BA and BBB)	58,771	56,988
	518,054	**241,536**

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

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(ii) Credit risk--Continued

	Consolidated	
	06/30/2012	**12/31/2011**
Current account, bank deposit, short-term investments (*)		
AAA	380,324	95,394
AA	9,166	63,469
A	71,100	26,520
B (BAA, BA e BBB)	58,771	56,988
	519,361	**242,371**

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

(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.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(iii) Liquidity risk--Continued

	Maturity brackets (i)			
	Up to 1 year	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**
June 30, 2012				
Amortization	458,499	728,118	599,181	1,219,976
Interest	40,064	-	-	-
Loans and financing	**498,563**	**728,118**	**599,181**	**1,219,976**
Suppliers and other liabilities	**152,675**	**25,732**	**56,301**	**58,803**
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.

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

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

Institution	**Guarantee (linked revenue)**	**6/30/2012**	**12/31/2011**
CEF until 1998 and National Treasury	10% receivables	20,919	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	32,449	30,907
BNDES 181 MM	R$7 MM annually restated by IPCA, since April 22, 2010	7,881	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.

19. Financial Risk Management Objectives and Policies--Continued

(b) Capital risk management--Continued

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 June 30, 2012 and December 31, 2011.

As with 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 2012, the Company's strategy, which remained unaltered in relation to 2011, was that of maintaining the financial leverage and debt ratios below 100%. Total liabilities to equity ratio at June 30, 2012 and December 31, 2011 are as follows:

	Company	
	6/30/2012	**12/31/2011**
Total loans and debentures (Note 12)	3,045,838	2,809,959
Less: Cash and cash equivalents (Note 06)	(518,054)	(241,536)
Net debt	**2,527,784**	**2,568,423**
Total equity	4,793,180	4,501,677
Total capital	**7,320,964**	**7,070,100**
Financial leverage ratio - %	35	36
Debt ratio - %	53	57

	Consolidated	
	6/30/2012	**12/31/2011**
Total loans and debentures (Note 12)	3,045,838	2,809,959
Less: cash and cash equivalents (Note 06)	(519,361)	(242,371)
Net debt	**2,526,477**	**2,567,588**
Total net equity	4,822,490	4,533,604
Total capital	**7,348,967**	**7,101,192**
Financial leverage ratio - %	34	36
Debt ratio - %	52	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 June 30, 2012 and 2011 are as follows:

	Company			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Gross revenue from water supply and sewage services	741,281	683,833	1,479,709	1,353,396
Construction revenue	174,088	167,036	328,224	344,925
Total gross revenue:	915,369	850,869	1,807,933	1,698,321
Sales taxes	(74,682)	(62,348)	(141,888)	(123,326)
Other deductions	(11,817)	(9,802)	(23,694)	(20,137)
Net revenue	**828,870**	**778,719**	**1,642,351**	**1,554,858**

	Consolidated			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Gross revenue from water supply and sewage services	745,723	687,097	1,488,530	1,359,431
Construction revenue	759	352	1,559	764
	174,088	167,036	328,224	344,925
Total gross revenue:				
Sales taxes	920,570	854,485	1,818,313	1,705,120
Other deductions	(75,115)	(62,779)	(143,041)	(124,161)
Net revenue	(12,198)	(9,809)	(24,168)	(20,151)
Gross revenue from water supply and sewage services	**833,257**	**781,897**	**1,651,104**	**1,560,808**

Other operating revenue earned by the Company in the years ended June 30, 2012 and 2011 are stated as follows:

	Company			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Reversal of nondeductible provision	15,145	3,226	44,352	25,894
Recovery of accounts written off as loss	7,881	8,142	15,592	15,813
Other revenues	9,748	2,946	17,653	6,676
Total other operating income	**32,774**	**14,314**	**77,597**	**48,383**

	Consolidated			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Reversal of nondeductible provision	16,050	3,226	46,132	25,894
Recovery of accounts written off as loss	7,915	8,164	15,660	15,854
Other revenues	10,683	3,350	18,677	7,154
Total other operating income	**34,648**	**14,740**	**80,469**	**48,902**

21. Expenses by Nature

	Company			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Salaries and charges	224,447	197,786	438,151	380,356
Materials	25,813	24,897	52,918	48,637
Outsourced services	130,536	114,454	248,017	212,062
General	25,417	20,623	47,573	41,602
Depreciation and amortization	88,493	70,484	175,397	146,970
Allowance for doubtful accounts	11,625	10,206	33,586	20,176
Provision for losses on obsolete materials	114	23	126	693
Construction costs	171,187	163,227	323,994	338,147
Litigation provision	7,155	9,066	23,540	14,446
Equity pickup	2,942	3,880	5,074	8,281
Employee profit sharing	6,777	7,323	14,462	15,067
Other	8,039	12,355	20,013	19,634
Operating expenses	**702,545**	**634,324**	**1,382,851**	**1,246,071**
(-) Tax credits	**(22,793)**	**(16,665)**	**(44,165)**	**(32,301)**
Net operating expenses	**679,752**	**617,659**	**1,338,686**	**1,213,770**
Costs	**519,895**	**457,811**	**994,348**	**911,981**
Expenses	**159,857**	**159,848**	**344,338**	**301,789**

	Consolidated			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Salaries and charges	227,356	199,449	443,244	383,710
Materials	26,146	25,404	53,802	49,681
Outsourced services	132,954	116,018	252,277	215,376
General	26,219	21,160	49,085	42,556
Depreciation and amortization	90,980	73,066	180,620	152,176
Allowance for doubtful accounts	11,961	10,468	34,242	20,676
Provision for losses on obsolete materials	114	23	126	693
Construction costs	171,187	163,227	323,994	338,147
Litigation provision	7,775	9,357	24,746	15,758
Equity pickup	6,777	7,323	14,462	15,067
Employee profit sharing	9,102	12,801	21,592	20,314
Other	**710,571**	**638,296**	**1,398,190**	**1,254,154**
Operating expenses	**(22,969)**	**(16,822)**	**(44,518)**	**(32,581)**
(-) Tax credits				
	687,602	**621,474**	**1,353,672**	**1,221,573**
Net operating expenses	**527,094**	**462,260**	**1,007,009**	**920,766**
Costs	**160,508**	**159,214**	**346,663**	**300,807**

22. Expenses with Employee Benefits

	Company			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Salaries	126,582	112,278	245,701	213,826
Social security costs	38,652	35,872	74,491	67,419
FGTS	12,305	9,264	26,837	17,941
Private pension plan contribution	7,659	7,755	15,133	15,850
Workers' meal program	24,777	21,001	48,503	42,007
Health plan	11,151	8,831	20,439	17,233
Other benefits	3,321	2,785	7,047	6,080
Total	**224,447**	**197,786**	**438,151**	**380,356**
Number of employees (not reviewed)	11,518	11,429	11,518	11,429

	Consolidated			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Salaries	128,976	113,576	249,837	216,479
Social security costs	38,949	36,094	75,030	67,826
FGTS	12,390	9,333	27,011	18,089
Private pension plan contribution	7,659	7,755	15,133	15,850
Workers' meal program	24,861	21,044	48,638	42,089
Health plan	11,180	8,851	20,489	17,262
Other benefits	3,341	2,796	7,106	6,115
Total	**227,356**	**199,449**	**443,244**	**383,710**
Number of employees (not reviewed)	11,804	11,660	11,804	11,660

23. Financial income and expenses

The change in the financial income (expenses) for the 2nd quarter of 2012, year-on-year is as follows:

	Company			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Interest income	4,153	8,007	9,873	14,620
Effective yield from investments	13,269	3,746	23,542	7,414
Monetary and foreign exchange gains	3,578	9,634	14,474	16,360
Capitalization of financial/other assets	7,297	3,461	10,579	6,733
Total financial income	**28,297**	**24,848**	**58,468**	**45,127**
Interest expenses	(53,984)	(31,059)	(103,876)	(61,088)
Monetary and foreign exchange losses	(9,583)	(7,937)	(19,325)	(15,898)
Other expenses	(1,058)	(673)	(2,513)	(2,120)
Total financial expenses	**(64,625)**	**(39,669)**	**(125,714)**	**(79,106)**
Financial income (expenses), net	**(36,328)**	**(14,821)**	**(67,246)**	**(33,979)**

	Consolidated			
	Three month periods ended June 30		Six month periods ended June 30	
	2012	2011	2012	2011
Interest income	4,214	8,062	10,027	14,723
Effective yield from investments	13,269	3,758	23,546	7,442
Monetary and foreign exchange gains	3,234	7,871	13,733	13,038
Capitalization of financial/other assets	7,324	3,652	10,639	7,110
Total financial income	**28,041**	**23,343**	**57,945**	**42,313**
Interest expenses	(53,984)	(31,060)	(103,876)	(61,089)
Monetary and foreign exchange losses	(9,583)	(7,937)	(19,325)	(15,898)
Other expenses	(1,075)	(741)	(2,561)	(2,209)
Total financial expenses	**(64,642)**	**(39,738)**	**(125,762)**	**(79,196)**
Financial income (expenses), net	**(36,601)**	**(16,395)**	**(67,817)**	**(36,883)**

24. Transactions with related parties

The Company is controlled by the State of Minas Gerais that holds 51.13% of its shares, the remaining 48.87% are held by other shareholders.

Further to the balance payable to CEMIG, stated in Note 11, and the agreements stated in Note 16, and other transactions with related parties are basically summarized as those effectively, made with the state of Minas Gerais and its subsidiaries. The most significant balance and transactions are as follows:

	Company				
	6/30/2012				
	Subsidiaries				Other
	Águas Minerais	Copanor	Serviços Irrigação	Total	State of MG
Assets					
Current assets					
Accounts receivable - customers					
Billed amounts	-	-	-	-	13,464
Non-current assets					
Loans	-	18,613	1,338	19,951	-
Investments (FCC)	26,653	1	1	26,655	-
Total assets	**26,653**	**18,614**	**1,339**	**46,606**	**13,464**
Liabilities					
Current liabilities					
Agreements	-	-	-	-	35,827
Interest on equity	-	-	-	-	18,946
Non-current liabilities					
Investment valuation allowance	-	14,686	760	15,446	-
Total liabilities	**-**	**14,686**	**760**	**15,446**	**54,773**
Income statement	**Three month period ended June 30, 2012**				
Revenue from water supply and sewage services	-	-	-	-	25,645
Gains on monetary variation	-	317	27	344	-
	Six-month periods ended June 30, 2012				
Revenue from water supply and sewage services	-	-	-	-	47,596
Gains on monetary variation	-	683	60	743	-

	Company				
	12/31/2011				
	Subsidiaries				Other
	Águas Minerais	Copanor	Serviços Irrigação	Total	Minas Gerais State
Assets					
Current assets					
Trade accounts receivable					
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 capital	-	-	-	-	15,870
Non-current liabilities					
Provision for loan losses	31,047	13,666	894	45,607	-
Total liabilities	**31,047**	**13,666**	**894**	**45,607**	**15,870**
Income statement	**Three month periods ended June 30, 2011**				
Revenue from water supply and sewage services	-	-	-	-	22,486
Gains on monetary variation	1,335	382	46	1,763	-
	Six-month periods ended June 30, 2011				
Revenue from water supply and sewage services	-	-	-	-	42,444
Gains on monetary variation	2,501	733	88	3,322	-

24. Transactions with related parties--Continued

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 October 2012, as mentioned in Note 08.

- Electrical power supply

  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.

- Financing agreements with BDMG

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

- Agreements 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.

24. Transactions with related parties--Continued

- 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 June 30, 2012, , the outstanding balance of these agreements totals R$60,736, in accordance 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 June 30, 2012, the outstanding balance of these agreements totals R$57,476, 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:

- Key management personnel compensation--Continued

	Three month periods ended June 30		Six-month periods ended June 30	
	2012	**2011**	**2012**	**2011**
Salaries and other short-term benefits to employees	1,221	1,206	2,581	2,155
Post-employment benefits	39	-	39	-
	1,260	1,206	2,620	2,155

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 June 30, 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 June 30, 2012:

Subcontractor	Amount	Execution date	Term in days (1)
Construtora Andrade Gutierrez S.A.	186,404	08/25/2011	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	09/13/2010	1,080
Perfil Engenharia S/A	26,731	01/05/2012	540
Construtora R. Fonseca	22,731	06/30/2009	1,080
Prefisan Ltda	21,624	03/14/2012	1,080
Infracon Engenharia e Comércio Ltda.	21,596	09/05/2011	360
Consorcio Ecosan	19,642	10/01/2010	600
Encibra S/A Est. Projeto de Engenharia	13,818	01/24/2012	1,080
Sanesc Saneamento e Constr. Ltda	13,781	06/27/2012	720

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

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	53,408	20.45
Contagem	83,707	83,707	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. Materials facts

In a meeting held on July 20, 2012, the Company's Executive Board approved in accordance with article 7 and 22 line "w" of the Company's Charter a capital increase of R$137,485,356.02 (one hundred and thirty seven million, four hundred and eighty five thousand, three hundred and fifty six reais and two centavos). Accordingly, the Company's capital increased to R$2,773,984,297.40 (two billion, seven hundred and seventy three million, nine hundred and eighty four thousand, two hundred and ninety seven reais and forty centavos). In the same meeting, through an Executive Board decision, alteration of article 6 of the Company's charter to include this capital increase.

The increase was due to the conversion of 1,095,907 (one million, ninety five thousand nine hundred and seven reais) of COPASA MG 2nd issue debentures into 4,383,628 (four million, three hundred and eighty three thousand, six hundred and twenty eight reais) common registered shares in accordance with "Request for the Conversion of Debentures", received by the Company on May 31, 2012. Accordingly, capital began to be represented by 119,684,388 (one hundred and nineteen million, six hundred and eighty four thousand three hundred and eighty eight) common registered shares with no par value.

Notes to quarterly information as of June 30, 2012 and 2011
(In thousands of reais - unless otherwise stated)

Company information / Composition of capital

Number of Share (in Thousand)	**Actual Quarter 06/30/2012**
In capital	
Ordinary	119,314
Preferred	0
Total	119,314
In treasury	
Ordinary	370
Preferred	0
Total	370

Company information / Cash distribution

Event	Approval	Income	Beginning of payment	Type of share	Class of share	Earning per share (reais / share)
Meeting of the board of directors	06/18/2012	Interest on equity	08/17/2012	Ordinary		0.30963