Quarterly Information

Companhia de Saneamento de Minas Gerais - COPASA.

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

"A free Translation from Portuguese into English"

Independent Auditors' Special Review Report on Quarterly Information

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

We have reviewed the individual and consolidated interim financial information of Companhia de Saneamento de Minas Gerais - COPASA, contained in the Quarterly Financial Information Form – ITR for the quarter ended March 31, 2011, which comprised the balance sheet and related income statement, statement of changes in equity and cash flow statement for the quarter then ended, including explanatory notes.

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

Scope of review

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

Conclusion on the individual interim information

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

Conclusion on the consolidated interim information

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

Emphasis on a matter

As mentioned in Note 28, beginning September 20, 1989, the Company, as a taxpayer, has been under the special tax regime for State Value-Added Tax (ICMS) on treated water supply. Based on the opinion of its legal advisors, the referred to tax collection would require specific rules regulating the subject. To date, there has been no definition by the State Executive Branch concerning calculation criteria and required collection of such tax; also, such tax has not been included in the tariff calculation of the Company. Consequently, such tax has neither been collected from consumers, nor accrued by the Company or passed on to the State Government.

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statement of value added for the quarter ended March 31, 2011, whose presentation is required according to the rules issued by the Brazilian SEC (CVM) applicable to the preparation of Interim Financial Information and considered 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, in our review, are presented fairly, in all material respects, in relation to the interim individual and consolidated accounting information taken as a whole.

Belo Horizonte (MG), May 10, 2011.

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

Flávio de Aquino Machado

Accountant CRC - 1MG 065.899/O-2

Individual / Balance sheets Asset

(In thousands of reais)

Account Code	Account Description	Actual Quarter 03/31/2011	Previous Year 12/31/2010
1	Total assets	7,483,500	7,309,840
1.01	Current assets	691,882	649,909
1.01.01	Cash and cash equivalents	146,413	75,793
1.01.03	Accounts Receivable	507,169	534,600
1.01.03.01	Accounts Receivable - Customers	463,269	434,851
1.01.03.02	Other Accounts Receivable	43,900	99,749
1.01.03.02.01	Recoverable taxes	31,230	30,879
1.01.03.02.02	Technical cooperation agreement	2,593	0
1.01.03.02.03	Bank account – agreements	10,077	12,505
1.01.03.02.04	Financing assets held-to-maturity	0	56,365
1.01.04	Inventory	26,989	25,760
1.01.08	Other Current assets	11,311	13,756
1.01.08.03	Other	11,311	13,756
1.01.08.03.01	Advance to employees	8,276	11,068
1.01.08.03.02	Other	3,035	2,688
1.02	Noncurrent assets	6,791,618	6,659,931
1.02.01	Long-term assets	924,420	916,073
1.02.01.03	Accounts Receivable	368,956	339,924
1.02.01.03.01	Accounts Receivable - Customers	211,296	182,335
1.02.01.03.02	Other Accounts Receivable	157,660	157,589
1.02.01.06	Deferred taxes	220,235	236,126
1.02.01.06.01	Deferred Income Tax / Social Security Contribution	220,235	236,126
1.02.01.08	Related company credits	63,244	59,970
1.02.01.08.02	Insider company credits	63,244	59,970
1.02.01.09	Other noncurrent assets	271,985	280,053
1.02.01.09.03	Financing assets - concession agreements	271,985	280,053
1.02.02	Investments	22,063	263
1.02.02.01	Investments in other companies	22,063	263
1.02.02.01.02	Controlled company shares	263	263
1.02.02.01.04	Other investments in other companies	21,800	0
1.02.03	Property plant & equipment	108,368	111,864
1.02.03.01	Property plant & equipment in operation	108,368	111,864
1.02.04	Intangible	5,736,767	5,631,731
1.02.04.01	Intangibles	5,736,767	5,631,731
1.02.04.01.01	Concession agreements	3,183,740	3,169,888
1.02.04.01.02	Intangible in progress	2,553,027	2,461,843

Individual / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter 03/31/2011	Previous Year 12/31/2010
2	Total liabilities	7,483,500	7,309,840
2.01	Current liabilities	747,510	688,992
2.01.02	Suppliers	123,891	120,135
2.01.02.01	Nacional suppliers	123,891	120,135
2.01.03	Taxes obligations	39,516	43,535
2.01.03.01	Federal taxes obligations	38,834	42,729
2.01.03.01.02	Other taxes obligations	38,834	42,729
2.01.03.03	Municipal taxes obligations	682	806
2.01.03.03.01	ISSQN	682	806
2.01.04	Loans and financings	265,504	247,328
2.01.04.01	Loans and financings	164,629	149,960
2.01.04.01.01	Local currency	158,789	144,541
2.01.04.01.02	Foreign currency	5,840	5,419
2.01.04.02	Debentures	100,875	97,368
2.01.04.02.01	Non convertible	100,875	97,368
2.01.05	Other obligations	167,933	141,638
2.01.05.02	Other	167,933	141,638
2.01.05.02.01	Dividends and interest on equity capital payable	103,180	66,859
2.01.05.02.04	Pension plan	11,526	17,769
2.01.05.02.05	Electric energy	27,313	27,565
2.01.05.02.06	Technical cooperation agreement	0	1,492
2.01.05.02.07	Sundry obligations	25,914	27,953
2.01.06	Provision	150,666	136,356
2.01.06.01	Provision for tax labor and civil	150,666	136,356
2.01.06.01.05	Taxes installments	40,733	36,370
2.01.06.01.06	Provision for vacation pay and 13th salary	75,057	72,854
2.01.06.01.07	Employee profit sharing	34,876	27,132
2.02	Noncurrent liabilities	2,460,835	2,436,520
2.02.01	Loans and financings	1,882,502	1,862,844
2.02.01.01	Loans and financings	1,174,792	1,161,079
2.02.01.01.01	Local currency	1,127,136	1,112,039
2.02.01.01.02	Foreign currency	47,656	49,040
2.02.01.02	Debentures	707,710	701,765
2.02.01.02.01	Non convertible	573,795	568,025
2.02.01.02.02	Convertible	133,915	133,740
2.02.02	Other obligations	238,137	249,011
2.02.02.01	Related companies liabilities	32,358	27,957
2.02.02.01.02	Controlled company debts	32,358	27,957
2.02.02.02	Other	205,779	221,054
2.02.02.02.03	Pension plan	145,850	154,509
2.02.02.02.04	Electric energy	11,935	17,219
2.02.02.02.05	Other	43,662	42,827
2.02.02.02.06	Deferred income	4,332	6,499

Individual / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter 03/31/2011	Previous Year 12/31/2010
2.02.03	Deferred tax	46,654	44,145
2.02.03.01	Deferred Income Tax / Social Security Contribution	46,654	44,145
2.02.04	Provision	293,542	280,520
2.02.04.01	Provision for tax, labor and civil	293,542	280,520
2.02.04.01.01	Provision for tax	43,269	54,538
2.02.04.01.05	Taxes installments	218,318	192,868
2.02.04.01.06	Provision for contingencies	31,955	33,114
2.03	Shareholders' Equity	4,275,155	4,184,328
2.03.01	Paid-in Capital	2,636,460	2,636,460
2.03.02	Capital reserves	3,782	3,782
2.03.02.07	Convertible debentures	3,782	3,782
2.03.04	Income reserves	1,544,086	1,544,086
2.03.04.01	Legal reserves	146,587	146,587
2.03.04.05	Retained profits reserves	1,395,821	1,395,821
2.03.04.07	Tax benefit reserves	10,868	10,868
2.03.04.09	Treasury shares	-9,190	-9,190
2.03.05	Retained earnings (accumulated losses)	90,827	0

Individual / Income Statements

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
3.01	Gross sales and/or services	776,139	729,646
3.01.01	Water supply services	440,577	418,623
3.01.02	Sewage services	157,673	141,852
3.01.03	Construction revenue	177,889	169,171
3.02	Cost of services rendered	-454,170	-431,518
3.02.01	Cost of services rendered	-279,250	-267,335
3.02.02	Construction cost	-174,920	-164,183
3.03	Gross profit	321,969	298,128
3.04	Operating Expenses/Income	-107,872	-130,726
3.04.01	Sales expenses	-39,847	-42,357
3.04.02	Administrative expenses	-77,290	-76,721
3.04.04	Other operating income	34,069	12,098
3.04.05	Other operating expenses	-20,403	-18,050
3.04.06	Equity pick up	-4,401	-5,696
3.05	Earnings before financial and tax result	214,097	167,402
3.06	Financial result	-19,158	-9,933
3.06.01	Financing income	20,279	29,514
3.06.02	Financing expense	-39,437	-39,447
3.07	Earnings before income taxes	194,939	157,469
3.08	Income tax and social contribution on earnings	-64,692	-43,986
3.08.01	Current	-64,692	-43,986
3.09	Net profit from continuing operations	130,247	113,483
3.11	Net income for the period	130,247	113,483
3.99	Income per share (R$)		
3.99.01	Basic income per share		
3.99.01.01	ON	1,13	0,99
3.99.02	Income watered per share		
3.99.02.01	ON	1,11	0,97

Individual / Cash Flow Statement

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
6.01	Cash flow from operating activities	265,672	325,523
6.01.01	Cash generated by operating activities	229,849	215,309
6.01.01.01	Net income for the period	130,247	113,483
6.01.01.02	Allowance for doubtful accounts	9,970	14,307
6.01.01.03	Recovery of written-off accounts	-7,671	-2,732
6.01.01.04	Monetary variation on interest receivables on accounts receivable	-2,772	-9,574
6.01.01.05	Deferred income tax and social contribution	18,400	5,719
6.01.01.06	Exchange variation on financing collaterals	591	-521
6.01.01.07	Income financing collaterals	-1,996	-1,138
6.01.01.08	Monetary variation on loans to subsidiaries	-1,560	-918
6.01.01.09	Equity pickup	4,401	5,696
6.01.01.10	Permanent asset disposals	242	1,489
6.01.01.11	Depreciation and amortization	76,486	66,668
6.01.01.12	Interest on loans	22,125	19,125
6.01.01.13	Monetary and exchange variation on loans	1,170	2,609
6.01.01.14	Tax provision and installments	-11,270	7,050
6.01.01.15	Contingencies provision	-1,159	-3,844
6.01.01.16	Provision pension plan	-5,557	1,555
6.01.01.17	Interest/ Monetary variation on cemig/previminas	6,823	5,818
6.01.01.18	Deferred revenue	-2,384	-140
6.01.01.19	Financial assets	-6,237	-9,343
6.01.02	Changes in assets and liabilities	35,823	110,214
6.01.02.01	Accounts receivable	-17,027	-5,158
6.01.02.02	Inventory	-1,229	1,022
6.01.02.03	Recoverable taxes	-351	-2,369
6.01.02.04	Cash agreement	2,428	312
6.01.02.05	Colleteral Guarantee	-2,141	370
6.01.02.06	Pledged short-term investment	3,441	1,179
6.01.02.07	Credit with subsidiaries	-1,714	-4,329
6.01.02.08	Other credits	2,479	-546
6.01.02.09	Suppliers	3,756	-42,393
6.01.02.10	Taxes payable	-4,019	966
6.01.02.11	Provision for vacation pay and 13th salary	2,203	4,029
6.01.02.12	Employee profit sharing	7,744	7,564
6.01.02.13	Technical cooperation agreement	-4,085	-2,775
6.01.02.14	Pension plan	-9,875	-4,049
6.01.02.15	Electric energy	-1,165	-1,034
6.01.02.16	Sundry obligation	-987	-75
6.01.02.17	Financial assets held-to-maturity	56,365	157,500

Individual / Cash Flow Statement

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
6.02	Net cash from investment activities	-167,266	-166,804
6.02.01	Increase PP&E and intangible assets	-145,466	-166,804
6.02.02	Increase investments	-21,800	0
6.03	Net cash from financing activities	-27,786	-86,906
6.03.01	Procurement of new loans	90,160	20,030
6.03.02	Amortization loans - principal	-57,723	-41,655
6.03.03	Amortization loans - interest	-36,395	-32,868
6.03.04	Payment of interest on own capital	-3,099	-5,800
6.03.05	Payment Previminas/Cemig - principal	-8,747	-6,536
6.03.06	Payment of interest Previminas/Cemig	-1,917	-1,868
6.03.07	Installment taxes payment	-10,065	-18,209
6.05	Increase (decrease) cash and cash equivalent	70,620	71,813
6.05.01	Cash and cash equivalents at beginning of the period	75,793	255,902
6.05.02	Cash and cash equivalents at the end of the period	146,413	327,715

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

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve	Income reserve	Retained earnings (loss) accumulated	Other 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 partners	0	0	0	-39,420	0	-39,420
5.04.07	Interest own capital	0	0	0	-39,420	0	-39,420
5.05	Other comprehensive income	0	0	0	130,247	0	130,247
5.05.01	Net income of the period	0	0	0	130,247	0	130,247
5.07	Total at the end of the period	2,636,460	3,782	1,544,086	90,827	0	4,275,155

Individual/Statements of Changes in Shareholders' Equity – 01/01/2010 to 03/31/2010

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve	Income reserve	Retained earnings (loss) accumulated	Other results	Equity
5.01	At the beginning of the period	2,636,460	3,782	1,091,174	0	0	3,731,416
5.03	Beginning of the period adjusted	2,636,460	3,782	1,091,174	0	0	3,731,416
5.04	Capital transaction with partners	0	0	0	-43,673	0	-43,673
5.04.07	Interest own capital	0	0	0	-43,673	0	-43,673
5.05	Other comprehensive income	0	0	0	113,483	0	113,483
5.05.01	Net income of the period	0	0	0	113,483	0	113,483
5.07	Total at the end of the period	2,636,460	3,782	1,091,174	69,810		3,801,226

Individual / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
7.01	Revenue	686,296	620,382
7.01.01	Sales of products and services	659,228	617,603
7.01.02	Other revenue	26,398	9,365
7.01.03	Construction revenue	2,969	4,989
7.01.04	Allowance for doubtful accounts	-2,299	-11,575
7.02	Manufacturing component purchased from third parties	-152,757	-153,260
7.02.01	Cost of services	-120,357	-126,182
7.02.02	Material, energy, third-party services and other	-21,338	-19,388
7.02.03	lost/recovery of assets	-11,062	-7,690
7.03	Gross Value Added	533,539	467,122
7.04	Retention	-76,486	-66,668
7.04.01	Depreciation, amortization and exhaustion	-76,486	-66,668
7.05	Net value added	457,053	400,454
7.06	Value added received in transfer	15,878	23,818
7.06.01	Equity pickup	-4,401	-5,696
7.06.02	Financial income	20,279	29,514
7.07	Total value added to be distributed	472,931	424,272
7.08	Value added distribution	472,931	424,272
7.08.01	Personnel	158,767	148,934
7.08.01.01	Payroll	101,065	92,384
7.08.01.02	Benefits	41,281	40,921
7.08.01.03	FGTS	8,677	8,065
7.08.01.04	Other	7,744	7,564
7.08.01.04.01	Employee profit sharing	7,744	7,564
7.08.02	Taxes and contributions	145,294	122,600
7.08.02.01	Federal	142,626	119,947
7.08.02.02	State	2,453	2,546
7.08.02.03	Municipal	215	107
7.08.03	Debt remuneration	38,623	39,255
7.08.03.01	Interest	37,991	38,663
7.08.03.02	Rental	632	592
7.08.04	Equity remuneration	130,247	113,483
7.08.04.01	Interest on equity capital	39,420	43,673
7.08.04.03	Retained profits	90,827	69,810

Consolidated/ Balance sheets Asset

(In thousands of reais)

Account Code	Account Description	Actual Quarter 03/31/2011	Previous Year 12/31/2010
1	Total assets	7,512,040	7,345,295
1.01	Current assets	701,811	661,156
1.01.01	Cash and cash equivalents	147,954	77,652
1.01.03	Accounts Receivable	512,236	540,865
1.01.03.01	Accounts Receivable - Customers	466,025	437,574
1.01.03.02	Other Accounts Receivable	46,211	103,291
1.01.03.02.01	Recoverable taxes	32,163	31,804
1.01.03.02.02	Bank account – agreements	12,700	15,122
1.01.03.02.03	Financing assets held-to-maturity	0	56,365
1.01.03.02.04	Technical cooperation agreement	1,348	0
1.01.04	Inventory	30,301	28,854
1.01.08	Other Current assets	11,320	13,785
1.01.08.03	Other	11,320	13,785
1.01.08.03.01	Advance to employees	8,281	11,071
1.01.08.03.02	Other	3,039	2,714
1.02	Noncurrent assets	6,810,229	6,684,139
1.02.01	Long-term assets	867,663	861,799
1.02.01.03	Accounts Receivable	369,926	340,894
1.02.01.03.01	Accounts Receivable - Customers	211,296	182,335
1.02.01.03.02	Other Accounts Receivable	158,630	158,559
1.02.01.06	Deferred taxes	220,674	236,566
1.02.01.06.01	Deferred Income Tax / Social Security Contribution	220,674	236,566
1.02.01.09	Other noncurrent assets	277,063	284,339
1.02.01.09.03	Financing assets - concession agreements	277,063	284,339
1.02.02	Investments	22,060	260
1.02.02.01	Investments in other companies	22,060	260
1.02.02.01.04	Other investments in other companies	22,060	260
1.02.03	Property plant & equipment	134,332	137,693
1.02.03.01	Property plant & equipment in operation	132,780	136,291
1.02.03.03	Property plant & equipment in progress	1,552	1,402
1.02.04	Intangible	5,786,174	5,684,387
1.02.04.01	Intangibles	5,786,174	5,684,387
1.02.04.01.01	Concession agreements	3,233,147	3,222,544
1.02.04.01.02	Intangible in progress	2,553,027	2,461,843

Consolidated / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter 03/31/2011	Previous Year 12/31/2010
2	Total liabilities	7,512,040	7,345,295
2.01	Current liabilities	750,433	692,864
2.01.02	Suppliers	126,055	122,325
2.01.02.01	Nacional suppliers	126,055	122,325
2.01.03	Taxes obligations	39,831	43,818
2.01.03.01	Federal taxes obligations	39,150	43,012
2.01.03.01.02	Other federal taxes obligations	39,150	43,012
2.01.03.03	Municipal taxes obligations	681	806
2.01.03.03.01	ISSQN	681	806
2.01.04	Loans and financings	265,504	247,328
2.01.04.01	Loans and financings	164,629	149,960
2.01.04.01.01	Local currency	158,789	144,541
2.01.04.01.02	Foreign currency	5,840	5,419
2.01.04.02	Debentures	100,875	97,368
2.01.04.02.01	Non convertible	100,875	97,368
2.01.05	Other obligations	168,053	142,737
2.01.05.02	Other	168,053	142,737
2.01.05.02.01	Dividends and interest on equity capital payable	103,180	66,859
2.01.05.02.04	Pension plan	11,526	17,769
2.01.05.02.05	Electric energy	27,313	27,565
2.01.05.02.06	Technical cooperation agreement	0	2,462
2.01.05.02.07	Sundry obligations	26,034	28,082
2.01.06	Provision	150,990	136,656
2.01.06.01	Provision for tax labor and civil	150,990	136,656
2.01.06.01.05	Taxes installments	40,733	36,370
2.01.06.01.06	Provision for vacation pay and 13th salary	75,381	73,154
2.01.06.01.07	Employee profit sharing	34,876	27,132
2.02	Noncurrent liabilities	2,450,213	2,430,246
2.02.01	Loans and financings	1,882,502	1,862,844
2.02.01.01	Loans and financings	1,174,792	1,161,079
2.02.01.01.01	Local currency	1,127,136	1,112,039
2.02.01.01.02	Foreign currency	47,656	49,040
2.02.01.02	Debentures	707,710	701,765
2.02.01.02.01	Non convertible	573,795	568,025
2.02.01.02.02	Convertible	133,915	133,740
2.02.02	Other obligations	205,782	221,056
2.02.02.02	Other	205,782	221,056
2.02.02.02.03	Pension plan	145,850	154,509
2.02.02.02.04	Electric energy	11,935	17,219
2.02.02.02.05	Other	43,665	42,829
2.02.02.02.06	Deferred income	4,332	6,499

Consolidated / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter 03/31/2011	Previous Year 12/31/2010
2.02.03	Deferred tax	65,667	63,993
2.02.03.01	Deferred Income Tax / Social Security Contribution	65,667	63,993
2.02.04	Provision	296,262	282,353
2.02.04.01	Provision for tax, labor and civil	296,262	282,353
2.02.04.01.01	Provision for tax	43,269	54,538
2.02.04.01.05	Taxes installments	218,318	192,868
2.02.04.01.06	Provision for contingencies	34,675	34,947
2.03	Shareholders' Equity consolidated	4,311,394	4,222,185
2.03.01	Paid-in Capital	2,636,460	2,636,460
2.03.02	Capital reserves	3,782	3,782
2.03.02.07	Convertible debentures	3,782	3,782
2.03.04	Income reserves	1,581,943	1,581,943
2.03.04.01	Legal reserves	146,587	146,587
2.03.04.05	Retained profits reserves	1,433,678	1,433,678
2.03.04.07	Tax benefit reserves	10,868	10,868
2.03.04.09	Treasury shares	-9,190	-9,190
2.03.05	Retained earnings (accumulated losses)	89,209	0

Consolidated / Income Statements

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
3.01	Gross sales and/or services	778,911	732,178
3.01.01	Water supply services	443,093	420,889
3.01.02	Sewage services	157,673	141,835
3.01.03	Construction revenue	177,889	169,171
3.01.04	Finish goods revenue	256	283
3.02	Cost of services rendered	-458,506	-435,272
3.02.01	Cost of services rendered	-283,586	-271,089
3.02.02	Construction cost	-174,920	-164,183
3.03	Gross profit	320,405	296,906
3.04	Operating Expenses/Income	-107,431	-131,047
3.04.01	Sales expenses	-40,817	-42,868
3.04.02	Administrative expenses	-79,118	-81,065
3.04.04	Other operating income	34,162	12,100
3.04.05	Other operating expenses	-21,658	-19,214
3.05	Earnings before financial and tax result	212,974	165,859
3.06	Financial result	-20,488	-10,132
3.06.01	Financing income	18,970	29,442
3.06.02	Financing expense	-39,458	-39,574
3.07	Earnings before income taxes	192,486	155,727
3.08	Income tax and social contribution on earnings	-63,857	-43,395
3.08.01	Current	-63,857	-43,395
3.09	Net profit from continuing operations	128,629	112,332
3.11	Net income for the period	128,629	112,332
3.11.01	assigned to the partner company controlled	128,629	112,332
3.99	Income per share (R$)		
3.99.01	Basic income per share		
3.99.01.01	ON	1,12	0,98
3.99.02	Income watered per share		
3.99.02.01	ON	1,09	0,96

Consolidated / Cash Flow Statement

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
6.01	Cash flow from operating activities	265,626	326,729
6.01.01	Cash generated by operating activities	228,275	210,692
6.01.01.01	Net income for the period	128,629	112,332
6.01.01.02	Allowance for doubtful accounts	10,208	14,366
6.01.01.03	Recovery of written-off accounts	-7,671	-2,732
6.01.01.04	Monetary variation on interest receivables on accounts receivable	-2,772	-9,574
6.01.01.05	Deferred income tax and social contribution	17,567	5,128
6.01.01.06	Exchange variation on financing collaterals	591	-521
6.01.01.07	Income financing collaterals	-1,996	-1,138
6.01.01.10	Permanent asset disposals	242	1,489
6.01.01.11	Depreciation and amortization	79,110	68,986
6.01.01.12	Interest on loans	22,125	19,125
6.01.01.13	Monetary and exchange variation on loans	1,170	2,609
6.01.01.14	Tax provision and installments	-11,270	7,050
6.01.01.15	Contingencies provision	-272	-3,889
6.01.01.16	Provision pension plan	-5,557	1,555
6.01.01.17	Interest/ Monetary variation on cemig/previminas	6,823	5,818
6.01.01.18	Deferred revenue	-2,384	-140
6.01.01.19	Financial assets	-6,268	-9,772
6.01.02	Changes in assets and liabilities	37,351	116,037
6.01.02.01	Accounts receivable	-17,299	-5,473
6.01.02.02	Inventory	-1,448	934
6.01.02.03	Recoverable taxes	-359	-2,379
6.01.02.04	Cash agreement	2,422	312
6.01.02.05	Colleteral Guarantee	-2,141	370
6.01.02.06	Pledged short-term investment	3,441	1,179
6.01.02.08	Other credits	2,499	465
6.01.02.09	Suppliers	3,729	-41,469
6.01.02.10	Taxes payable	-3,985	747
6.01.02.11	Provision for vacation pay and 13th salary	2,227	4,103
6.01.02.12	Employee profit sharing	7,744	7,564
6.01.02.13	Technical cooperation agreement	-3,808	-2,602
6.01.02.14	Pension plan	-9,875	-4,049
6.01.02.15	Electric energy	-1,165	-1,034
6.01.02.16	Sundry obligation	-996	-131
6.01.02.17	Financial assets held-to-maturity	56,365	157,500

Consolidated / Cash Flow Statement

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
6.02	Net cash from investment activities	-167,539	-167,167
6.02.01	Increase PP&E and intangible assets	-145,739	-167,167
6.02.02	Increase investments	-21,800	0
6.03	Net cash from financing activities	-27,786	-86,906
6.03.01	Procurement of new loans	90,160	20,030
6.03.02	Amortization loans - principal	-57,723	-41,655
6.03.03	Amortization loans - interest	-36,395	-32,868
6.03.04	Payment of interest on own capital	-3,099	-5,800
6.03.05	Payment Previminas/Cemig - principal	-8,747	-6,536
6.03.06	Payment of interest Previminas/Cemig	-1,917	-1,868
6.03.07	Installment taxes payment	-10,065	-18,209
6.05	Increase (decrease) cash and cash equivalent	70,301	72,656
6.05.01	Cash and cash equivalents at beginning of the period	77,652	257,852
6.05.02	Cash and cash equivalents at the end of the period	147,953	330,508

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

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve	Income reserve	Retained earnings (loss) accumulated	Other results	Equity
5.01	At the beginning of the period	2,636,460	3,782	1,581,943	0	0	4,222,185
5.03	Beginning of the period adjusted	2,636,460	3,782	1,581,943	0	0	4,222,185
5.04	Capital transaction with partners	0	0	0	-39,420	0	-39,420
5.04.07	Interest own capital	0	0	0	-39,420	0	-39,420
5.05	Other comprehensive income	0	0	0	128,629	0	128,629
5.05.01	Net income of the period	0	0	0	128,629	0	128,629
5.07	Total at the end of the period	2,636,460	3,782	1,581,943	89,209	0	4,311,394

Consolidated / Statements of Changes in Shareholders' Equity – 01/01/2010 to 03/31/2010

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve	Income reserve	Retained earnings (loss) accumulated	Other results	Equity
5.01	At the beginning of the period	2,636,460	3,782	1,136,380	0	0	3,776,622
5.03	Beginning of the period adjusted	2,636,460	3,782	1,136,380	0	0	3,776,622
5.04	Capital transaction with partners	0	0	0	-43,673	0	-43,673
5.04.07	Interest own capital	0	0	0	-43,673	0	-43,673
5.05	Other comprehensive income	0	0	0	112,332	0	112,332
5.05.01	Net income of the period	0	0	0	112,332	0	112,332
5.07	Total at the end of the period	2,636,460	3,782	1,136,380	69,659	0	3,845,281

Consolidated / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2011 to 03/31/2011	Accumulated Previous Year 01/01/2010 to 03/31/2010
7.01	Revenue	689,327	623,194
7.01.01	Sales of products and services	662,404	620,471
7.01.02	Other revenue	26,491	9,365
7.01.03	Construction revenue	2,969	4,989
7.01.04	Allowance for doubtful accounts	-2,537	-11,631
7.02	Manufacturing component purchased from third parties	-156,658	-158,995
7.02.01	Cost of services	-121,833	-127,509
7.02.02	Material, energy, third-party services and other	-22,533	-22,599
7.02.04	Other	-12,292	-8,887
7.03	Gross Value Added	532,669	464,199
7.04	Retention	-79,110	-68,986
7.04.01	Depreciation, amortization and exhaustion	-79,110	-68,986
7.05	Net value added	453,559	395,213
7.06	Value added received in transfer	18,970	29,442
7.06.02	Financial income	18,970	29,442
7.07	Total value added to be distributed	472,529	424,655
7.08	Value added distribution	472,529	424,655
7.08.01	Personnel	160,273	150,452
7.08.01.01	Payroll	102,420	93,773
7.08.01.02	Benefits	41,360	40,977
7.08.01.03	FGTS	8,749	8,138
7.08.01.04	Other	7,744	7,564
7.08.01.04.01	Employee profit sharing	7,744	7,564
7.08.02	Taxes and contributions	144,970	122,615
7.08.02.01	Federal	142,207	119,919
7.08.02.02	State	2,547	2,589
7.08.02.03	Municipal	216	107
7.08.03	Debt remuneration	38,657	39,256
7.08.03.01	Interest	37,991	38,664
7.08.03.02	Rental	666	592
7.08.04	Equity remuneration	128,629	112,332
7.08.04.01	Interest on equity capital	39,420	43,673
7.08.04.03	Retained profits	89,209	68,659

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. The Company is engaged in planning, designing, performing, expanding, remodeling, managing and providing public utility services comprising water supply and sewage services, and can operate in Brazil and abroad. The Company is subject to the arbitration of São Paulo Stock Exchange's Market Arbitration Chamber, as set forth in an arbitration clause included in its articles of incorporation.

At March 31, 2011, the Company has the following wholly-owned subsidiaries:

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

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

- COPASA Serviços de Irrigação S/A, established by the 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.

At March 31, 2011, the Company operates 880 locations in the State of Minas Gerais (879 in December 2010), in water supply and/or sanitary sewage activities, totaling 4,247,165 connections (4,214,755 in December 2010). The twenty major water and sewage concessions the Company holds are:

01. Operations--Continued

Water concessions			Sewage concessions	
Location	No. of connections	Expiration	Location	Expiration
Belo Horizonte	923,850	2034	Belo Horizonte	2034
Contagem	210,299	2073	Contagem	2073
Betim	122,191	2042	Montes Claros	2028
Montes Claros	114,900	2028	Betim	2042
Ribeirão das Neves	83,272	2034	Ipatinga	2022
Divinópolis	82,458	2033	Ribeirão das Neves	2034
Ipatinga	76,608	2022	Santa Luzia	2013
Santa Luzia	64,298	2013	Patos de Minas	2038
Patos de Minas	50,167	2038	Pouso Alegre	2046
Ibirité	46,794	2034	Varginha	2013
Pouso Alegre	45,797	2046	Conselheiro Lafaiete (2)	2009
Varginha	45,756	2013	Araxá	2032
Conselheiro Lafaiete (2)	44,331	2010	Lavras	2034
Sabará (1)	38,571	2007	Ibirité	2034
Teófilo Otoni	38,461	2034	Teófilo Otoni	2034
Lavras	36,834	2034	Itajubá	2034
Araxá	35,483	2032	Alfenas	2033
Ubá	32,453	2014	Coronel Fabriciano	2033
Itajubá	32,420	2034	Pará de Minas (2)	2009
Coronel Fabriciano	31,989	2033	Vespasiano	2034

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 the 1Q11 was R$4,291 (R$4,186 in 2010), or 0.62% (0.64% in 2010) of the Company's total revenues.

2) The concession agreements with the cities of Conselheiro Lafaiete and Pará de Minas terminated on July 23, 2010 and October 1, 2009, respectively. The water supply and sewage revenues in the 1Q11 was R$6,333 for Conselheiro Lafaiete and R$ 6,477 for Pará de Minas (R$5,897 and R$5,988 for the 1Q10), or 0.91% and 0.94% of the Company's total revenues, respectively (0.90% and 0.91%t in 2010). The Company is endeavoring to renew these concession agreements.

02. Basis of Preparation and Presentation of the Quarterly Information

Authorization to complete the preparation of the Company and consolidated quarterly information as of March 31, 2011 was given by the Executive Board on May 10, 2011.

The Company and consolidated quarterly information is presented in thousands of Reais (R$ 000), except where otherwise indicated.

(a) Basis of preparation

The Company and consolidated financial information were prepared based on historical cost.

The Company's interim individual and consolidated Quarterly Financial Information Report – ITR for the quarter ended March 31, 2011 was prepared and presented in accordance with the accounting practices adopted in Brazil, which comprise the resolutions set forth by Corporation Law, the pronouncements issued by the Brazilian FASB (CPC) and the rules issued by the Brazilian SEC (CVM), which are in conformity with the financial reports (IFRS) issued by the International Accounting Standards Board (IASB), except for valuation of investments in subsidiaries by the equity pick-up method; for IFRS purposes, however, that valuation would be made at cost or fair value (see Note 8), plus monetary gains of intangible and fixed assets for years 1996 and 1997, the recording of which is not allowed by Brazilian legislation, whereas required by IAS and, therefore, recorded for IFRS purposes (see Note 02 c).

The Company's quarterly report for the three-month period ended March 31, 2011 was prepared in accordance with technical pronouncement CPC 21 and IAS 34 – Interim Financial Reporting (consolidated).

As from 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 at March 31, 2011.

The Company is currently analyzing IFRS 9 – Financial Instruments – Classification and Measurement, effective for fiscal years beginning January 1, 2013, aiming at verifying whether it will have significant impacts on the Company financial statements and quarterly information reports.

02. Basis of Preparation and Presentation of the Quarterly information-- Continued

(b) Consolidated quarterly information

The consolidated quarterly information include operations of the Company and the following subsidiaries, in which ownership interests at balance sheet date are as follows:

	Ownership interest %	
	Total	**Votante**
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 the entities whose financial and operating policies are controlled by the Company or in which the Company holds voting ownership interest of more than fifty percent or any other condition attributing controlling right to it. Currently, all subsidiaries are wholly-owned by the Company. These subsidiaries are fully consolidated as from the date control is transferred to the Company and stop being consolidated as from the date this control no longer exists.

The quarterly information of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. All intragoup balances, revenues, expenses, unrealized gains and losses arising from intragoup transactions are fully eliminated from consolidation.

(c) Consolidated monetary adjustment

All intangible and property, plant and equipment assets are presented in the consolidated quarterly information 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$36,239 and R$1,618, respectively, at March 31, 2011 (R$41,984 and R$1,149, respectively, at March 31, 2010).

03. Summary of Significant Accounting Practices

(a) Cash and cash equivalents

These include cash, bank deposits, other highly liquid short-term investments, redeemable within no longer than three months, posing immaterial risk of any change in market value and used by the Company to manage its short-term commitments.

(b) Financial Assets

(i) Classification

Financial assets are classified as loans and financing. Their classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments which, however, are not traded in an active market. They are included as current assets, except for those maturing within more than 12 months from the balance sheet closing date (which are classified as non-current assets). Company's loans and receivables comprise cash and cash equivalents, held-to-maturity financial assets, guarantee deposits, accounts receivable - customers and other receivables.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognized at the negotiation date, when the Company commits to purchasing or selling these assets. Investments are initially recognized at fair value, plus transaction costs, for all financial assets not measured at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from such investments have expired or have been transferred; in the latter case, to the extent the Company has transferred, significantly, all risks and rewards of ownership thereto.

03. Summary of Significant Accounting Practices--Continued

(c) Accounts receivable

(i) Customers

Accounts receivable from customers are recognized initially at fair value and are subsequently measured less a provision for impaired receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or other financial reorganization and default or delinquency in making payments (over 180 days past due) are considered indicators that the receivable is impaired.

An allowance for doubtful accounts is calculated based on an analysis of receivables and recorded in an amount considered by management sufficient to cover possible losses on receivables, according to the following criteria:

Receivables up to R$5, over 180 days past due:

These receivables, except those related to the Minas Gerais State Government and the Belo Horizonte Municipal Government, are considered losses when they reach 180 days past due, and are directly written off against income, under selling expenses.

Receivables above R$5, over 180 days past due:

A provision for impairment of receivables is recognized for all receivables, except those related to the Minas Gerais State Government and the Belo Horizonte Municipal Government, from 180 to 360 days past due, as a credit to the allowance for doubtful accounts and as a charge to income.

When the receivables exceed 360 days past due, they are written off of the accounts receivable account and charged against the allowance for doubtful accounts.

Other receivables from the Municipal and Federal Governments:

Receivables from the Federal and Municipal Governments under agreements, contracts and other operations, over 360 days past due , are fully accrued.

03. Summary of Significant Accounting Practices--Continued

(c) Accounts receivable--Continued

(i) Customers--Continued

Receivables from the Government of Minas Gerais and the Municipality of Belo Horizonte (PBH):

The Company does not set up any allowance for doubtful accounts in relation to receivables from the Minas Gerais State Government since there is no history of default. Receivables from PBH not paid until the date of the tariff transfer to the Municipal Water and Sewerage Fund are fully deducted from the amount to be transferred, reason why no provision for losses is required.

Supplementary provision:

Management also recognized a supplementary provision for other receivables falling due and for receivables past due for less than 180 days, for specific customers included in the allowance for doubtful accounts.

(ii) Receivables from Grantor

The Company recognizes a receivable from grantor (municipal governments) when it has an unconditional right to receive cash at the end of the concession term as part of the consideration receivable from grantor for investments made but not recovered through provision of the concession-related services. These financial assets are recognized at the present value of such right and calculated on the net amount of the constructed assets that constitute the infrastructure that will be the subject of the consideration payable by grantor, discounted based on the weighted average capital cost of the Company.

These accounts receivable are classified as current and non-current assets considering the expected receipt of such amounts, based on the end date of the service concession arrangements.

03. Summary of Significant Accounting Practices--Continued

(d) Currency and translation into foreign currency

Functional and reporting currency

The items included in the quarterly information of each one of the entities are measured using the currency current in the principal economic environment in which the entity operates (the "functional currency"). The reporting currency of the accompanying individual and consolidated quarterly information is the Brazilian real (R$), which is the functional currency of the Company and its subsidiaries.

Transactions in foreign currency are initially recorded at the functional currency exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate of the balance sheet date. Currency translation differences are recognized in the income statement.

(e) Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the average cost method. Net realizable value is the estimated selling price in the normal course of business, less applicable variable costs associated with the sale. Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management.

(f) Investments

Investments in subsidiaries are accounted for using the equity method.

(g) Intangible assets

Service concession arrangements

The Company recognizes an intangible asset for its right to charge the users of water supply and sewage services provided under the service concession arrangements in accordance with Interpretation ICPC 01 (IFRIC 12) Service Concession Arrangements.

Intangible assets are determined as the residual value of the construction revenue earned for the construction or acquisition of the infrastructure established by the Company, recognized according to item (s) of this Note, and the financial asset referring to the unconditional right to receive cash at the end of the term of the arrangement, by way of consideration receivable, is recognized as set out in Note 5, plus monetary adjustment, when applicable according to IAS 29.

03. Summary of Significant Accounting Practices--Continued

(g) Intangible assets--Continued

Intangible assets are amortized as from the date they are available for use, in the location and condition necessary for their use in operations as intended by the Company.

The amortization of intangible assets reflects the pattern in which the future economic benefits embodied in the asset are expected to be consumed by the Company, or the end of the arrangement, whichever comes first. The pattern of consumption of the assets relates to their useful life in that the assets constructed by the Company are included in the tariff calculation base for provision of the concession services.

Amortization of an intangible asset ceases when the asset has been fully consumed or written off, no longer being part of the tariff calculation base for provision of the concession services, whichever occurs first.

Use rights

Use rights refer to cost incurred to renew public concessions, as refund by COPASA for the investments in infrastructure made by municipal governments. The amounts recorded in intangible assets refer to refunds already made by the Company to municipal governments as part of the agreement to renew the concessions for rendering water supply and sewage services. These investments do not integrate the Company's tariff base, however they represent the investment made by the Company to renew the concession.

These use rights are amortized by the straight line method over the related concession term.

Software Licenses

Acquired software licenses are recorded based on costs incurred to acquire and use them. These costs are amortized by the straight line method over estimated useful life of five years.

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost, plus monetary adjustment, when applicable according to IAS 29, less depreciation and impairment loss, if appropriate. Historical cost includes costs directly attributable to the acquisition of such items, as well as interest expense on financing incurred in connection with their acquisition until the assets become operational. Capitalized financial charges are depreciated according to the same criteria and the useful life established for the item of property, plant and equipment in which they were included.

Subsequent costs are included in the book value of the asset, or recognized as a separate asset, as appropriate, only when future economic benefits embodied in the item are likely to flow to the Company, when the cost of the item can be reliably measured and its economic useful life exceeds 12 months. Book value of replaced items or parts is written off. All other repair and maintenance costs are matched against P&L for the year, when incurred.

03. Summary of Significant Accounting Practices--Continued

(h) Property, plant and equipment--Continued

Land is not depreciated. Property, plant and equipment is depreciated over the estimated useful life of each asset, taking into consideration the depreciation rates set out below:

	Years
Buildings	25 – 40
Machinery	10 – 15
Vehicles	3 – 5
Furniture, fixtures and equipment	3 – 8

The net book value and useful life of the assets are reviewed periodically, and adjusted prospectively, when applicable, at the beginning of each year.

The assets recognized in Property, plant and equipment are not related to public service concession arrangements and are represented substantially by general use items and buildings of the Company.

The net book value of an asset or a cash generating unit is immediately written down to its recoverable amount when the book value of the asset or group of assets to which it refers exceeds its estimated recoverable amount (according to item (i) of this Note).

Gains and losses on disposals of assets are determined by comparing the selling price to the book value of the asset disposed of, less depreciation, and are recognized as "Other gains/losses, net" in the income statement.

03. Summary of Significant Accounting Practices--Continued

(i) Impairment of non-financial assets

The Company tests its assets at each year end in order to determine whether there is any indication of impairment. Where there is such indication, or when the annual test for impairment is required, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset or a cash generating unit (CGU) is the higher of its fair value less costs to sell and its value in use based on a discounted cash flow method, and is determined for each individual asset, unless the asset does not generate cash flows independently from those generated by other assets or groups of assets. If the carrying amount or book value of an asset or CGU exceeds its recoverable amount, then that asset or CGU is considered impaired, and is written down to its recoverable amount. In estimating the value in use, estimated future cash flows are discounted to the asset's present value at a pre-tax discount rate that reflects current market valuations as to time value of money and risks specific to the asset. An appropriate valuation model is used to determine the asset's fair value less costs to sell. These calculations are confirmed using valuation multiples and other available indicators of fair value.

Impairment losses on present and future operations are booked in the income statement in the category of expenses consistent with the function of the affected asset.

For assets that exclude goodwill, every year-end a test is conducted to determine whether any indication of impairment losses earlier booked no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of the asset or CGU. Any impairment previously recognized is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognized. The reversal is limited so that the book value of the asset may not exceed its recoverable amount or the book value that would be determined, net of depreciation, if no impairment had been recognized for the asset in the previous years. This reversal is then recognized in the income statement.

03. Summary of Significant Accounting Practices--Continued

(j) Financial liabilities

Financial liabilities are only recognized when the Company assumes a contractual obligation under a financial instrument. When recognized, they are initially measured at fair value, plus transaction costs directly attributable to their acquisition or issuance. The Company's financial liabilities are measured at amortized cost. The principal financial liabilities recognized by the Company are: suppliers, loans and financing, and debentures.

(i) Suppliers

These refer to obligations maturing within 30 days or less, which are therefore recognized as financial liabilities measured at fair value.

(ii) Loans and financing and debentures

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period in which the loans are being paid, using the effective interest rate method.

The loan origination rates are recognized as transaction costs since the loan amount is likely to be withdrawn in total or in part.

The fair value of the installment payable under a convertible debt instrument is determined using the market interest rate for the same debt instrument had it been a non-convertible one, as informed by the financial institution that granted it. This value is recorded as a liability on an amortized cost basis until such obligation is extinguished by conversion or at the maturity of the respective debt instruments. This is recognized and included in equity, net of the effects of both income and social contribution taxes. The carrying amount of the conversion option is not remeasured in subsequent years.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

03. Summary of Significant Accounting Practices--Continued

(j) Financial liabilities--Continued

(iii) Presentation on a net basis

Financial assets and liabilities are offset and the net amount reported in balance sheet only where there is a current enforceable legal right to set off the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(k) Provisions

Provisions for tax claims and litigation are recognized when the Company has a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, in an amount that can be reliably estimated.

When there is a series of similar obligations, the Company's likelihood to settle them is assessed, taking into consideration the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class may be small.

Where the effect of the time value of money is material, the amount of a provision is discounted to present value using a pre-tax interest rate that reflects, when appropriate, current market assessments of risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a financial expense.

(l) Interest on equity capital

Interest on equity capital payable to shareholders is treated as dividends, debited to retained earnings.

As provided for by relevant tax legislation, such interest payable to shareholders is calculated under the terms of Law No. 9249/95 and recorded as financial expenses in the income statement. For financial statement publication purposes, interest on equity capital is reversed against financial expenses, and disclosed as a debit to retained earnings.

03. Summary of Significant Accounting Practices--Continued

(m) Taxation

Income taxes comprise both income and social contribution taxes, current and deferred. Tax charges are recognized in the income statement, except and to the extent they relate to items recognized directly in equity. In this case, the tax charge should also be recognized in equity.

(i) Current income tax

Measurement of current income tax assets and liabilities is based on provisions of the enacted, or substantially enacted, tax legislation, at the balance sheet date, for both Company and its profit-generating subsidiaries. Management reviews the position assumed per income tax returns periodically regarding situations where applicable tax regulation is open to diverse interpretations. Provisions are established, when appropriate, based on the amounts payable to competent tax authorities.

(ii) Deferred taxes

Deferred taxes arise from temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book value.

Deferred tax liabilities are recognized on all temporary tax differences, except:

- when a deferred tax liability arises upon initial recognition of goodwill or of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and

- on temporary tax differences related to investments in subsidiaries, when the period for reversal of the temporary differences can be controlled and the temporary differences are not likely to be reversed in the near future.

Deferred tax assets are recognized on all deductible temporary differences and unused tax credits and losses, to the extent that taxable profit will likely be available so that the deductible temporary differences can be realized, and unused tax credits and losses can be used, except:

03. **Summary of Significant Accounting Practices**--Continued

(m) Taxation--Continued

(ii) Deferred taxes--Continued

- when a deferred income asset related to the deductible temporary difference arises upon initial recognition of an asset or liability in a transaction other than a business combination and, at the transaction date, has no impact on book income or tax income (loss); and

- on deductible temporary tax differences related to investments in subsidiaries, deferred tax assets are recognized to the extent that deductible temporary differences will likely be reversed in the near future and taxable profit will likely be available so that the temporary differences can be used.

The book value of deferred tax assets is reviewed at each balance sheet date and written off to the extent that taxable profits will not likely be available so that deferred tax assets can be used in total or in part. Deferred tax assets written off are reviewed at each balance sheet date and recognized to the extent that future taxable profits will likely allow recovery of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rate likely to be applicable in the year in which the asset or liability will be realized or settled, based on the enacted tax rates (and tax law) at the balance sheet date.

(iii) Sales taxes

Sales and service revenues are subject to the taxes and contributions below, at the following statutory rates:

Taxes	**Tax rate %**
PIS/PASEP – Social Contribution Tax on Gross Revenue for Social Integration Program	1,65
COFINS – – Social Contribution Tax on Gross Revenue for Social Security Financing	7,60
ICMS – State VAT	7,00 a 18,00

These charges are presented as sales deductions in the income statement. The credits resulting from non-cumulative PIS/COFINS are shown as a deduction from cost of services in the income statement. The debits from financial income and the credits from financial expenses are disclosed deductively on these lines in the income statement.

03. Summary of Significant Accounting Practices--Continued

(n) Employee benefits

(i) Pension plan

On October 29, 2010, the Company implemented a new pension plan strategy, determining that the Defined Benefit Plan would be closed to new members as from that date, and creating a Settled Benefit Plan and a New Defined Contribution Plan. The result of this strategy is disclosed in Note 17, which shows significant risk reduction for the Company and its employees, due to migration among plans.

The Settled Benefit Plan was established based on the cumulative right of each member calculated as of the new strategy implementation date. This plan will only receive contributions to meet administrative expenses and although the studies performed do not identify the possibility of financial insufficiency, thanks to surpluses generated in the plan assets, arising from the difference between the restated amount of benefits calculated by reference to Brazil's National Consumer Price Index (INPC) variation and the yields on plan assets calculated at market rates, any insufficiencies will be covered by additional matching contributions made by the sponsoring entity and plan members.

The New Defined Contribution Plan operates as an individual retirement savings account, receiving contributions made by members and the sponsoring entity that are deposited in each member's individual account. All contributions received are invested in the financial market. Furthermore, while with the Company, the member may schedule how this savings account will be built up according to his/her financial ability. The contribution made by the sponsoring entity will match the member's contribution, which, in its turn, corresponds to a percentage of the member's actual salary, varying between 3% and 10%, at the member's option.

Actuarial liabilities recognized in the balance sheet for the above plans correspond to the present value of such liabilities at the balance sheet date, less the fair value of the plan assets, adjusted by unrecognized past service costs. These liabilities are calculated yearly by independent actuaries, using the projected unit credit method. The present value of these liabilities is determined by discounting estimated future cash outflows, applying interest rates commensurate with prevailing market rates, which are denominated in the currency in which the benefits will be paid, having maturities that near those of the respective pension plan liabilities. The plan assets are measured at fair value.

03. Summary of Significant Accounting Practices--Continued

(n) Employee benefits--Continued

(i) Pension plan--Continued

Actuarial gains and losses are recognized as income or expenses if the net accumulated unrecognized actuarial gains or losses for each plan at the end of the prior reporting period exceed 10% of the greater of the defined contribution obligation or the fair value of plan assets. These gains or losses are recognized over the expected average remaining working lives of the participating employees.

(ii) Employee profit sharing

The Company accrues employee profit sharing according to operational and financial targets disclosed to its employees. These amounts are recorded as "Employee profit sharing" under current liabilities, and in the income statement. A provision is recorded when the Company has a legal contractual obligation or a constructive obligation arising from past events.

(o) Government grants and assistance

Government grants and assistance are recognized only when there is reasonable assurance that the Company has complied with the conditions attaching to them, and that such grants will be received. They are recognized as income over the period necessary to match them with the related costs which the government grant or assistance is intended to compensate.

When the Company receives non-monetary government grants, both asset and grant are recorded at a nominal amount and presented in the income statement over the useful life of the asset, in equal annual installments.

(p) Capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company purchases shares of its own issue (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related effect of both income and social contribution taxes, is included in equity attributable to the Company's equity holders.

03. Summary of Significant Accounting Practices--Continued

(q) Revenue recognition

Revenue consists of the fair value of the consideration received or receivable from sales of goods and the rendering of services in the normal course of the Company's businesses. Revenue is stated net of taxes, returns, rebates, after elimination of intercompany sales.

The Company bases its estimates on historical experience, taking into consideration the type of customer, the type of transaction and the specifics of each sale.

(i) Rendering of services

Revenues and expenses are recorded on the accrual basis. Unbilled revenue from the rendering of water supply and sewage services as well as irrigation services is recognized on the service delivery date as unbilled accounts receivable - customers, based on monthly estimates, so that revenues are matched against the related costs in the proper accounting period in which they occur.

(ii) Construction contracts

A group of construction contracts is treated as a single construction contract when: i) the group of contracts was negotiated as a single package; ii) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin, and iii) the contracts are performed concurrently or in a continuous sequence.

Construction contract revenue is recognized in accordance with CPC 17 Construction Contracts (IAS 12), using the percentage-of-completion (POC) method. The percentage completed is defined as the stage of work executed based on the financial and work schedule for each contract.

Contract costs are recognized in the income statement, as cost of services, when incurred. All costs directly attributable to the contracts are taken into consideration when measuring revenue, using the cost-plus-margin method As from January 1, 2011, this revenue is fully recorded at nominal WACC – Weighted Average Cost of Capital, in costs incurred in the management of construction agreements, and calculated based upon the margin of return on investments and the margin transferred to suppliers of services and materials.

When completion of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of the costs recognized that are recoverable.

03. Summary of Significant Accounting Practices--Continued

(q) Revenue recognition--Continued

(iii) Financial income

Financial income is recognized using the effective interest rate method. When impairment of a short-term investment or an account receivable is identified, the Company reduces its carrying amount to its recoverable amount, which corresponds to the estimated future cash flow discounted at the asset's original effective interest rate. Subsequently, as time passes, such interest is incorporated into the asset, and matched against financial income. This financial income is calculated at the same effective interest rate used to calculate the recoverable amount, i.e., the original rate of the short-term investment or account receivable.

(iv) Sales of goods

Sales revenues are presented net of taxes and discounts. Taxes on sales are recognized when sales are billed, and discounts on sales are recognized when known. Revenue from sales of goods are recognized when its amount is reliably measured, the Company no longer has control over the goods sold or any other responsibility related to their ownership, the costs incurred or to be incurred with the transaction can be reliably measured, economic benefits are likely to flow to the Company from their sale, and risks and rewards of ownership are fully transferred to the buyer. The related freight costs are included in cost of sales.

(r) Dividend payments

Dividends payable to Company's shareholders are recognized as a liability in the year-end quarterly information, based on Brazilian Corporation Law and the Company's Articles of Incorporation. Any dividend amount in excess of the mandatory minimum dividend will only be recognized on the date of its approval by the competent bodies or of its payment, whichever comes earlier.

The amount corresponding to the mandatory minimum dividend is recorded as a liability under "Dividends and interest on equity capital payable" in that it is construed as a legal obligation provided for in the Company's Articles of Incorporation; however, the amount of dividends in excess of the mandatory minimum dividend, declared by management subsequently to the accounting period which the accompanying quarterly information refer to, but before the date on which their issuance was approved, is recorded under "Proposed additional dividend" in equity.

03. Summary of Significant Accounting Practices--Continued

(s) Service concession arrangements

The Company is the holder of public utility concessions for water supply and sewage services. These concession agreements are entered into with municipalities, with the Minas Gerais State as intervenor, and have been recognized in accordance with ICPC 01 (IFRIC 12) requirements.

The concession agreements represent a contractual right to charge users of the public services, by charging tariffs regulated by the Minas Gerais State Regulatory Water and Sewage Agency (ARSAE-MG), over the period of time established by the concession agreements. The Company recognizes its contractual right to charge users of the public services over the term of the concession arrangement as an intangible asset, and the amount is amortized as disclosed in item (g) of this Note.

Moreover, in all its concession agreements, except for those entered with the Municipalities of Ipatinga and Além Paraíba, the Company has an unconditional right to receive cash as a consideration for returning the assets to the grantor. In these cases, the Company recognized a financial asset, discounted to present value, considering the best estimate of the cash receipt at the end of the concession term, as disclosed in item (c) of this Note.

(t) Borrowing costs

Borrowing costs directly related to the acquisition or construction of an asset that requires a substantial time to get ready for its intended use are capitalized as these costs are regarded as forming part of the costs of the corresponding asset. All other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred by an enterprise in connection with the borrowing of funds.

As permitted by ICPC 01 (IFRIC 12), the Company capitalizes borrowing costs referring to intangible W9assets in connection with construction services under public service concession arrangements.

(u) Related Parties

The Company recognizes as related parties, in addition to business transactions carried out with its wholly-owned subsidiaries, financial transactions maintained with key management personnel, with its major shareholder and with enterprises and/or bodies connected with such shareholder either directly or indirectly, provided that there are formal contractual relations with these enterprises or bodies which generate financial transactions.

04. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the individual and consolidated quarterly information of the Company require management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as the disclosures of contingent liabilities, as of the date of the quarterly information. However, the relative uncertainty of such assumptions and estimates could lead to results that require a significant adjustment to the carrying amount of the assets or liabilities affected in future periods.

Significant items subject to judgments and estimates are set out as follows:

(i) Construction revenue recognition

The Company uses the percentage-of-completion (POC) method to account for its firm-fixed-price construction contracts. Use of the POC method requires management to estimate the services performed to the balance sheet date as a percentage of the total services to be performed. If the percentage ratio of the services performed to the total services to be performed showed a difference of more than 10% in relation to the management's estimates, the revenue recognized for the 1Q11 would increase by R$28,361; if this difference were less than 10% in relation to the management's estimates, the revenue recognized for the 1Q11 would decrease by R$9,139.

(ii) Pension plan benefits

The current amount of pension plan liabilities depends on a number of factors that are determined by actuarial calculations based on given assumptions. The assumptions used to determine net service cost (revenue) for the pension plans include, among others, the discount interest rate. Any changes to these assumptions may affect the carrying amount of the pension plan liabilities.

The Company calculates the appropriate discount (interest) rate at year end, which should be used to determine the present value of estimated future cash outflows required to settle the plans' liabilities. When determining the appropriate discount rate, the Company considers that the discount rate in Brazil, for complying with accounting standards, should be obtained from the returns on government securities (NTN-B) at the reporting date of the actuarial valuation, without any adjustments as a function of Brazil risk factors or expectations of future fluctuations in the profitability of these securities.

Other major assumptions regarding pension plan liabilities are partly based on current market conditions. Additional information is disclosed in Note 17.

04. Significant Accounting Judgments, Estimates and Assumptions-- Continued

(iv) Taxes

There are uncertainties in relation to the interpretation of complex tax regulations, the amount and time of future taxable results.

Given the diversity of business relations as well as the long-term nature and complexity of existing contractual instruments, differences between actual results and the assumptions adopted, or future changes in these assumptions, could require future adjustments to tax revenues and expenses already recorded. Based on reasonable estimates, the Company records provisions for contingencies that may arise as a result of tax audits by competent authorities. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and by the competent tax authority. These different interpretations may arise in a wide range of issues, depending on prevailing conditions.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment calls are required of management in order to determine the amount of deferred tax assets that can be recognized, based on probable period and estimated level of future taxable profits, together with future tax planning strategies.

For further detail on deferred taxes, see Note 15.

(v) Impairment of non-financial assets

Impairment loss exists when the book value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The calculation of fair value less costs to sell the asset is based on available information about sales of similar assets or observable market prices less incremental costs to sell the asset. Value in use is calculated using the discounted cash flow method. Cash flows derive from the budget for the next 5 (five) years and do not include reorganization activities which the Company has not yet been committed to or significant future investments that will improve the asset base of the cash generating unit tested. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, as well as expected future cash receipts and the growth rate used to extrapolate cash flow projections.

05. Public Service Concession Agreements

At March 31, 2011, the Company is the holder of public utility concessions for water supply and sewage services in 880 locations in the State of Minas Gerais. The concession agreements are executed with each municipality, for periods ranging from 30 to 99 years, and all of them are quite similar in terms of rights and obligations of both holder and grantor.

The tariff system for water supply and sewage services is controlled by 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 in the quarter ended March 31, 2011 are described in Note 1.

At March 31, 2011, the Company has accounts receivable from grantor (the municipalities) totaling R$271,985, which corresponds to the expected amount to be received at the end of the term of the concession arrangements (R$280,053 at December 31, 2010). 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 year:

	03/31/2011	03/31/2010
Construction revenues	177,889	169,171
Construction costs	(174,920)	(164,183)

06. Cash and Cash Equivalents

(a) Cash and cash equivalents

	Company	
	03/31/2011	12/31/2010
Cash and banks	31,967	40,318
Short-term bank deposit certificates	114,446	35,475
Total	**146,413**	**75,793**

06. Cash and Cash Equivalents--Continued

(a) Cash and cash equivalents--Continued

	Consolidated	
	03/31/2011	**12/31/2010**
Cash and banks	32,959	41,509
Short-term bank deposit certificates	114,995	36,143
Total	**147,954**	**77,652**

The Company maintains own funds from its business activity invested in Bank Deposit Certificates (CDBs), which consist of fixed-income securities substantially remunerated by reference to the variation in the Interbank Deposit Certificate (CDI), which ranged from 90% to 115% in the 1Q11 (98.50% to 115% in the 1Q10). Financial income in the 1Q11 from these investments totaled R$ 3,668 (R$ 8,282 in the 1Q10), where the amount of R$2,766 refers to investments redeemable within 90 days (R$7,830 in the 1Q10), and R$902 for pledging of debentures (R$452 in the 1Q10).

In the 1Q11, the Company classified its marketable securities in “Cash and cash equivalents” since these are considered financial assets that are readily convertible to cash and subject to insignificant risk of any change in value.

(b) Changes in short-term investments

	Company	
	2011	**2010**
At January 1	**35,475**	**380,186**
New investments	489,412	373,500
Transfer of held to maturity financial assets	56,365	-
Investment income	2,766	7,830
Redemption	(469,572)	(459,843)
At March 31	**114,446**	**301,673**

	Consolidated	
	2011	**2010**
At January 1	**36,143**	**380,410**
New investments	490,098	373,500
Transfer of held to maturity financial assets	56,365	-
Investment income	2,782	7,834
Redemption	(470,393)	(459,977)
At March 31	**114,995**	**301,767**

06. Cash and Cash Equivalents--Continued

(b) Changes in short-term investments--Continued

Financial assets only include amounts in reais, there being no foreign currency investments.

None of these financial assets is overdue and no impairment loss was identified thereon.

07. Accounts Receivable – Customers and Other Receivables

Accounts receivable – customers mature as follows:

	Company		Consolidated	
	03/31/2011	**12/31/2010**	**03/31/2011**	**12/31/2010**
Falling due	62,087	64,719	66,118	68,054
Up to 30 days past due	67,132	62,918	67,132	62,918
From 31 to 60 days past due	28,620	28,289	28,620	28,289
From 61 to 90 days past due	15,639	12,594	15,639	12,594
From 91 to 180 days past due	23,081	21,230	23,081	21,230
Over 180 days past due	41,336	37,809	41,336	37,809
Billed amounts	237,895	227,559	241,926	230,894
Unbilled amounts	247,697	228,772	247,697	229,331
Accounts receivables – customers	485,592	456,331	489,623	460,225
(-) Allowance for doubtful accounts	(22,323)	(21,480)	(23,598)	(22,651)
	463,269	434,851	466,025	437,574
Accounts receivables – non-current (Note 25)	211,296	182,335	211,296	182,335
Accounts receivables – customers, net	674,565	617,186	677,321	619,909
Held-to-maturity financial assets (c)	-	56,365	-	56,365
Pledging of loans and debentures (d)	104,532	100,986	104,532	100,986
Receivables from subsidiaries (a)	63,244	59,970	-	-
Restricted investment (b)	38,180	41,621	38,180	41,621
Others	14,948	14,982	15,918	15,952
Total	**895,469**	**891,110**	**835,951**	**834,833**
Non-current assets	**(432,200)**	**(399,894)**	**(369,926)**	**(340,894)**
Current assets	**463,269**	**491,216**	**466,025**	**493,939**

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

At March 31, 2011, accounts receivable - customers in the amount of R$120,531 (R$113,171 in December 2010) 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:

	03/31/2011	12/31/2010
Up to three months	102,936	97,986
From three to six months	17,121	14,649
Minas Gerais State	474	536
Total	**120,531**	**113,171**

At March 31, 2011, accounts receivable - customers totaling R$22,323 (R$21,480 in December 2010) 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:

	03/31/2011	12/31/2010
Falling due	486	770
Up to 30 days past due	680	526
From 31 to 60 days past due	739	737
From 61 to 90 days past due	1,013	716
From 91 to 180 days past due	2,077	2,502
From 181 to 360 days past due	4,798	4,516
Over 360 days past due	12,530	11,713
Total	**22,323**	**21,480**

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

Changes in the allowance for doubtful accounts were as follows:

	2011	
	Company	Consolidated
At January 1	**21,480**	**22,651**
Allowance for doubtful accounts	9,970	10,074
Charge-off of uncollectible accounts receivable during the period	(9,127)	(9,127)
At March 31	**22,323**	**23,598**

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

A provision for impairment of receivables was recognized in the income statement as "other expenses". The amounts debited to the provision are usually charged off when they are not expected to be collectible.

Other classes of accounts receivable from customers and other receivables do not contain impaired assets.

The maximum exposure to risk at balance sheet date corresponds to the book value of each class of the aforementioned accounts receivable. The Company maintains tariff revenue as collateral for financing (Note 19).

a) This refers to loan agreements and payroll expenses (salary and social charges) relating to employees assigned by COPASA to its subsidiaries and which are being reimbursed as provided for contractually, out of which R$46,091 refer to Águas Minerais, R$15,528 to COPANOR, and R$1,625 to Serviços de Irrigação (R$43,441, R$14,916 and R$1,613 at December 31, 2010, respectively);

b) This refers to funds from Brazil's National Water Agency (ANA) held by COPASA under the Water Basin Depollution Program (PRODES), to be transferred as payment for the treated sewage from the Ribeirão do Onça sewage treatment plant, in the Municipality of Belo Horizonte, and from the Betim Central sewage treatment plant, in the Municipality of Betim, through the attainment of treated sewage and abatement of polluting emissions goals. Because these goals were only partially met, the Company also records these funds in long-term payables, under the caption Deposits for construction work (Note 11). In November 2009, February and August 2010, the ANA released the amounts of R$2,030, R$2,044 and R$4,264, respectively, referring to the four quarterly installments for fulfillment of the 1st stage of goals at Onça sewage treatment plant; In March 2011 the first two installments regarding the completion of the second stage were approved in ETE onça, adding up to R$4,492;

c) This refers to short-term investments redeemable within more than 90 days;

d) Pledged as guarantee of loans and debentures, as detailed in Note 12 "b".

08. Investments

	Company	
	03/31/2011	12/31/2010
Subsidiaries accounted for under the equity method		
Copasa Águas Minerais de Minas S.A.	1	1
Copanor	1	1
Copasa Serviços de Irrigação S.A.	1	1
Total	**3**	**3**

	Company	
	03/31/2011	12/31/2010
Subsidiaries accounted for under the cost method		
Foz de Jeceaba	21,800	-
Others	260	260
Total	**22,060**	**260**

	Consolidated	
	03/31/2011	12/31/2010
Foz de Jeceaba	21,800	-
Others	260	260
Total	**22,060**	**260**

Main information on investments in subsidiaries is as follows:

Subsidiaries	Equity	Capital	Earnings (loss)	No. Of shares	Copasa Interest (%)
03/31/2011					
Águas Minerais	(38,312)	13,929	(52,241)	13,929	100
Copanor	(12,263)	1	(12,262)	1	100
Serviços de Irrigação	(1,137)	1	(1,136)	1	100
12/31/2010					
Águas Minerais	(34,799)	13,929	(48,728)	13,929	100
Copanor	(11,483)	1	(11,484)	1	100
Serviços de Irrigação	(1,029)	1	(1,030)	1	100

08. **Investments**--Continued

Changes in investments in subsidiaries are as follows:

	12/31/2010	Equity pickup	03/31/2011
Águas Minerais	1	-	1
Copanor	1	-	1
Serviços de Irrigação	1	-	1
Total	3	-	**3**

At March 31, 2011, the subsidiaries present a capital deficiency of R$32,358 (R$27,957 in December 2010), for which the Company set up a valuation allowance. This allowance is recorded in non-current liabilities, under “Other liabilities”.

	12/31/2010	Equity pickup	03/31/2011
Águas Minerais	(15,443)	(3,513)	(18,956)
Copanor	(11,484)	(780)	(12,264)
Serviços de Irrigação	(1,030)	(108)	(1,138)
Total	**(27,957)**	(4,401)	**(32,358)**

Copasa Águas Minerais shows accumulated losses and working capital deficiency. The operations of this subsidiary started up in September 2008, and due to high costs it could not reach its projected sales targets.

This subsidiary is having its cost structure reviewed and feasibility studies are underway. Continuity of its business operations is contingent upon operational restructuring aiming at its adequacy to the market in which it operates, and financial support from its parent company. The quarterly information of Copasa Águas Minerais, which serve as basis for the Company’s equity pickup and consolidation were prepared assuming that this subsidiary will continue as a going concern. Accordingly, no adjustments were included related to the realization and classification of its assets or to the measurement of its liabilities that might be required should this subsidiary be unable to continue its business operations.

On January 28, 2010, the Board of Directors of COPASA MG authorized an investment in the amount of R$21,800 to be made, as a non-controlling investment, in a Special Purpose Entity (SPE) jointly with Odebrecht Engenharia Ambiental and Lumina Resíduos Industriais S.A., corresponding to a 15.5% equity interest therein. This investment was made in January 2011, through a capital contribution to the SPE.

09. Intangible Assets

	Company					
Cost	**Water systems**	**Sewage**	**Use rights**	**Others (*)**	**In development**	**Total**
Book balance at 12/31/2010	**3,823,739**	**2,260,213**	**276,835**	**(160,288)**	**2,461,843**	**8,662,342**
Additions	46,623	44,526	541	(1,412)	117,026	**207,304**
Write-offs	(5,133)	(621)	44	70	(25,842)	**(31,482)**
Transfers	(62)	82	(89)	(102)	-	**(171)**
Book balance at 03/31/2011	**3,865,167**	**2,304,200**	**277,331**	**(161,732)**	**2,553,027**	**8,837,993**
Amortization						
Book balance at 12/31/2010	**(2,320,370)**	**(662,055)**	**(39,036)**	**(9,150)**	-	**(3,030,611)**
Additions	(42,937)	(26,041)	(3,970)	2,333	-	**(70,615)**
Write-offs	-	-	-	-	-	**-**
Transfers	-	-	(34,271)	34,271	-	**-**
Book balance at 03/31/2011	**(2,363,307)**	**(688,096)**	**(77,277)**	**27,454**	**-**	**(3,101,226)**
Net Balance 03/31/2011	**1,501,860**	**1,616,104**	**200,054**	**(134,278)**	**2,553,027**	**5,736,767**
Net Balance 12/31/2010	**1,503,369**	**1,598,158**	**237,799**	**(169,438)**	**2,461,843**	**5,631,731**

The amortization in the 1Q11, allocated to income, amounted to R$66,619 (R$64,311 in the 1Q2010) as cost of services, to R$1,036 (R$1,047 in the 1Q2010) as selling expenses, and to R$2,960 (R$2,214 in the 1Q10) as administrative expenses.

(*) It refers basically to reversal of donations and subsidies received.

09. Intangible Assets--Continued

	Consolidated					
Cost	**Water systems**	**Sewage**	**Use rights**	**Others (*)**	**In development**	**Total**
Book balance at 12/31/2010	**4,138,579**	**2,289,715**	**229,561**	**(63,703)**	**2,461,843**	**9,055,995**
Reclassification	(62)	80	45,452	(45,452)	-	**18**
Additions	46,370	44,526	541	(1,698)	117,026	**206,765**
Write-offs	(5,545)	(621)	44	70	(25,842)	**(31,894)**
Book balance at 03/31/2011	**4,179,342**	**2,333,700**	**275,598**	**(110,783)**	**2,553,027**	**9,230,884**
Amortization						
Book balance at 12/31/2010	**(2,614,002)**	**(708,089)**	**(40,370)**	**(9,147)**	**-**	**(3,371,608)**
Addition	(45,035)	(26,423)	(3,975)	2,329		**(73,104)**
Write-offs	2	-	-	-	-	**2**
Transfers	-	-	(34,271)	34,271	-	**-**
Book balance at 03/31/2011	**(2,659,035)**	**(734,512)**	**(78,616)**	**27,453**	**-**	**(3,444,710)**
Net balance 03/31/2011	**1,520,307**	**1,599,188**	**196,982**	**(83,330)**	**2,553,027**	**5,786,174**
Net balance 12/31/2010	**1,524,577**	**1,581,626**	**189,191**	**(72,850)**	**2,461,843**	**5,684,387**

The amortization in the 1Q11, allocated to income, amounted to R$69,002 (R$64,244 in the 1Q10) as cost of services, to R$1,113 (R$1,087 in the 1Q10) as selling expenses, and to R$2,987 (R$2,242 in the 1Q10) as administrative expenses.

At 1Q11, the Company capitalized interest and charges amounting to R$18,497 (approximately R$16,790 in the 1Q10) under the caption “Construction in progress”.

(*) It refers basically to reversal of donations and subsidies received.

10. Property, Plant and Equipment

	Company				
Cost	**Land and construction**	**Machinery and equipment**	**Vehicles**	**Other**	**Total**
Book balance at 12/31/2010	**102,656**	**175,855**	**102,690**	**142**	**381,343**
Additions	322	1,742	51	-	2,115
Write-offs	-	-	-	-	-
Transfers	-	-	-	-	-
Book balance at 03/31/2011	**102,978**	**177,597**	**102,741**	**142**	**383,458**
Depreciation					
Book balance at 12/31/2010	**(58,115)**	**(121,261)**	**(89,998)**	**(105)**	**(269,479)**
Additions	(554)	(3,433)	(1,622)	(2)	(5,611)
Write-offs	-	-	-	-	-
Transfers	-	-	-	-	-
Book balance at 03/31/2011	**(58,669)**	**(124,694)**	**(91,620)**	**(107)**	**(275,090)**
Net balance at 03/31/2011	**44,309**	**52,903**	**11,121**	**35**	**108,368**
Net balance 12/31/2010	**44,541**	**54,594**	**12,692**	**37**	**111,864**

The depreciation in the 1Q11, allocated to income, amounted to R$5,294 (R$4,052 in the 1Q10) as cost of services, to R$82 (R$66 in the 1Q10) as selling expenses, and to R$235 (R$139 in 1Q10) as administrative expenses.

10. Property, Plant and Equipment--Continued

	Consolidated					
Cost	**Land and construction**	**Machinery and equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
Book balance at 12/31/2010	**110,482**	**201,967**	**105,325**	**4,294**	**1,402**	**423,470**
Additions	323	1,860	52	5	150	2,390
Write-offs	-	(3)	-	-	-	(3)
Transfers	-	-	-	-	-	-
Book balance at 03/31/2011	**110,805**	**203,824**	**105,377**	**4,299**	**1,552**	**425,857**
Depreciation						
Book balance at 12/31/2010	**(65,566)**	**(127,444)**	**(92,219)**	**(548)**	-	**(285,777)**
Additions	(554)	(3,483)	(1,659)	(55)	-	(5,751)
Write-offs	-	3	-	-	-	3
Transfers	-	-	-	-	-	-
Book balance at 03/31/2011	**(66,120)**	**(130,924)**	**(93,878)**	**(603)**	**-**	**(291,525)**
Net balance at 03/31/2011	**44,685**	**72,900**	**11,499**	**3,696**	**1,552**	**134,332**
Net balance at 12/31/2010	**44,916**	**74,523**	**13,106**	**3,746**	**1,402**	**137,693**

The depreciation in the 1Q11, allocated to income, amounted to R$5,426 (R$4,186 in the 1Q10) as cost of services, to R$87 (R$71 in the 1Q10) as selling expenses, and to R$235 (R$146 in the 1Q10) as administrative expenses.

11. Suppliers and Other Liabilities

	Company	
	03/31/2011	12/31/2010
Accounts payable to suppliers	123,891	120,135
Taxes payable	39,516	43,535
Taxes in installment (c)	259,051	229,238
Accrued vacation pay	75,057	72,854
Interest on equity capital (Note 18)	103,180	66,859
Electric energy (a)	39,248	44,784
Construction work (b)	34,865	34,030
Investment valuation allowance	32,358	27,957
Other payables	39,043	43,249
Total	746,209	682,641
Non-current liabilities	(310,605)	(287,370)
Current liabilities	435,604	395,271

	Consolidated	
	03/31/2011	12/31/2010
Accounts payable to suppliers	126,055	122,325
Taxes payable	39,831	43,818
Taxes in installment (c)	259,051	229,238
Accrued vacation pay	75,381	73,154
Interest on equity capital (Note 18)	103,180	66,859
Electric energy (a)	39,248	44,784
Construction work (b)	34,868	34,032
Other payables	39,163	43,378
Total	716,777	657,588
Non-current liabilities	(278,250)	(259,415)
Current liabilities	438,527	398,173

11. **Suppliers and Other Liabilities**--Continued

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

a) Electric power

This refers to the installment payment of the debt arising from past-due bills, in conformity with the Debt Agreement and Acknowledgement formally made with Companhia Energética de Minas Gerais - CEMIG as of October 4, 2004, whereby the Company has acknowledged a debt of R$78,495, which was agreed to be divided into 96 monthly consecutive installments until September 2012, restated based on the IGP-M, plus interest of 0.5% per month. As of March 31, 2011, there are 18 installments to be paid. The current portion also includes monthly invoices, in the amount of R$3,443 (R$4,607 in 2010).

b) Construction work

In December 2003, the Company received PRODES funds amounting to R$ 12,636 transferred by Brazil's National Water Agency - ANA, in return for the Federal Government participation in the construction of the Sewage Treatment Plant of Ribeirão do Onça, in the city of Belo Horizonte. In accordance with clause 6 of Agreement 012/2003 signed with the ANA as of November 21, 2003, the payment for treated sewage will be made to the Company in two quarterly consecutive installments after certification of pollutant load reduction goals to be issued by that agency. The term of contract originally agreed to as December 31, 2007 was amended to July 1, 2013, and the Company's request for issuance of the said certification was filed on July 1, 2009, as provided for in the 3rd Amendment to the contract signed on August 15, 2007. As the Company already has, since November 2008, studies that prove the fulfillment of the 1st stage of the goals, planned for July 2009, the right to 1/3 of the amount passed on by the ANA was recognized, corresponding to R$7,499, of which R$1,250 was credited to financial income and R$6,249 to deferred income in 2008. The net income for the year 2009 was recognized in the amount of R$6,249, referring to the deferred income recorded in 2008, plus R$708, referring to the 1/3 of income earned on the investment of the funds received. In 2010, income was recognized as R$494, referring to the 1/3 of income earned on the investment of the funds received, and in October 2010, the right to another 1/3 of the amount passed on by the ANA was recognized for the fulfillment of the 2nd stage of the goals, corresponding to R$8,665, of which R$2,166 was credited to financial income and R$6,499 to deferred income.

11. Suppliers and Other Liabilities--Continued

b) Construction work--Continued

It was registered as income the amount of R$2,383 referring to the 1/3 of income earned in the 1Q11 on the investments of the funds received. Compliance with the schedule established as from the starting date of the certification process has been found to progress normally, and quarterly reports have been submitted to the ANA. The amount invested in relation to this transfer of funds, restated through March 31, 2011, is R$13,442 (R$17,501 in 2010) - Note 7.

In December 2007, the Company received additional R$18,720 of a new transfer of funds from the ANA, in return for the Federal Government participation in the construction of the Sewage Treatment Plant of "Betim Central", in the municipality of Betim. Under clause 6 of Agreement 039/2007, signed with the ANA as of December 11, 2007, settlement of treated sewage will be made to the Company in 12 quarterly, successive installments, after certification of pollutant load reduction goals to be issued by that agency. The Company started the PRODES certification process on July 1, 2009 and, on October 15, 2009, it submitted the corresponding report for approval by the ANA, which made inquiries and technical considerations, scheduling a meeting for January 29, 2010 for further clarification and continuity of the planned schedule. Once the approval for the first measurement is obtained, the equivalent to 1/12 of the funds existing in the underlying restricted account will be made available to the Company. As such, every three months, the Company will be required to issue a measurement report and submit it for approval by the ANA, until the 12 measurements stipulated contractually are completed. Worth of mentioning, though, there is a possibility of renegotiating new measurement dates with the ANA, owing to non-completion of undertakings that will influence on the achievement of goals. The amount restated through March 31, 2011, related to this transfer of funds, is R$24,738 (R$24,120 in 2010) - Note 7.

c) Taxes in installments

	Company/Consolidated	
	03/31/2011	12/31/2010
Taxes in installments (*)	21,065	24,576
ISS in installments (**) (Note 25)	237,986	204,662
Total	259,051	229,238
Current portion	(40,733)	(36,370)
Non-current portion	218,318	192,868

11. **Suppliers and Other Liabilities**--Continued

c) Taxes in installments--Continued

(*) In 2001, the Company acquired from third parties, at a 15% discount, R$65,800 worth of premium-credit related to Federal VAT (IPI), an excise tax, used to offset other federal tax debts. These credits were purchased based on injunctions as the result of lawsuits brought by the entities assigning these credits. Although the Brazilian IRS (RFB) has issued the relevant documents evidencing the offsetting request, in other instances it has adopted the view that either because of the origin of the credits (IPI premium-credit) or because of the provisional nature of the assignment (a final and unappealable decision has not yet been obtained on these lawsuits), such IPI premium credits may not be offset. Until recently, the High Court of Justice (STJ) was recognizing the right to use the IPI premium-credit. Yet, there has been a recent change in the legal precedents of this court, which has become favorable to the theory that, given that this incentive is sectorial in nature, it would have been effective until October 5, 1990.

Considering the current legal scenario, despite our understanding that the subject depends upon conclusive judgment by the Federal Supreme Court, our outside lawyers assessed the chances of loss involving this matter as probable.

The Company decided to pay this contingency, and on November 27, 2009 it filed a request for debt installment arrangement, to be paid in 12 installments, in conformity with Provisional Executive Order (MP) No. 470, of 2009. At september 2010, the company asked for a new installments, in the amount of R$28,086, in 12 installments, adding the requirement before.

(**) 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).

12. Loans and Debenturres

	Company/Consolidated	
	03/31/2011	**12/31/2010**
Current		
State Government/BDMG	4,764	5,429
Federal Savings and Loan Bank (CEF)	105,070	100,910
National Treasury	35,235	34,733
BNDES – BNE	13,720	3,469
Federal Government – bonds	5,840	5,419
Bank loans and financing	164,629	149,960
Simple debentures	97,498	96,866
Convertible debentures	3,377	502
Debentures	100,875	97,368
Total current	265,504	247,328
Non-current		
State Government/BDMG	10,996	11,472
Federal Savings and Loan Bank (CEF)	645,207	652,225
National Treasury	68,720	77,397
BNDES – BNE	402,213	370,945
Federal Government – bonds	47,656	49,040
Bank loans and financing	1,174,792	1,161,079
Simple debentures	573,795	568,025
Convertible debentures	133,915	133,740
Debentures	707,710	701,765
Total non-current	1,882,502	1,862,844
Total current and non-current	**2,148,006**	**2,110,172**

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

	Book value		Fair value	
	03/31/2011	**12/31/2010**	**03/31/2011**	**12/31/2010**
Bank loans and financing	1,339,421	1,311,039	1,455,809	1,430,085
Simple debentures	671,293	664,891	655,044	649,480
Convertible debentures	137,292	134,242	137,292	134,242
Total	**2,148,006**	**2,110,172**	**2,248,145**	**2,213,807**

12. Loans and Debenturres--Continued

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 current period, using the following market rates:

Credit facilities	Contractual rate	Period in months	Market rates	Remarks
State Government/BDMG	9.03%	48	7.33%	CEF rate, as there is no similar market
CEF/FGTS	9.98%	207	7.33%	CEF rate quoted in mar/11
Nacional Treasury	5.38%	34	7.33%	CEF rate, there is no similar market
BNDES/BNE	7.63%	128	7.52%	CEF rate quoted in mar/11
Federal Government	4.71%	157	7.33%	CEF rate, there is no similar market
Simple debêntures	8.49%	96	9.30%	CEF rate quoted in mar/11
Convertible debentures	8.30%	40	8.30%	CEF rate quoted in mar/11

a) Bank loans and financing

Bank loans and financing have maturity until 2031 and average coupon rates of 8.40% p.a. (8.46% p.a. as of December 31, 2010). The long-term portion matures as follows:

Maturity	03/31/2011	12/31/2010
2012	143,052	184,773
2013	191,986	185,705
2014	155,229	148,900
2015	121,779	115,919
2016	89,104	83,963
2017	55,881	51,583
After 2018	417,761	390,236
Total	**1,174,792**	**1,161,079**

The book values of the Company foreign currency loans total R$53,496 (R$54,49 in 2010).

12. Loans and Debenturres--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 keeps a reserve account at Banco do Brasil in the amount of R$24,048, restated through March 31, 2011 (R$24,639 in 2010), by applying the average price of the Zero Coupon Bond of the US Treasury, recorded under the caption “collateral for financing”.

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, and whereby new funds were released under 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, with Bradesco and Itaú, also acting as financial agents of the funds. The Company made the following pledges for these agreements:

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

  - Fiduciary transfer of part of the assignors receivables from CEF, related to the temporary cash investment funds, comprised of funds deposited in the restricted account and reserve account, which shall correspond to 3 (three) times the amount of the installments falling due and whose balance at March 31, 2011 is recorded as collateral for financing in the amount of R$ 24,890 (R$ 24,158 in December 31, 2010).

12. Loans and Debenturres--Continued

b) Guarantees of bank loans and financing--Continued

Local currency agreements--Continued

- Loans and financing contracts with the Brazilian Development Bank (BNDES) for optimization and expansion of water supply systems and sanitation 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 on account of the minimum balance corresponding to 3 (three) times the amount of the installments falling due. The balance of this account recorded as collateral for financing, at March 31, 2011 is R$ 8,561 (R$7,049 in December 31, 2010).

- 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, in the form of deposits, 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. The balance of this account, recorded as collateral for financing at March 31, 2011 is R$1,649 (R$176 in December 31, 2010).

Other financing:

Loans and financing agreements entered into with the CEF, for performance of construction projects and services for the expansion of the building supply grid, 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 based on the most recent collection available under these agreements. The balance of this account, recorded as collateral for financing at March 31, 2011 is R$9,489 (R$8,816 in December 31, 2010).

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.

12. Loans and Debenturres--Continued

c) Non-convertible and convertible debentures

		Company/Consolidated			
		03/31/2011		12/31/2010	
Series	Subscription date	Current	Non-current	Current	Non-current
Non-convertible debêntures					
Subscriptions made – 1st issue					
1st and 2nd	06/30/2004	7,838	18,045	7,846	19,978
3rd and 4th	11/09/2004	7,838	18,045	7,846	19,978
5th and 6th	07/29/2004	7,838	18,045	7,846	19,978
7th	12/19/2005	3,919	9,022	3,923	9,989
8th and 9th	04/24/2006	7,839	18,045	7,847	19,978
10th	12/19/2006	3,919	9,022	3,923	9,989
11th and 12th	03/23/2007	7,839	18,044	7,847	19,978
Total 1st issue		47,030	108,268	47,078	119,868
Subscriptions made - 3rd issue					
1st to 6th	12/06/2007	16,342	122,832	16,355	126,795
7th	09/25/2008	2,724	20,472	2,726	21,132
8th	12/06/2008	8,171	61,416	8,178	63,397
9th to 11th	03/30/2009	8,171	61,416	8,178	63,397
12th to 14th	11/27/2009	2,723	20,472	2,726	21,132
15ª to 17th	05/26/2010	8,171	61,416	8,178	63,397
18th	07/02/2010	2,723	20,471	2,726	21,133
Total 3rd issue		49,025	368,495	49,067	380,383
Subscriptions made – 4th issue					
1st	12/27/2010	1,443	97,032	721	67,774
		1,443	97,032	721	67,774
Total non-convertible		**97,498**	**573,795**	**96,866**	**568,025**
Convertible debentures					
Subscriptions made – 2nd issue					
Single	08/28/2007	2,130	81,429	316	81,255
Single	09/06/2007	1,188	50,005	177	50,004
Single	12/03/2007	59	2,481	9	2,481
Total convertible		3,377	133,915	502	133,740
Total debentures		**100,875**	**707,710**	**97,368**	**701,765**

12. Loans and Debenturres--Continued

c) Non-convertible and convertible debentures--Continued

Non-convertible debentures

Subscriptions made – 1st issue:

In June 2004, the Company placed 300 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, the contractual terms and conditions being the following:

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, plus reserve account

This 1st issue is guaranteed by 20% of the Company's tariff revenues and a reserve account, the minimum balance of which corresponds to three installments falling due, related to all debentures of all series issued and subscribed, deposited in an investment fund, recorded as collateral for financing. As of March 31, 2011, the amount pledged as collateral totaled R$15,271 (R$15,465 in December 31, 2010).

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

Subscription made – 3rd issue:

In December 2007, the simple debentures, not convertible into common shares, negotiated in a private deal under exclusive subscription by BNDES, are composed of 450 simple debentures of R$1,000 each, whose issue is being made in 18 (eighteen) series of R$25,000 each. The contractual terms and conditions were as follows:

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.

12. Loans and Debenturres--Continued

c) Non-convertible and convertible debentures--Continued

Non-convertible debentures--Continued

Subscription made – 3rd issue: --Continued

This 3rd issue is guaranteed by monthly minimum deposits of R$18,000, related to tariff revenues of the Company, updated annually by the IPCA, and by a reserve account, in which the minimum balance must be equal to 3 (three) installments falling due, related to all debentures of all series issued and subscribed, deposited in a investment fund, recorded as collateral for financing. As of March 31, 2011, the amount pledged as collateral totaled R$20,624 (R$20,683 in December 31, 2010).

Subscription made – 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, will be 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, the contractual terms and conditions being the following:

Issue date	July 15, 2010
Term	144 months for 1st and 3rd series and 145 months for 2nd series
Grace period of the principal	36 months for 1st and 3rd series and 37 months for 2nd series
Amortization	108 months for 1st and 3rd series and 9 annual for 2nd series
Final maturity	December 15, 2022
Yield	TJLP + 1.55% p.a. for 1st and 3rd series, and IPCA + 1.55% p.a. for 2nd series
Guarantee	Fiduciary transfer, plus reserve account

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

12. Loans and Debenturres--Continued

Convertible debentures

Subscriptions made – 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
Nominal unit amount 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 debentures on the same proportion to the number of COPASA shares held on July 30, 2007, so that to subscribe one (1) debenture, it would be necessary that a shareholder held 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 the tick symbol CSMG3 at the São Paulo Stock Exchange) were traded ex-rights of debentures subscription since 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 of our issue, at the price of R$ 31.20 per share, as restated under the indenture terms. The following conversions were made through March 31, 2011:

12. Loans and Debenturres--Continued

c) Non-convertible and convertible debentures--Continued

Date	Number	
	Converted debentures	**Common shares**
08/04/2008	188	752
03/06/2009	5,396	21,584
03/12/2009	973	3,892
04/01/2009	20,595	82,380
06/18/2009	2,039	8,156
07/02/2009	4,208	16,832
07/21/2009	240	960
Total	**33,639**	**134,556**

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

	03/31/2011	**12/31/2010**
Liability component at the beginning of the period	134,242	134,629
Financial expense	3,050	11,684
Interest paid	-	(12,071)
Liability component at the end of the period	**137,292**	**134,242**

The fair value of the financial component of the convertible debt bond at December 31, 2010 totals R$137,278. The fair value is determined using discounted cash flows at a rate applicable to a similar instrument without the conversion option, namely 2.8% p.a., in addition to the long-term interest rate (TJLP).

The funds provided by the 2nd and 3rd issues will be used in the Company's 2007/2010 Investment Program to modernize, expand and implement water and sewage 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.

12. Loans and Debenturres--Continued

d) Contractual covenants

Under its loan and debenture contracts, the Company has covenants requiring that the following specific ratios are met, as follows:

(a) Covenants in syndicated loans:

Ratio	Limit
Total debt/equity	Equal or greater 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 agreement 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 greater 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

(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%

None of the covenants above had been breached through March 31, 2011.

13. Provisions for Other Liabilities and Charges

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

	Company	
	03/31/2011	**12/31/2010**
Tax provision	43,269	54,538
Provision for contingencies	31,955	33,114
Total	**75,224**	**87,652**

	Consolidated	
	03/31/2011	**12/31/2010**
Tax provision	43,269	54,538
Provision for contingencies	34,675	34,947
Total	**77,944**	**89,485**

The Company's criterion, based on the opinion of its legal counsel, is to accrue amounts for civil, labor and tax proceedings with probable likelihood of loss.

Changes in provisions can be shown as follows:

	Company				
	Provisions			Judicial/ escrow deposits	Total
	Civil	**Labor**	**Tax**		
December 31, 2010	**18,698**	**15,763**	**54,956**	**(1,765)**	**87,652**
Additions	2,086	2,585	709	(388)	4,992
Reversal	(2,717)	(2,676)	(11,691)	-	(17,084)
Use	(190)	(146)	-	-	(336)
March 31, 2011	**17,877**	**15,526**	**43,974**	**(2,153)**	**75,224**

13. Provisions for Other Liabilities and Charges--Continued

	Consolidated				
	Provisions			Judicial escrow / deposits	Total
	Civil	Labor	Tax		
December 31, 2010	**18,698**	**17,811**	**54,956**	**(1,980)**	**89,485**
Additions	2,086	3,606	709	(417)	5,984
Reversal	(2,717)	(2,781)	(11,691)	56	(17,133)
Use	(190)	(202)	-	-	(392)
March 31, 2011	**17,877**	**18,434**	**43,974**	**(2,341)**	**77,944**

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

The amounts represent a provision for certain lawsuits brought against the Company, and related provision expenses are recognized in the income statement as "administrative expenses". Based on the opinion of its legal counsel, the outcome of these lawsuits will not result in any significant loss in addition to the amounts accrued at March 31, 2011.

The Company is a party to various lawsuits arising in the normal course of its operations, including civil, labor and tax lawsuits.

a) Provisions

Provisions for civil proceedings

Reserves for civil lawsuits are related to claims for property damages or pain and suffering or claims for reimbursement of amounts paid to the Company due to overpayment or duplicate payment. The Company estimates the amounts to be accrued based on the billed amounts subject to questioning and on recent court decisions.

In 2003, the Public Prosecution Office of the State of Minas Gerais filed a public civil action questioning the tariff increase for the City of Belo Horizonte. The action questions the fact that the adjustment had been applied to the first bills issued after the increase date, rather than billing the consumption subsequent to the increase date. Thus, the Public Prosecution Office proposed the cancellation of the tariff increase. The final decision found the original claim partially valid and required the Company to return to customers the portion of the tariff increase corresponding to the consumption period preceding the increase date. At March 31, 2011, liquidation of the amount involved in the final judgment is estimated at R$311 (R$305 in December 31, 2010).

13. Provisions for Other Liabilities and Charges--Continued

a) Provisions--Continued

Provisions for civil proceedings--Continued

Environmental Protection Association Verde Gaia filed a public civil action against COPASA questioning the breach of Article 2 of State Law No. 12503/97, whereby water supply utilities are required to invest 0.5% of their operating revenue in environmental protection and conservation of the water basin explored. During the process, procedural changes, such as the lower court decision that was favorable to plaintiff, and the current position of the Minas Gerais State Court of Justice (TJMG) on the environmental matter under concern, the case had to be reassessed as probable loss. Also, there are other 15 proceedings on the same matter filed by the same plaintiff. Since the amount to be paid by the Company as a result of the probable loss in these actions will correspond to 0.5% of its operating revenue from water supply services to the respective municipality involved in each action, and not the value of matter in dispute, at March 31, 2011 in the amount of R$1,633 (R$1,114 in December 31, 2010).

Luciene Ricardo da Silva, et al. filed a claim for property damages and pain and suffering caused by a landslide that eventually buried the plaintiffs' property. This landslide was caused by a ruptured clandestine supply pipeline connected to an old water reservoir. At November 30, 2010, the defendant's pleading was filed and the provision amount at March 31, 2011 totals R$2,360 (R$2,311 in December 31, 2010).

Condomínio do Edifício Roma filed a claim for property damages and pain and suffering, with reimbursement of amounts from COPASA, on the allegation of undue suspension of water supply and air eliminator installation. On July 2, 2010 the trial court denied the plaintiff's claim for damages, but on July 19 the adverse party lodged and appeal and COPASA filed a brief of respondent on appeal on November 20, and no court ruling or final decision had been handed down until conclusion of this report. At March 31, 2011, the value of matter in dispute in this case totals R$1,470 (R$1,440 in December 31, 2010).

The Company is a party to an action for collection of liquidated damages and an obligation to do, under the TAC obligations executed with the Prosecution Office of the State of Minas Gerais in Betim. On October 8, 2010, a new TAC was executed, wherein COPASA assumed the commitment of paying two installments of five hundred thousand reias, the first paid off in February 28, 2011 and the second to be paid in October 2011. The agreement was homologated by the judge, thereby extinguishing the collection claim. As such, the provision amount was reduced to R$500 at March 31, 2011 (R$1,956 in December 31, 2010).

13. Provisions for Other Liabilities and Charges--Continued

a) Provisions--Continued

Maria José Gomes filed a claim for pain and suffering and property damages against COPASA, resulting from damages to its property caused by water leakage. To date no decision has been ruled out, and at March 31, 2011, the value of matter in dispute is R$892 (R$874 at December 31, 2010).

Provisions for labor claims

The claims in which the Company has direct responsibility relate, in the majority, to pain and suffering and material damages due to work related diseases or occupational accidents, overtime, commuting, unhealthy work conditions and hazard allowances, prior notice payments, salary differences deriving from job equality, and challenge of instances of termination for cause. COPASA has provisioned all labor claims where the outcome was considered a probable loss, which represents approximately 39,64% of the potential liabilities estimated for all labor claims.

COPASA also appears as a co-liable joint defendant, with the principal liability lying with outsourced contractors that provide maintenance and construction services. In these cases, if the claims are upheld, these contractors are usually liable for paying the award. However, if the contractors are financially unable to make payment, and consequently could potentially default, COPASA may be legally compelled to settle the labor liability. As such, the prospects for loss in these cases were considered probable, and at March 31, 2011 the Company recorded a provision for contingencies in the amount of R$2,579 (R$2,597 as of December 31,2010).

In addition, COPASA is currently a party to eighteen administrative proceedings initiated after an inspection by officials representing the Regional Labor Office, which resulted in infringement notices on the allegation that the Company failed to compute the effects of overtime worked on the employees' weekly time-off pay, and that this would represent undue salary reduction, leading to the notices and a fine for each employee found to be in the same situation. This fine, in turn, affected COPASA's contributions to the FGTS, leading to another fine per employee. Legal counselors assess the likelihood of loss in these cases as probable, and therefore a provision in the amount of R$ 4,245 was recorded at March 31, 2011 (R$4,154 at December 31, 2010).

There is also a labor claim related to a public civil lawsuit in course at the 24th labor court of Belo Horizonte, whereby SINDÁGUA and the Public Prosecution Office claim that the dismissal policy and motivational program adopted by the Company are discriminatory. Loss on this lawsuit was assessed as probable, and a provision was recorded at March 31, 2011 in the amount of R$1,257 (R$1,227 at December 31, 2010).

13. Provisions for Other Liabilities and Charges--Continued

a) Provisions--Continued

Tax provisions

The Company is a party to several tax claims, and the most significant of these claims refers to PIS/PASEP and COFINS matching credits regarding contributions made in the period between January 2004 and August 2007, totaling R$26,813, as restated through March 31, 2011 (R$38,082 at December 31, 2010). The Company understands that prevailing legislation fails to address whether such credits may be used with respect to inputs consumed in its core business. Based on a study conducted by independent consultants, which resulted in the refinement of the estimate of the tax bases, management decided to provide for the use of these tax credits until the legal basis of such credits is defined. The provision represents management's best estimate of future cash outflows required for settlement of this liability. In 2010, there was a write-off of R$10,051, related to 2004, due to the debt expiration and in March 2011, there was a write-off of R$11,691, related to 2005, due to the debt expiration.

In 2010, the Company excluded the IPI premium-credit amounts paid, mentioned in Note 11, from the calculation bases of income and social contribution taxes. As such, a provision was recorded in the amount of R$16,456 for the tax effect arising from that exclusion, until the legal basis of such credits is defined.

b) Contingent liabilities

COPASA is a party to other lawsuits for which the likelihood of loss is possible. For these lawsuits, no provisions for contingencies were recognized to cover possible losses, as the Company believes it has a solid legal basis for the procedures adopted regarding its legal defense.

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

	Company	
Nature	**03/31/2011**	**12/31/2010**
Civil (*)	393,952	371,276
Tax (**)	46,285	38,022
Total	**440,237**	**409,298**

(*) Refer to lawsuits for compensation for property damage, pain and suffering and loss of profits caused to third parties, and which are at various court levels, summarized as follows:

13. Provisions for Other Liabilities and Charges--Continued

b) Contingent liabilities--Continued

Individual lawsuits

The Company and its subsidiaries are parties to a significant number of individual lawsuits claiming damages for the disconnection of water service and damages caused by construction works. These lawsuits were filed in the normal course of the Company's and subsidiaries' business, and involve pain and suffering and material damages, such as for damages to property (real property or cars) and accidents caused during the operation of their activities, among other matters. Management does not believe that an unfavorable outcome in these legal actions, either individually or in the aggregate, would have a material adverse effect on results of operations, financial condition or business prospects of the Company and its subsidiaries.

Public Civil Actions and Class Actions

The Company is a party to public civil actions and class actions that challenge, and seek to annul, declare void or suspend 11 of its concession agreements, namely those executed with the municipalities of Almenara, Barbacena, Caratinga, Campina Verde, Cataguases, Divinópolis, Frutal, Nanuque, Ribeirão das Neves, São Roque de Minas and Três Corações. As of March 31, 2011, no judgment had been rendered on any of these lawsuits, except Caratinga, and the Company had not made any provisions because, based on the aforementioned criteria, it assessed the likelihood of loss as either remote or possible. Worthy of mention, a precedent of the Court of Appeals of the State of Minas Gerais concerning a similar case, as well as the opinions of renowned jurists are in favor of our position that the concession agreements are lawful instruments.

Environmental actions

The Company is a party to a number of public civil actions and class actions concerning environmental matters, which were filed against it in the normal course of its business. For the most part, these proceedings involve remediation of alleged environmental damages, construction of sewage treatment plants and investments in environmental conservation. Though these claims generally do not involve significant amounts, the Company may be required to make substantial investments in the construction of sewage treatment plants or to abstain from certain business practices.

13. Provisions for Other Liabilities and Charges--Continued

b) Contingent liabilities--Continued

Environmental actions--Continued

In one of these environmental class actions, the matter in dispute refers to remediation of environmental damages caused by effluents discharged in the São Francisco River. Until the moment no decision has been issued for this case, which totals R$66,076 at March 31, 2011 (R$64,721 at December 31, 2010) and whose likelihood of loss has been assessed as possible according to management.

Formal Commitments to Action (TACs)

In the past several TACs were executed between COPASA and the Prosecution Office of the State of Minas Gerais concerning environmental issues arising out of administrative and civil investigations. Also, a public civil action was settled by means of a TAC entered into with the Prosecution Office, which provides for completion of the sanitary sewage system in the municipality of Paracatu in addition to payment of a civil indemnity.

In most cases, these TACs require us to implement or improve local sanitary sewage systems or sewage treatment plants in order to prevent discharges of untreated effluents into bodies of water. The investments required for compliance with our undertakings under these TACs are included in our Investment Program.

(**) Refers to several tax claims, the most significant of which are two disputes on a tax delinquency notice filed by Brazil's IRS, in April 2004 for the Company's failure to include, upon determination of the bases for assessment of PIS/PASEP and COFINS (taxes on revenue), the financial income from foreign exchange gains on liabilities, attributed to the decline in the US dollar rate. The tax liability, monetarily restated through March 31, 2011, totaled R$31,186 (R$28,085 at December 31, 2010) and was classified as a possible contingency. The Company filed an administrative appeal, in both cases, for rejection and contestation of the tax delinquency notice and related tax assessment. These administrative appeals, however, were denied by the Board of Tax Appeals.

13. Provisions for Other Liabilities and Charges--Continued

b) Contingent liabilities--Continued

Accordingly, COPASA lodged a civil action, in both cases, with the Federal Justice, challenging the validity of the tax notice and requesting a declaration of the nonexistence of such tax liability, given that Brazil's Supreme Court (STF) declared the unconstitutionality of Law No. 9718/98 in respect of the broadening of the basis for assessment of PIS/PASEP and COFINS. The cases have moved to appellate level, and the Company won the COFINS case at trial court, although a final and unappealable decision on the matter has not yet been issued, while the PIS/PASEP case is still awaiting judgment, in view of the appeal lodged by the Federal Government.

14. Employee profit sharing

As resolved by the Company's Board of Directors in a meeting held on March 1, 2011 and in accordance with prevailing legislation, the amount to be distributed as Employee Profit Sharing is equivalent to 17.98% of the mandatory minimum dividends paid to shareholders, after deduction of the legal reserve, and will have as computation basis for measurement of goals achievement, the percentage of completion of the Investment Program approved by the Company for the year, the number of connections per employee and its operating profit.

Yet, the 2008/2010 Collective Agreement introduced changes to the previous regulation, which were approved at the meeting of July 25, 2008, establishing that the computed amount shall be linearly distributed among all employees, in two equal installments (50% each), the first one payable in April and the second one in October.

At March 31, 2011, the Company provided R$7,744 (R$7,564 in the same period of 2010) to honor this commitment.

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 March 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		Consolidated	
	03/31/2011	**03/31/2010**	**03/31/2011**	**03/31/2010**
Income before taxes	194,939	157,469	192,486	155,727
Statutory rate	34%	34%	34%	34%
Expected expense at the statutory rate	(66,279)	(53,539)	(65,445)	(52,947)
Income and social contribution taxes on:				
(Additions) /exclusions				
Equity pickup	(1,496)	(1,566)	-	-
Realization of the special monetary adjustment reserve	(793)	(1,047)	(793)	(1,047)
Donations and grants	810	(2,279)	810	(2,279)
Sundry temporary provisions	(12,091)	-	(12,091)	-
ISS write-off of provision installments	3,255	-	3,255	-
Employee profit sharing	(2,298)	-	(2,298)	-
Other (additions) /exclusions	(244)	(631)	(1,739)	(2,198)
Other reconciliation items:				
Interest on equity capital	13,403	14,849	13,403	14,849
Tax incentives	1,041	227	1,041	227
Income and social contribution taxes	(64,692)	(43,986)	(63,857)	(43,395)
Current income and social contribution	(46,292)	(38,267)	(46,292)	(38,267)
Deferred income and social contribution taxes	(18,400)	(5,719)	(17,565)	(5,128)
	(64,692)	(43,986)	(63,857)	(43,395)
Effective rate	33.19%	27.93%	33.17%	27.87%

b) Deferred income and social contribution taxes

Deferred taxes are recognized on tax losses, social contribution tax loss carryforwards and corresponding temporary differences between the tax bases of assets and liabilities and their book value. The tax rates applicable to these taxes, currently defined for calculating deferred 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 the deductible temporary difference 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	
Asset and liability balances	03/31/2011	12/31/2010	03/31/2011	12/31/2010
In long-term receivables				
Temporary differences:				
Allowance for doubtful accounts and litigation losses	56,432	56,360	56,432	56,360
Reserve for actuarial liabilities	23,041	64,161	23,041	64,161
Provisions for adjustments required under CPC's	310,343	294,007	310,343	294,007
Tax provisions	249,325	271,997	249,325	271,997
Other temporary provisions - sundry	8,608	7,964	9,901	9,258
Total	647,749	694,489	649,042	695,783
Deferred income tax	161,937	173,622	162,260	173,946
Deferred social contribution tax	58,298	62,504	58,414	62,620
	220,235	236,126	220,674	236,566
In non-current liabilities				
Temporary differences:				
Deferred exchange gains (losses) (on financing transactions)	16,419	16,003	16,419	16,003
Provisions for adjustments required under CPC's	120,799	113,836	176,720	172,211
Total	137,218	129,839	193,139	188,214
Deferred income tax	34,304	32,460	48,285	47,054
Deferred social contribution tax	12,350	11,685	17,382	16,939
	46,654	44,145	65,667	63,993

In the income statement from January 1 to March 31	Company 2011	Consolidated 2011
1. Increase / (decrease) in deferred assets		
Deferred income tax	(11,685)	(11,685)
Deferred social contribution tax	(4,206)	(4,206)
	(15,891)	(15,891)
2. Decrease / (increase) in deferred liabilities		
Deferred income tax	(1,844)	(1,231)
Social contribution tax	(665)	(443)
	(2,509)	(1,674)
Result of deferred taxes for the quarter (1 - 2)		
(Increase) /decrease in tax expenses	(18,400)	(17,565)

15. Income and Social Contribution Taxes--Continued

b) Deferred income and social contribution taxes--Continued

In a meeting convened for March 11, 2011, the Supervisory Board and the Board of Directors approved a technical study prepared by the Investor Relations and Finance Board. This study addresses the projection of future profitability adjusted to present value, which demonstrates the ability to have the Company's deferred tax assets realized.

According to the aforementioned technical study, the future taxable profits will allow realization of deferred tax assets existing at March 31, 2011, as estimated below:

Expected realization of deferred tax assets	
In 2011	12,151
In 2012	9,219
In 2013	6,852
In 2014	3,477
In 2015	3,477
After 2015	185,059
	220,235

In case relevant events occur that modify these projections, these will be revised on a timely basis.

16. Technical Cooperation Agreements

These refer mainly to funds received, after July 2006, under agreements entered into by the Company with the State Regional Development and Urban Policy Department (SEDRU), the main purpose of which is the technical and financial cooperation for the expansion of the public sanitation system in the regions of Vale do Jequitinhonha, Estrada Real (in Ouro Preto) and other regions in the countryside of the state of Minas Gerais.

The amounts thus received are used in specified construction works on the terms of said agreements, and their amounts, when received, are recognized as Technical cooperation agreement accounts in Current liabilities, and when used, in Current assets pending matching of accounts.

16. Technical Cooperation Agreements--Continued

The net balance of these agreements is as follows:

	Company		
	Receivables (assets)	**Advance (liabilities)**	**Net**
March 31, 2011			
State	226,583	(223,483)	**3,100**
Other	16,260	(16,767)	**(507)**
Total	242,843	(240,250)	**2,593**
December 31, 2010			
State	221,447	(222,468)	**(1,021)**
Other	16,137	(16,608)	**(471)**
Total	237,584	(239,076)	**(1,492)**

	Consolidated		
	Receivables (assets)	**Advance (liabilities)**	**Net**
March 31, 2011			
State	448,573	(446,718)	**1,855**
Other	16,260	(16,767)	**(507)**
Total	464,833	(463,485)	**1,348**
December 31, 2010			
State	428,943	(430,934)	**(1,991)**
Other	16,137	(16,608)	**(471)**
Total	445,080	(447,542)	**(2,462)**

17. Pension Plan

	03/31/2011	**12/31/2010**
Non-current liabilities	**145,850**	154,509
Current liabilities	**11,049**	7,417
	156,899	161,926
Normal contributions and interest	**477**	10,352
Total liabilities recognized in the balance sheet	**157,376**	172,278

17. **Pension Plan**--Continued

Changes in net liabilities are as follows:

Company	
	2011
Net liabilities – In December 31, 2010	172,278
Expenses (income) recognized in the income statement – actuarial liabilities	(5,557)
Expenses recognized in the income statement – Contributions from Copasa	8,095
Reserve for monthly contributions	8,969
Monetary restatement	3,458
Debt amortization	(2,928)
Amortization of monthly contribution	(26,939)
Net liabilities – In March 31, 2011	157,376
Current liabilities	11,526
Non-current liabilities	145,850

On December 7, 1982, the Company signed an agreement and became sponsor of Fundação de Seguridade Social de Minas Gerais - FUNDASEMG, whose rights and obligations were later assumed by PREVIMINAS, which was created with the purpose of supplementing the retirement of participating employees, ensuring the maintenance of their benefit plan in said Foundation. The Company's contribution matches the one made by participating employees, pursuant to Supplementary Laws No. 108 and 109, of May 29, 2001 and its amount is determined based on actuarial reports previously prepared.

Since 2002, the supplemental Defined Benefit - DB pension plan sponsored by the Company has presented actuarial deficit, which has required increases in contributions made by the sponsoring entity and its employees, which up to November 2008 total approximately 127%, according to the actuarial valuation statement (DRAAs).

With the resolution by the Company's Board of Directors aimed at clearing the Company's plan deficit, and the approval, on June 23, 2010, by Brazil's Supervisory Board of Supplemental Pension Plans (PREVIC), of the new pension plan strategy of the Company, in the period between August 2 and October 29, 2010, all active employees, employees on leave from work and inherited members, had the opportunity to access a simulator to get to know the alternatives of the proposed Pension Plan and choose one of them. Beginning November 1, 2010, the Company started to have three different plans: a) the current DB plan, which was closed to new members, but remained in effect, receiving contributions from those who elected not to migrate to the other plans, b) the closed-end settled DB plan, created solely to administer employee benefits from settlement; and c) the DC plan, created to receive all members and inherited members migrating from the former DB plan as well as new employees and directors. Once the migration process was completed, in December 2010, the DB plan had 317 payees and 279 inherited members, the Settled Benefit Plan had 2,091 payees and 1,603 inherited members, and the DC plan had 10,698 payees and 546 inherited members.

17. **Pension Plan**--Continued

The benefits offered in the defined benefit plan currently closed to new members are: supplementary retirement payouts (due either to disability, age or years of contribution and special retirement), as well as sickness benefits, pension, imprisonment benefit and death benefit.

The benefits offered in the Settled Benefit Plan are: a) payees, self-sponsored and inherited members: settled scheduled retirement benefit payments; b) beneficiaries of payees migrated from the defined benefit plan: settled death benefit and settled death annuity; and c) nonpaying members or their beneficiaries: settled benefit arising from the option for the deferred vested benefits.

The benefits offered in the defined contribution plan are: a) for members who migrated from the DB plan to this DC plan, including contribution for meeting the grace period requirements of the new plan; b) for new members, guaranteed benefits are deferred vested benefits, disability retirement, death benefit, imprisonment benefit and annual bonus.

The Company's actuarial assumptions are reviewed regularly and may differ significantly from current results due to changes in market and economic conditions, regulatory events, court decisions, increase or decrease on termination rates and on expected participants' lifespan. Such differences may significantly impact Company's expenses recorded under the pension plan caption.

18. Equity and Dividends

(a) Capital

The number of authorized common shares total 115,300 thousand shares. All shares issued have been paid up, without par value.

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

The Company holds 370 thousand own common shares in treasury, in the amount of R$9,190, mainly acquired from the State of Minas Gerais, through transactions related to settlement of debts originated from the provision of water and sewage services and technical cooperation agreements. The actions 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.

18. Equity and Dividends--Continued

(a) Capital--Continued

On August 4, 2008, March 6 and 12, April 1, June 18 and 2 and July 21, 2009 several debenture holders had, respectively, 188, 5,396, 973, 20,595, 2,039, 4,208 and 240 debentures converted into 134,556 common shares, when each debenture was converted into 4 common shares, as established in the Indenture for the 2nd issue of convertible debentures (Note 12). The Company's Free Float at December 31, 2010 is 46.6%.

(b) Retained profits

The General Meeting held on April 15, 2011 approved a proposal regarding retained earnings in the amount of R$ 416,395 for future investments of the Company, aligned with the "action plan" approved by the Board of Directors, to be put into practice in the long run.

(c) Tax incentive reserve

It consists of the allocation of tax incentives deriving from government grants and donations appropriated to income for the year as from January 1, 2008.

In 2010, R$2,661 (R$6,957 in 2009) was allocated to income relating to the incentive for fulfillment of the 1st and 2nd stages of the pollutant load reduction goals at the Ribeirão do Onça sewage treatment plant (Note 11), issued by the ANA, using PRODES funds.

(d) Shareholders' compensation

Under the Bylaws, 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 from the date of the Shareholders' General Meeting that approved them become time-barred in favor of the Company.

At a meeting on March 25, 2011 and in accordance with resolution made at the General Special Meeting of April 26, 2009, the Company Board of Directors approved the 2011 dividend distribution, as Interest on Equity Capital, at 35% on budgeted profit.

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

18. Equity and Dividends--Continued

(d) Shareholders' compensation--Continued

Date	Gross value stated	Earnings per share
03/25/2011	39.420	0,34

Stated Interest on Equity Capital will be incurred on mandatory dividends referring to year 2011.

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, generating a tax benefit of R$13,403. For corporate purposes, interest on equity is disclosed as a debit to retained earnings, under equity.

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

	03/31/2011	12/31/2010
Begining balance	**66,859**	53,276
Proposed dividends and interest on equity capital	**39,420**	224,213
IRRF antecipated	**(3,099)**	(12,797)
Paid dividends and interest on equity capital	**-**	(198,097)
Transfer to taxes recoverable	**-**	264
Balance of interest on equity capital in current liabilities	**103,180**	66,859

(e) Earnings per share

- Base earnings

  Base 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 (Note 18).

	Company		Consolidated	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
Income attributed to the Company shareholders	130,247	113,483	128,629	112,332
Weighted average of common shares issued – thousand	114,929	114,929	114,929	114,929
Base earnings per share	1,13	0,99	1,12	0,98

18. Equity and Dividends--Continued

(e) Earnings per share--Continued

- Diluted earnings

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

	Company		Consolidated	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
Income				
Income attributed to the Company shareholders	130,247	113,483	128,629	112,332
Financial expense on convertible debt (net of tax effect)	1,888	1,888	1,888	1,888
Income used to determine diluted earnings per share	132,135	115,371	130,517	114,220
Weighted average of common shares issued – thousands	114,929	114,929	114,929	114,929
Adjustments from assumed conversion of the convertible debt – thousands	4,520	4,520	4,520	4,520
Weighted average of common shares for diluted earnings per share – thousands	119,449	119,449	119,449	119,449
Diluted earnings per share	1.11	0.97	1.09	0.96

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

The sensitivity analyses in the following sections refer to the Company's position at March 31, 2011 and December 31, 2010.

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 March 31, 2011 and December 31, 2010.

Interest rate risks

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	Effects on income before taxes
03/31/2011		
R$	+ 0.5%	(9,699)
R$	- 0.5%	9,699
12/31/2010		
R$	+ 0.5%	(9,484)
R$	- 0.5%	9,484

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(i) Market risk--Continued

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

Currency risk

Currency risk is the risk that the fair value of future cash flows from a financial instrument may float due to 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 US dollar-denominated debt, amounts to R$53,496 at March 31, 2011 (R$54,459 at December 31, 2010), i.e., 2.5% of its total debt (2.6% at December 31, 2010). As of March 31, 2011, the Company maintains collateral of R$24,048 (R$24,639 at December 31, 2010) 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
03/31/2011	+ 20%	(10,480)
	- 20%	10,480
	+10%	(5,240)
	-10%	5,240
12/31/2010	+ 20%	(10,780)
	- 20%	10,780
	+10%	(5,390)
	-10%	5,390

Change in income and equity originate from changes in loans and financing denominated 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 a counterparty's failure to perform on 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 receivable

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

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Treasury in accordance with the policy established by that department. Cash surplus is invested only with approved counterparties and within the credit limits assigned to each of them. Counterparty credit limits are reviewed on annual basis. For banks and financial institutions, the Company's funds are mainly invested in securities of entities independently awarded a minimum "A" rating.

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

	Company	
	03/31/2011	**12/31/2010**
Total accounts receivable - customers	674,565	617,186
Current account, bank deposits and short-term investments		
AAA	80,636	50,501
AA	38,888	3,248
BBB	26,889	22,044
	146,413	75,793

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(ii) Credit risk--Continued

	Consolidated	
	03/31/2011	12/31/2010
Total accounts receivable - customers	677,321	619,909
Current account, bank deposits and short-term investments		
AAA	82,176	52,360
AA	38,888	3,248
BBB	26,890	22,044
	147,954	77,652

(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 thans 5 years**
At March 31, 2011				
Amortization	57,723	710,381	396,823	778,926
Interest	348,798	231,817	140,163	214,359
Loans and financing	**406,521**	**942,198**	**536,986**	**993,285**
Suppliers and other liabilities	**166,336**	**48,494**	**35,773**	**84,984**
At December 31, 2010				
Amortization	238,629	699,055	402,043	765,549
Interest	151,415	230,202	138,493	211,229
Loans and financing	**390,044**	**929,257**	**540,536**	**976,778**
Suppliers and other liabilities	**151,982**	**43,082**	**25,863**	**64,659**

(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 does not have operations with derivative instruments.

19. Financial Risk Management Objectives and Policies--Continued

(a) Financial risk management--Continued

(iii) Liquidity risk--Continued

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

Institution	Collateral (committed revenue)	03/31/2011	12/31/2010
CEF until 1998 and National Treasury	10% receivables	20,159	45,071
CEF 2003, 2004, 2007, 2008 and 2009	Committed revenue equal to 3 times the monthly debt service	11,234	10,281
Unibanco 2002 and syndicated agreements 2004	R$17 MM annually restated by IPCA since July 4, 2006	20,544	20,544
Syndicated agreements II – 2006	R$15.3 MM annually restated by IPCA since July 4, 2006	18,489	18,489
BNDES 2004 (I issue of debentures) 300MM	R$18 MM annually restated by IPCA, since February 1, 2009	20,115	18,973
BNDES 2007 (III issue of debentures) 450MM	R$18 MM annually restated by IPCA, since December 12, 2007	21,215	21,215
BNDES PAC 2007/2008	R$26 MM annually restated by IPCA, since may 20, 2008	29,006	29,006
BNDES 181 MM	R$7 MM annually restated by IPCA, since april 22, 2010	7,000	7,000
BNDES simple debentures 740 MM	R$26 MM annually restated by IPCA, since july 1, 2010.	32,000	32,000

19. Financial Risk Management Objectives and Policies--Continued

(b) Capital risk management

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

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

No changes were made in the objectives, policies or processes in the years ended March 31, 2011 and December 31, 2010.

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

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

	Company	
	03/31/2011	**12/31/2010**
Total loans (Note 12)	2,148,006	2,110,172
Less: cash and cash equivalents (Note 6)	(146,413)	(75,793)
Net debt	2,001,593	2,034,379
Total equity	4,275,155	4,184,328
Total capital	**6,276,748**	**6,218,707**
Financial leverage ratio - %	32	33
Indebtedness ratio - %	47	49

19. Financial Risk Management Objectives and Policies--Continued

(b) Capital risk management

	Consolidated	
	03/31/2011	**12/31/2010**
Total loans (Note 12)	2,148,006	2,110,172
Less: cash and cash equivalents (Note 6)	(147,954)	(77,652)
Net debt	2,000,052	2,032,520
Total equity	4,311,394	4,222,185
Total capital	**6,311,446**	**6,254,705**
Financial leverage ratio - %	32	32
Indebtedness ratio - %	47	48

(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 3 (i and j), are classified as loans and receivables at amortized cost.

20. Revenues

The Company's operating revenues for the years ended March 31, 2011 and 2010 are set out below:

	Company		Consolidated	
	03/31/2011	**03/31/2010**	**03/31/2011**	**03/31/2010**
Revenue from water supply and sewage services	669,563	628,415	672,334	631,001
Sales of goods	-	-	412	283
Construction revenue	177,889	169,171	177,889	169,171
Total annual revenue	847,452	797,586	850,635	800,455
Sales taxes	(60,979)	(57,128)	(61,390)	(57,465)
Other deductions	(10,334)	(10,812)	(10,334)	(10,812)
Net revenue	**776,139**	**729,646**	**778,911**	**732,178**

21. Expenses by Nature

	Company	
	03/31/2011	03/31/2010
Salaries and charges	182,570	171,458
Materials	23,740	23,665
Outsourced services	97,608	104,175
General	20,979	18,322
Depreciation and amortization	76,486	66,668
Uncollectible accounts	9,970	14,307
Provisions for losses	670	-
Construction costs	174,920	164,183
Provisions for contingencies	5,380	4,166
Equity pickup	4,401	5,696
Employee profit sharing	7,744	7,564
Other	7,279	6,320
Operacional expenses	**611,747**	**586,524**
(-) Tax credit	**(15,636)**	**(12,182)**
Net operacional expenses	**596,111**	**574,342**

	Consolidated	
	03/31/2011	03/31/2010
Salaries and charges	184,261	173,244
Materials	24,277	24,027
Outsourced services	99,358	107,919
General	21,396	18,754
Depreciation and amortization	83,531	68,986
Uncollectible accounts	10,208	14,367
Provisions for losses	670	-
Construction costs	174,920	164,183
Provisions for contingencies	6,401	4,191
Employee profit sharing	7,744	7,564
Other	7,513	7,459
Operacional expenses	**620,279**	**590,694**
(-) Tax credit	**(15,759)**	**(12,275)**
Net operacional expenses	**604,520**	**578,419**

22. Expenses with Employee Benefits

	Company	
	03/31/2011	**03/31/2010**
Salaries	101,549	92,385
Social security costs	31,546	30,088
Unemployment Compensation Fund (FGTS)	8,677	8,065
Pension plan contribution	8,095	7,535
Workers' meal program	21,006	20,713
Health program	8,402	9,188
Other benefits	3,295	3,484
Total	**182,570**	**171,458**
Employee headcount (unaudited)	11,393	11,575

	Consolidated	
	03/31/2011	**03/31/2010**
Salaries	102,904	93,774
Social security costs	31,731	30,357
FGTS	8,755	8,138
Pension plan contribution	8,095	7,534
Workers' meal program	21,045	20,752
Health program	8,412	9,202
Other benefits	3,319	3,487
Total	**184,261**	**173,244**
Employee headcount (unaudited)	11,602	11,738

23. Financial Income (Expenses), Net

The changes in financial income (expenses), net for 2011 as compared to the same period in 2010 is as under:

	Company	
	01/01/2011 a 03/31/2011	**01/01/2010 a 03/31/2010**
Interest income	6,613	7,908
Effective investments yield	3,668	8,282
Monetary and foreign exchange gains	6,726	9,653
Capitalization of financial/other assets	3,272	3,671
Total financial income	**20,279**	**29,514**
Interest expense	(30,029)	(25,268)
Monetary and foreign exchange losses	(7,961)	(13,395)
Other expenses	(1,447)	(784)
Total financial expenses	**(39,437)**	**(39,447)**
Financial income (expenses), net	**(19,158)**	**(9,933)**

	Consolidated	
	01/01/2011 a 03/31/2011	**01/01/2010 a 03/31/2010**
Interest income	6,661	7,961
Effective investments yield	3,684	8,283
Monetary and foreign exchange gains	5,167	8,735
Capitalization of financial/other assets	3,458	4,463
Total financial income	**18,970**	**29,442**
Interest expense	(30,029)	(25,271)
Monetary and foreign exchange losses	(7,961)	(13,395)
Other expenses	(1,468)	(908)
Total financial expenses	**(39,458)**	**(39,574)**
Financial income (expenses), net	**(20,488)**	**(10,132)**

24. Transactions with Related Parties

The Company is controlled by the State of Minas Gerais, which holds 53.07% ownership interest in the Company. The remaining 46.93% thereof are held by sundry shareholders.

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

	Company				
	03/31/2011				
	Subsidiaries				Other
	Águas Minerais	Copanor	Serviços Irrigação	Total	MG State
Assets					
Current Assets					
Accounts Receivable - Customers					
Billed amounts	-	-	-	-	11,811
Non-current assets					
Loans	46,091	15,528	1,625	63,244	-
Investments	1	1	1	3	-
Total assets	**46,092**	**15,529**	**1,626**	**63,247**	**11,811**
Liabilities					
Curre'nt liabilities					
Agreements	-	-	-	-	3,100
Interest on equity capital	-	-	-	-	20,988
Non-current liabilities					
Investment valuation allowance	18,956	12,264	1,138	32,358	-
Total liabilities	**18,956**	**12,264**	**1,138**	**32,358**	**24,088**
Income statement					
Revenue from water supply and sewage services	-	-	-	-	19,958
Gains on monetary variation	1,167	351	42	1,560	-

24. Transactions with Related Parties--Continued

	Company				
	12/31/2010				
	Subsidiaries				Other
	Águas Minerais	Copanor	Serviços Irrigação	Total	MG State
Assets					
Current Assets					
Accounts Receivable - Customers					
Billed amounts	-	-	-	-	9,780
Non-current assets					
Loans	43,441	14,916	1,613	59,970	-
Investments	1	1	1	3	-
Total assets	**43,442**	**14,917**	**1,614**	**59,973**	**9,780**
Liabilities					
Current liabilities					
Agreements	-	-	-	-	1,021
Interest on equity capital	-	-	-	-	35,958
Non-current liabilities					
Investment valuation allowance	15,443	11,484	1,030	27,957	-
Total liabilities	**15,443**	**11,484**	**1,030**	**27,957**	**36,979**
	03/31/2010				
Income statement					
Revenue from water supply and sewage services	-	-	-	-	17.825
Gains on monetary variation	-	-	-	-	-
Income statement	692	190	36	918	-

Balances and transactions with related parties are conducted under prices and conditions considered by Management to be compatible with those prevailing in the market, except for the form of financial settlement, which may occur through special negotiations (matching of accounts).

► Electric power supply

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

► Financing Agreements with BDMG

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

24. Transactions with Related Parties--Continued

► Agreements with CODEMIG

As of March 22, 2006, the Company signed an intention protocol for technical cooperation and, as of June 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 1.

► 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: in case of default, the Federal Government was authorized by the State of Minas Gerais to: (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. As of March 31, 2011, the outstanding balance under these agreements totals R$103,955, as mentioned in Note 12.

Debt acknowledgement and consolidation agreement with the Federal Government as of August 5, 1998: the State of Minas Gerais assigned and transferred to the Federal Government credits from certain taxes collected, in amounts sufficient to pay installments and charges due on each maturity date. As of March 31, 2011, the outstanding balance of these agreements is R$53,496, 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 follow:

	03/31/2011	03/31/2010
Salaries and other short-term benefits to employees	949	1,013
Post-employment benefits	-	28
	949	1,041

25. Water Supply and Sewage Services in Belo Horizonte

The Minas Gerais State Government and the Belo Horizontal Municipal Government entered into a cooperation agreement as of November 13, 2002, whereby the Company was ensured the right to continue rendering water supply and sewage services in Belo Horizonte for another 30 years.

The first amendment to this agreement was made as of April 30, 2004. The main items of the amended cooperation agreement are as follows:

1º) The municipality declared and recognized the debt for which it is responsible, in the total amount of R$70,662 as of November 30, 2002, corresponding to water supply and sewage service bills issued until November 2002 still pending payment. This debt was being paid in 335 monthly and consecutive installments equivalent to 202,838,77 m3 of water each, since January 2005. The amount of each installment in current currency was obtained by multiplying the volume to be settled by the value of the average tariff billed per m3 in Belo Horizonte, plus simple compensatory interest of 0.5% per month, as from November 2002. However, as of February 24, 2010, with the signing of a mutual debts compensation agreement, the debt has been paid in 120 consecutive monthly installments, with interest of 1% and annual IPCA-E inflation adjustment (Notes 7 and 11). At March 31, 2011, the balance receivable totaled R$237,986, of which R$26,690 is recorded in current assets and R$211,296 in non-current assets (R$204,662 at December 31, 2010, of which R$22,327 is recorded in current assets and R$182,335 in non-current assets).

2º) The Company will assume the costs of the Program for Environmental Recovery and Sanitation of River Valleys and Streams in Belo Horizonte (DRENURBS), until the maximum amount of R$170,000. The Company and the Municipal Government are negotiating the index to restate the installments and a new date to start the payments, which, as set forth contractually, should have started in January 2008, in monthly installments for 24 years, however, this negotiation had not been concluded to balance sheet date. The amounts will be monetarily restated by an index to be established by the parties before beginning of payments. The payments to be made by the Company are conditioned to the Municipal Government verification of the expenses incurred with the DRENURBS Program.

26. Commitments

Copasa entered into new venture construction contracts, under which obligations are recorded as services are rendered. The main outstanding contracts with subcontractors and suppliers at March 31, 2011 are listed below:

Subcontractor	Amount	Execution date	Term in days (1)
Egesa Engenharia S/A.	42,121	09/13/2010	1,080
Prefisan Ltda.	36,869	02/05/2010	540
SONEL Soc. Nacional Elétrica Hidr. Ltda.	23,650	08/11/2010	540
Construtora R. Fonseca	22,731	06/30/2009	1,080
Consorcio Ecosan	19,642	10/01/2010	600
Socienge Construções Ltda.	16,707	02/05/2010	840
Prefisan Ltda.	13,675	05/24/2010	720
Concremat Engenharia Ltda.	13,632	05/03/2010	720
SONEL Soc. Nacional Elétrica Hidr. Ltda.	11,662	02/03/2010	540
CFL – Construtora Ferreira Lima Ltda.	7,509	02/08/2011	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:

Municipality	Amounts		% realization
	Committed	Realized	
Betim	80,286	73.521	91.57
Belo Horizonte	170,000	-	-
Contagem	81,363	79.973	98.29
Montes Claros	121,941	60.706	49.78
Ribeirão das Neves	86,411	70.977	82.14
Teófilo Otoni	54,360	-	-

27. Insurance

The Company and its subsidiaries contracted services of third party liability insurance for directors, officers and managers of commercial companies in order to ensure them the right to compensation in the event of judicial and extrajudicial agreements, arbitral awards made by courts , final court decisions, including attorneys' fees and court costs, in the course of proceedings based on civil liability for acts of management committed by these individuals while carrying out their duties.

The Company does not have insurance to cover damages caused to its buildings and/or installations on the closing date of the quarterly information for the 1Q11 ended March 31, 2011.

28. ICMS Levy (State VAT)

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 needed 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.

29. Material News Release

At March 31, 2011, the Water and Sanitation Regulatory Agency of the State of Minas Gerais (ARSAE-MG) authorized a 7.02% fee readjustment effective as from April 23, 2011 referring to water and sanitation services rendered by the Companhia de Saneamento de Minas Gerais – COPASA-MG.

1- General Data on Customer Services

Copasa's operating performance in the first quarter of 2011 (1Q11) evidences that the population served by water supply increased by 384 thousand people, thus reaching 13.2 million inhabitants with water supply connection, as compared to 12.9 million in the first quarter of 2010 (1Q10).

COPASA MG

General Data on Water Supply Services

1nd quarter of 2011 and 2010

Items	Units	1Q11	1Q10	Variation	
				Amount	%
Municipalities with concession (1) (*)	number	617	613	4	0.7
Municipalities with operation (2) (*)	number	603	603	0	0.0
Population served (3) (*)	thousand inhabitants	13,251	12,867	384	3.0
Billed connections (*)	thousand connections	3,535	3,411	124	3.6
Network length (*)	km	43,737	42,439	1,298	3.1
Billed water supply volume (*)	1,000 m³/quarter	159,892	155,986	3,906	2.5
Produced water volume (**)	1,000 m³/quarter	224,313	222,172	2,141	1.0

(1) - Total of municipalities in which the Company holds any concession: capitals, villages, settlements or others
(2) - Total of municipalities in which the Company carries any operation: capitals, villages, settlements or others
(3) - Population with water supply connection.
(*) - Consolidated data, including subsidiary COPANOR
(**) - Only Company data (COPASA)

In relation to billed water connections there was an increase of 124 thousand connections, totaling 3.5 million new connections, representing an increase of 3.6% in relation to 1Q10. The water distribution network was expanded by 1,298 km, totaling 43,737 km, up 3.1% as compared to the 1Q10 (42,429 km).

In relation to sewage systems, the expansion was higher as a result from the endeavor to increase in the percentage of served population in the areas in which the Company operates. The number of served municipalities increased by 5.9%, from 153 in March 2010 to 162 in the 1Q11, thus resulting in total population of 8.0 million people with sewage connection (7.7 million in 1Q10), representing a 4.3% increase (330 thousand people).

COPASA MG

General Data on Sewage Services
1nd quarter of 2011 and 2010

Items	Units	2Q11	2Q10	Variation	
				Amount	%
Municipalities with concession (1) (*)	number	217	201	16	8.0
Municipalities with operation (2) (*)	number	162	153	9	5.9
Served population (3) (*)	thousand inhabitants	7,986	7,656	330	4.3
Billed connections	thousand connections	1,984	1,876	108	5.8
Network extension	km	16,406	15,94	466	2.9
Billed sewage treatment service	1,000 m³/quarter	97,633	93,778	3,855	4.1
Treated sewage volume (4)	1,000 m³/quarter	47,573	39,776	7,797	19.6

(1) - Total of municipalities in which the Company has any type of concession: capitals, villages, settlements or o
(2) - Total of municipalities in which the Company operates: capitals, villages, settlements or others
(3) - Population with sewage connection.
(4) - The amount relate to 1Q10 was adjusted
(*) - Consolidated data, including subsidiary COPANOR

These services are rendered through 1.98 million billed sewage connections (1.88 million in 1Q10), representing an increase of 108 thousand connections (5.8%). The sewage collection network was expanded by 466 km, totaling 16,406 km, up 2.9% in relation to the 1Q10.

Treated sewage volume reached 47.6 million m³ in the quarter, up 19.6% in relation to the same prior year period, mainly due to the beginning of operation of the new Sewage Treatment Stations (ETEs), highlighting ETE Central.

2- Performance Indicators

The billed water supply and sewage service volume was increased by 7.8 million m³ in relation to the 1Q10. 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 services in other areas. In the first quarter of 2011, the Company started billing water supply provided in the city of Goianá e São Gonçalo do Rio Preto and sewage services provided in the city of Cabo Verde, Cruzília and São Joaquim de Bicas.

The Company's expansion in the period led to an increase in billed water supply and sewage service volume by 7.8 million m³ in relation to the 1Q10. 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 services in other areas. In the first quarter of 2011,

the Company started billing sewage services provided in the city of Buritis, Divino, Itacarambi and Natércia.

COPASA MG
Operating/Commercial Performance Indicators
1nd quarter of 2011 and 2010

COPASA MG

Indicadores de Desempenho Operacional/Comercial

2º trimestre de 2010 e 2009

Items	Units	1Q11	1Q10	Variation	
				Amount	%
1-Employees (*)	No.	11,567	11,706	-139	(1.2)
2-Employees/connections (A+E)	emp/1.000 connections	2,10	2,21	-0,11	(5.0)
3-Billed volume					
Water	1,000 m³/quarter	159,892	155,986	3,906	2.5
Sewage	1,000 m³/quarter	97,633	93,778	3,855	4.1
Total	1,000 m³/quarter	257,525	249,764	7,761	3.1
4-Produced water volume	1,000 m³/quarter	224,312	222,172	2,140	1.0
5-Water metering index	%	99,92	99,87	0,05	0.1
6-Water not converted into revenue - ANCR	l/connection /day	234,05	243,23	-9,18	(3.8)

(1) - Average for the last 12 months

(*) - Consolidated data, including subsidiary COPANOR.

In relation to performance indicators, the highlight is employee productivity, which is measured based on the ratio given by the number of employees/1,000 connections (water + sewage) which decreased from 2.21 employees/1,000 connections in the 1Q10 to 2.10 in the 1Q11.

The percentage of water metered connections was maintained high, reaching 99.96% in March/2011, higher than that in the 1Q10 (99.87%), which is one of the best among sanitation companies.

Another highlight was the Water not Converted into Revenue (ANCR) index, which corresponds to the difference between distributed volume and the volume effectively billed to consumers, which reached 234.05 l/connection/day in the 1Q11, down 3.8% in relation to the 1Q10 (243.23). The studies have shown that such indicator, which includes actual water losses resulting from pipe leakages, theft and incorrect measurement, is one of the lowest among sanitation companies in Brazil.

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).

3- Investments in the 1Q11

In the 1Q11, investments were mainly destined to construction work for interlinking the Rio das Velhas and Paraopeba systems (Blue Line), the expansion of production capacity of the Rio das Velhas system in Nova Lima, the expansion of the Water Supply System of the Teófilo Otoni Sewage Treatment Station, implementation of the Sewage System of Jequitinhonha, expansion of Sewage System of Esmeraldas and Ribeirão das Neves and implementation of Sewage Treatment of Pará de Minas and Santo Antônio do Monte.

INVESTMENTS (IN MILLION R$)	2010	1Q11	1Q10
WATER	358,7	82,7	75,8
SEWAGE	457,5	78,9	84,2
OTHER	22,1	2,1	3,6
TOTAL	**838,3**	**163,7**	**163,6**

4- Financial Performance - Company

The charts below present the Company's financial performance for the first quarter of 2011 as compared to the same prior year quarter:

Statement of income

	03/31/2011	%	03/31/2010	%	Variation	%
Water supply services	440,577	56.77	418,622	57.37	21,955	5.24
Sewage services	157,673	20.32	141,853	19.44	15,820	11.15
Construction of assets	177,889	22.92	169,171	23.19	8,718	5.15
Gross revenue	**776,139**	**100.00**	**729,646**	**100.00**	**46,493**	**6.37**
Cost of services rendered	-279,250	-35.98	-267,335	-36.64	-11,915	4.46
Construction cost	-174,920	-22.54	-164,183	-22.50	-10,737	6.54
Cost of services rendered	**-454,170**	-58.52	**-431,518**	-59.14	-22,652	5.25
Gross profit	**321,969**	**41.48**	**298,128**	**40.86**	**23,841**	**8.00**
Selling expenses	-39,847	-5.13	-42,357	-5.81	2,510	-5.93
Administrative expenses	-77,290	-9.96	-76,721	-10.51	-569	0.74
Other operating income	34,069	4.39	12,098	1.66	21,971	n.m.
Other operating expenses	-12,659	-1.63	-10,486	-1.44	-2,173	20.72
Employee profit shering	-7,744	-1.00	-7,564	-1.04	-180	2.38
Interest on equity capital	-4,401	-0.57	-5,696	-0.78	1,295	-22.74
Operating income/expenses	**-107,872**	-13.90	**-130,726**	-17.92	22,854	-17.48
Income before financial result and tax	**214,097**	27.58	**167,402**	22.94	46,695	27.89
Financial income	20,279	2.61	29,514	4.04	-9,235	-31.29
Financial expenses	-39,437	-5.08	-39,447	-5.41	10	-0.03
Financial Result	**-19,158**	-2.47	**-9,933**	-1.36	-9,225	92.87
Income before taxes on equity	**194,939**	**25.12**	**157,469**	**21.58**	**37,470**	**23.80**
Tax provision	-47,292	**-6.09**	-32,846	**-4.50**	**-14,446**	**43.98**
Provision for social contribution on net income	-17,400	-2.24	-11,140	-1.53	-6,260	56.19
Net income for the quarter	**130,247**	**16.78**	**113,483**	**15.55**	**16,764**	**14.77**

- **Gross revenue** – Gross revenue increased R$46,493 or 6.37%, thus reaching R$776,139 in the 1st quarter of 2011, as compared to R$729,646 in the 1st quarter of 2010.

  Main variations and reasons:

  - **Water supply and sewage** – The variation in the 1st quarter of 2011 compared to the same period of 2010 is due to the average tariff increase of 3.96% in force as from March 2010. The variation is 5.24 for water and 11.15% for the sewage.

    Note: Further to the aforementioned facts in common, other contributing factors include the growth in water savings (3.23%) and sewage savings (5.02%), both deriving from natural growth and the assumption of new systems, as well as decrease in the volume of billed water per savings of 0.10%, from 12.59 m³ in 2010 to 12.50 m³ in 2011, and change in sewage tariff from 40% to 60% effective in the following locations: Lavras in Jan/2011, Dores do Indaiá in Feb/2011, Serro in Dec/2010, Rio Pardo de Minas in Feb/2010, Montes Claros in Mar/2010 and, partially, Conselheiro Lafaiete in Feb/2011.

- **Cost and expenses**

  Costs of services rendered - The cost of services rendered, comprising water and sewage system operation, conservation and maintenance expenses, increased R$20,711, as set out in the chart below:

  Operacional and administrative cost:

  Company

	03/31/2011		03/31/2010		Variation	
		%		%		%
Personnel	182,570	31.96	171,458	31.14	11,112	6.48
Materials	23,740	4.16	23,666	4.30	74	0.31
Electric energy	49,408	8.65	52,715	9.57	-3,307	-6.27
Outsourced services	48,200	8.44	51,459	9.35	-3,259	-6.33
Tariff transfer to municipal government	13,983	2.45	13,036	2.37	947	7.26
General expenses	6,996	1.22	5,286	0.96	1,710	32.35
Depreciation and amortization	76,486	13.39	66,668	12.11	9,818	14.73
Construction costs	174,920	30.62	164,183	29.82	10,737	6.54
Taxes recoverable and tax credits (PIS-PASEP/COFINS)	-15,636	-2.74	-12,182	-2.21	-3,454	28.35
Provision for doubtful accounts	9,970	1.75	14,307	2.60	-4,337	-30.31
Provision for losses	670	0.12	0	0.00	670	n.m
*** Cost of services rendered**	**571,307**	**100.00**	**550,596**	**100.00**	**20,711**	**3.76**

- **Personnel –** The increase in personnel costs by R$11,112 or 6.48% is due to:

Readjustment of 5.49% determined by collective agreement 2010/2011, incorporating approximately 50% of the institutional performance bonus – IPB - in the employees'salaries from August 2009 and functional adjustments resulting from the growth of learning that occurred in July of 2010 with the passing months and increased to 11.29% five-year period item. The increase average of 9.61% to 11.69% in January of 2011 and the increase in jan/11 of the base, concomitant with the increase in nominal wages, caused an increase in nominal IPB. All these facts were offset by the reduction health plan account caused by a lower utilization of the plan period.

Operating costs of commercial and administrative staff

Company

	03/31/2011		03/31/2010		Variation	
		%		%		%
Salary normal	74,665	40.90	69,392	40.47	5,273	7.60
Salary overtime	4,386	2.40	3,840	2.24	546	14.22
Function bonus	1,358	0.74	1,260	0.73	98	7.78
Fees for the board of director and council	421	0.23	480	0.28	-59	-12.29
Vacation pay	13,312	7.29	14,219	8.29	-907	-6.38
13th monthly salary	7,991	4.38	7,332	4.28	659	8.99
Health exposure premium	1,330	0.73	1,223	0.71	107	8.75
Sickness allowance	484	0.27	2	0.00	482	n.m.
Institutional performance bonus	6,421	3.52	4,885	2.85	1,536	31.44
Social security	27,321	14.96	25,747	15.02	1,574	6.11
FGTS	8,677	4.75	8,065	4.70	612	7.59
Occupational accident insurance	4,225	2.31	4,341	2.53	-116	-2.67
Severance pay and prior notice	87	0.05	113	0.07	-26	-23.01
Professional training	25	0.01	34	0.02	-9	-26.47
Standard lunch	685	0.38	621	0.36	64	10.31
Transportation voucher	1,856	1.02	2,033	1.19	-177	-8.71
Supplementary programs – COPASS	2,954	1.62	2,277	1.33	677	29.73
Health program	5,448	2.98	6,911	4.03	-1,463	-21.17
Meal program	20,321	11.13	20,093	11.72	228	1.13
Social security program	8,095	4.43	7,535	4.39	560	7.43
Other assistance programs	1,292	0.71	1,202	0.70	90	7.49
Employee compensation agreement	-874	-0.48	-1,428	-0.83	554	-38.80
Managerial performance bonus	836	0.46	793	0.46	43	5.42
Training of technical professionals	52	0.03	163	0.10	-111	-68.10
Professional training – graduate courses	0	0.00	12	0.01	-12	n.m.
Professional training – seminars/congresses	0	0.00	10	0.01	-10	n.m.
Professional training – managerial training	0	0.00	8	0.00	-8	n.m.
Extended maternity leave	71	0.04	20	0.01	51	n.m.
Expansion costs	-8,869	-4.86	-9,578	-5.59	709	-7.40
DVHM cost	0	0.00	-147	-0.09	147	n.m.

Management Report / Comments on Performance

*** Personnel cost**	**182,570**	**100.00**	**171,458**	**100.00**	**11,112**	**6.48**

Management Report / Comments on Performance

- **Outsourced services** – Expenses with outsourced services decreased by R$5,253 or 9.52%. The main variations occurred in the period with the reduction in property leases - PJ,caused by improper accounting classifications on the basis of inconsistency of data registration of service providers, now considered in this regard and reclassified into account data transmission as well as no recurrence in the first quarter of 2011 for the first quarter of 2010, services for preventive and corrective maintenance on the systems of water treatment and sewage disposal, mainly due to early implementation of new agreements, added new contractual items such as maintenance fee of site works, consultancy and supervision for professionals involvedin contract services and Retro excavator, contract renewals whose inputs have risen at rates well above the inflation measured by the price indices of the period, with the new agreements were a realignment in prices.

- **Electric energy -** The decrease of R$3,308 or 6.27% in the first quarter of 2011 over the same period of 2010 refers to the adjustments in the values' provision on this account on the time of sending the the file electricity made by SICOE . The reporting period is lagged by 30 days and the adjustment in January 2011 refers to the provision in December 2010. Since the value of January 2010 is relevant because the adjustment in December 2009 was only made in February 2010.

- **General expenses** - The increase of R$ 1,711 or 32.36% in the first quarter of 2011 over the same period in 2010 is due to the high tariffs account transfers to municipalities, impacted mainly by the city of Belo Horizonte, influenced by increased revenue period in accordance with the tariff adjustment and other. The variation of this account was about R$946.

- **Depreciation and amortizations –** The increase of R$9,819 or 14.73% relates to new work acquisitions throughout the Company since December 2010.

- **Taxes recoverable and tax credits (PIS-PASEP/COFINS) –**This account increased during the period due to the increase of revenues.

- **Allowance for doubtful accounts** - the reduction in provision for doubtful debts in the first quarter of 2011 compared with first quarter 2010, is due to the exclusion of interest and monetary base data of the bills which have become to constitute the provision from the month of July 2010, due to the recognition of interest and inflation on a cash basis.

Other operacional revenues/expenses:

Other operacional revenues/expenses

Company

	03/31/2011	%	03/31/2010	%	Variation	%
Technical services revenue	589	2	110	1	479	n.m.
Reversal of nondeductible provision	22,669	67	5,911	49	16,758	n.m.
Recovery of accounts written off as loss	7,671	23	2,732	23	4,939	n.m.
Other revenues	3,140	9	3,345	28	-205	-6,12
Total other operating revenues	**34,069**	**100**	**12,098**	**100**	**21,971**	**n.m.**
Adventitious or windfall losses	-9,560	-103	-5,421	47	-4,139	76.33
Other expenses	-3,099	-33	-5,065	43	1,966	-38.82
Employee profit sharing	-7,744	-84	-7,564	65	-180	2.38
Equity - Copanor	-780	-8	-941	8	161	-17.11
Equity - Águas Minerais	-3,513	-38	-4,703	40	1,190	-25.30
Equity - Serviços Irrigação	-108	-1	-52	0	-56	n.m.
Total other operating expenses	**-24,804**	**-268**	**-23,746**	**204**	**-1,058**	**4,45**
Total other operating income/expenses	**9,265**	**100**	**-11,648**	**100**	**20,913**	**-179,54**

- **Reversal of nondeductible provision** – The increase in this account is due to the reversal of the claim alleged PIS/PASEP and COFINS, totaling R$ 11,691, offset by updating the assumed credit in March 2011 in the amount of R$421 and also to the decrease of the risk of loss in relation to pension plan.

- **Recovery of accounts written off as loss –** The increase of R$4,940 in the first quarter of 2011 over the same period in 2010 is due to the municipalities installments that were recognized at the time of collection.

- **Adventitious or windfall losses –**This account increased by R$ 4,138 or 76.33% due to the growth of judicial labor and civil with its respective balances of R$ 2,055 and R$ 1,333, writeoff projects, the area of equity control of the Company, declared unviable by the engineering area,decreasing thus, its property, equity and plan and because of the rain occurred in the western state,there was loss of physical structure of the Company's operating systems, emergency works were necessary for recovery, which funds were only released in January 2011and recorded during the quarter.

- **Other expenses –** This account decreased R$1,966 or 38.81% due to the revenue reversal of the actuarial liability on the basis of membership of the new plan Previminas BD.

- **Equity** – The decrease in this account is due to the non recurrent of expenditure in advertising and marketing subsidiary Mineral Waters, prominent, especially in

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January 2010.

Financial income/expenses:

Financial income/expenses

Company

	03/31/2011	%	03/31/2010	%	Variation	%
Monetary and exchange variation	6,726	33	9,653	33	-2,927	-30.32
Interest	6,613	33	7,908	27	-1,295	-16.38
Actual financial investment yield	3,668	18	8,282	28	-4,614	-55.71
Other revenue	4	0	-629	-2	632	-100.48
Financial assets capitalized/other	3,269	16	4,299	15	-1,031	-23.96
Total financial income	**20,279**	**100**	**29,514**	**100**	**-9,235**	**-31.29**
Monetary and exchange variation	-7,961	42	-13,395	135	5,434	-40.57
Interest on financing	-30,030	157	-25,268	254	-4,762	18.85
Other expenses	-1,446	8	-784	8	-662	84.44
Total financial expenses	**-39,437**	**206**	**-39,447**	**397**	**10**	**-0.03**
Net Financial result	**-19,158**	**100**	**-9,933**	**100**	**-9,225**	**92.87**

- **Monetary and Exchange variation –** Expenses and income from monetary and exchange variations decreased in the 1Q11 over the same period last year. Among them, the change in the calculation of installment debt of PBH with Copasa from March 2010, whose calculation was based on m3 billed for a period of 30years, having passed for 120 installments with interest of 1% per month, between the dollar falling compared periods and lower revenue collections compared to billings provided for the period.

- **Actual financial investment yield** – The decreased in this balance of R$4,614 or 55.72% is due to the reduction of financial investments in the period.

- **Interest on financing** – This account has increased due to growth in account interest on debentures due to the higher number of agreements closed in the process of return, duration of contract with the Company expiring Previminas confession and pay this debt on the sponsor's share of responsibility for the financial gap the pension plan, beginning in November 2010 as well as interest on ISSQN installment with the Municipality of Belo Horizonte.

- **Income generation or EBITDA** – There was income generation of R$295,358 in 1Q11 against R$236,646 in 1Q10, representing an increase of R$58,713. EBITDA was of 46.71 in this quarter, compared to 41.33 in 2010, corresponding to a 5.38 p.p. increase.

The table below presents the EBITDA calculation:

Ebtida

Company

	03/31/2011	03/31/2010	Variation	%
Net income	130,247	113,483	16,764	14.77
(-) Revenue (expense) from construction	-2,969	-4,988	2,019	-40.48
Net income not considering revenue (expense) from construction	127,278	108,495	18,783	17.31
Provision for IRPJ and CSLL	64,692	43,986	20,706	47.07
Amortization and depreciation	76,486	66,668	9,819	14.73
Employees' profit sharing	7,744	7,564	180	2.38
Financial result	19,158	9,933	9,225	92.87
EBITDA [1] [2]	295,358	236,646	58,712	24.81
Margin EBTIDA	46.71	41.33		5.38 p.p

(1) EBITDA means net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization charges. Since financial 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. EBITDA, however, presents limitations for use thereof 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 based on net revenue from services, which corresponds to net operating revenue plus other operating revenue.

5- Balance Sheet - Company

Company

	03/31/2011	12/31/2010	Variation	%
Current assets	691,882	649,909	41,973	6.46
Non-current assets	6,791,618	6,659,931	131,687	1.98
Total assets	**7,483,500**	**7,309,840**	**173,660**	**2.38**
Current liabilities	747,510	688,992	58,518	8.49
Non-current liabilities	2,460,835	2,436,520	24,315	1.00
Shareholders' Equity	4,275,155	4,184,328	90,827	2.17
Total liabilities and Shareholders' Equity	**7,483,500**	**7,309,840**	**173,660**	**2.38**

- **Current Assets**

Company

	03/31/2011	12/31/2010	Variation	%
Cash and Cash equivalent	146,413	75,793	70,620	93.17
Trade accounts receivable	463,269	434,851	28,418	6.54
Financial assets held to maturity	0	56,365	(56,365)	(110.00)
Inventories	26,989	25,760	1,229	4.77
Taxes recoverable	31,230	30,879	351	1.14
Technical cooperation agreement	2,593	0	2,593	100.00
Banks and agreements	10,077	12,505	(2,428)	(19.42)
Sundry receivables	11,311	13,756	(2,445)	(17.77)
Total current assets	**691,882**	**649,909**	**41,973**	**6.46**

» Cash and Cash equivalent

Balance at March 31, 2011:	146,413	Variation ($):	70,620
Balance at December 31, 2010:	75,793	Variation (%):	93.17
Situation:	**increase**		

This account balance increased in the period due to the reclassification of previously investments recorded in assets held to maturity.

» Trade accounts receivable

Balance at March 31, 2011:	463,269	Variation ($):	28,418
Balance at December 31, 2010:	434,851	Variation (%):	6.54
Situation:	**increase**		

This account balance increased in the period due to: (i) the increase of billed days in March compared to December in 8.87%; (ii) the increase in the value of sewage consumption as of January 2011 in Cruzília and São João de Bicas; (iii) the increase in the value of sewage consumption from 40% to 60% in January 2011, in Lavras and (iv) the reduction of the bank floating of R$23,300 in february, to R$13,512 in march.

» Financial assets held to maturity

Balance at March 31, 2011:	0	Variation ($):	(56,365)
Balance at December 31, 2010:	56,365	Variation (%):	(100.00)
Situation:	**decrease**		

This account has reduced due to the financial investments that reached their maturity date and were transferred to the cash equivalent balance.

» Banks and agreements

Balance at March 31, 2011:	10,077	Variation ($):	(2,428)
Balance at December 31, 2010:	12,505	Variation (%):	(19.42)
Situation:	**decrease**		

This account has reduced due to the redemptions for suppliers' payments purposes.

» Sundry receivables

Balance at March 31, 2011:	11,311	Variation ($):	(2,445)
Balance at December 31, 2010:	13,756	Variation (%):	(17.77)
Situation:	**decrease**		

This account balance decreased in the period due to the increase of employee vacation advancement.

- **Non-current assets**

Company

	3/31/2011	12/31/2010	Variation	%
Trade accounts receivable	211,296	182,335	28,961	15.88
Deferred income and social contribution taxes	220,235	236,126	(15,891)	(6.73)
Judicial deposits	38,180	41,621	(3,441)	(8.27)
Financing guarantee	104,532	100,986	3,546	3.51
Credit with subsidiaries	63,244	59,970	3,274	5.46
Financial assets	271,985	280,053	(8,068)	(2.88)
Sundry receivables	14,948	14,982	(34)	(0.22)
Total noncurrent assets	**924,420**	**916,073**	8,347	0.91
Investments	22,063	263	21,800	n.m.
Intangibles assets	5,736,767	5,631,731	105,036	1.87
Property, plant and equipment	108,368	111,864	(3,496)	(3.13)
Total permanent assets	**5,867,199**	**5,743,857**	123,342	2.15
Total noncurrent assets	**6,791,618**	**6,659,931**	**131,687**	**1.98**

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» ***Trade accounts receivable***

Balance at March 31, 2011:	211,296	Variation ($):	28,961
Balance at December 31, 2010:	182,335	Variation (%):	15.88
Situation:	**increase**		

This account balance increased due to the annual monetary restatement based on the IPCA index, realized in the accounts receivable debs payable by the City of Belo Horizonte, referring to the debts of water and sewer bills, offset by the transfer from the long-term to short-term.

» ***Deferred income and social contribution taxes***

Balance at March 31, 2011:	220,235	Variation ($):	(15,891)
Balance at December 31, 2010:	236,126	Variation (%):	(6.73)
Situation:	**decrease**		

The reduction in the deferred taxes relates to the write-off of the provisions for actuarial liabilities by recognition of debts and of ISSQN provision, which had part of its contingent controlled in the provision balances, once the amortization is made by debts compensation, remaining only the value as initially deferred installments.

» ***Investments***

Balance at March 31, 2011:	22,063	Variation ($):	21,800
Balance at December 31, 2010:	263	Variation (%):	n.m.
Situation:	**increase**		

The variation in this balance is due to the investment made in January 2011, through a capital contribution to the SPE

» ***Intangible***

Balance at March 31, 2011:	5,736,767	Variation ($):	105,036
Balance at December 31, 2010:	5,631,731	Variation (%):	1.87
Situation:	**increase**		

The variation on this balance is due to the company's investment in sewerage services.

- **Current liabilities**

Company

	03/31/2011	12/31/2010	Variation	%
Loans and financing	164,629	149,960	14,669	9.78
Debentures	100,875	97,368	3,507	3.60
Contractors and suppliers	123,891	120,135	3,756	3.13
Taxes, charges and contributions	39,516	43,535	(4,019)	(9.23)
Taxes in installments	40,733	36,370	4,363	12.00
Provision for vacation pay and 13th salary	75,057	72,854	2,203	3.02
Employee profit sharing	34,876	27,132	7,744	28.54
Interest on equity capital	103,180	66,859	36,321	54.32
Technical Cooperation Agreements	0	1,492	(1,492)	-100.00
Private pension plan	11,526	17,769	(6,243)	(35.13)
Electric energy	27,313	27,565	(252)	(0.91)
Sundry obligations	25,914	27,953	(2,039)	(7.29)

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Total current liabilities	**747,510**	**688,992**	**58,518**	**8.49**

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» Loans and financing

Balance at March 31, 2011:	164,629	Variação ($):	14,669
Balance at December 31, 2010:	149,960	Variação (%):	9.78
Situation:	**increase**		

The variation in this balance is due to the increase on the contracts in return phase period.

» Taxes in installments

Balance at March 31, 2011:	40,733	Variation ($):	4,363
Balance at December 31, 2010:	36,370	Variation (%):	12.00
Situation:	**increase**		

The increase in this group is due to the amortization of the debt referring to the ISSQN total of R$10,065, offset by the transfer of this debt registered in the long term to the short term, total of R$14,442.

» Employee profit sharing

Balance at March 31, 2011:	34,876	Variation ($):	7,744
Balance at December 31, 2010:	27,132	Variation (%):	28.54
Situation:	**increase**		

The variation in this balance is due to the increase of the employee profit sharing realized in 2011, total R$7,744.

» Interest on equity capital

Balance at March 31, 2011:	103,180	Variation ($):	36,321
Balance at December 31, 2010:	66,859	Variation (%):	54.32
Situation:	**increase**		

This variation is due to the increased income earned in 1Q11, affecting the provisioning of interest on equity capital of R$ 39,421, offset by the payment of income tax on interest on equity capital calculated in December 2010 in the amount of R$3,100.

» Pension plan

Balance at March 31, 2011:	11,526	Variation ($):	(6,243)
Balance at December 31, 2010:	17,769	Variation (%):	(35.13)
Situation:	**decrease**		

This account has decreased due to the payment of contribution had been occurred within the month.

- **Sundry obligations**

Company

	03/31/2011	12/31/2010	Variation	%
Tariff transfer	3	0	3	100.00
Concession debts	21,182	22,535	(1,353)	(6.00)
Total local governments	21,185	22,535	(1,350)	(6.00)
Other	4,729	5,418	(689)	(12.72)
Total sundry obligations	**25,914**	**27,953**	**(2,039)**	**(7.29)**

- **Non-current liabilities**

Company

	03/31/2011	12/31/2010	Variation	%
Caixa Econômica Federal	645,207	652,226	(7,019)	(1.08)
State Government / BDMG	10,996	11,472	(476)	(4.15)
Nacional Treasury	68,720	77,397	(8,677)	(11.21)
BNDES/BNE	402,213	370,945	31,268	8.43
In local currency	1,127,136	1,112,039	15,098	1.36
Federal government – bonus	47,656	49,040	(1,384)	(2.82)
In foreign currency	47,656	49,040	(1,384)	(2.82)
Total loans financing	**1,174,792**	**1,161,079**	13,713	1.18
Non-convertible debentures	573,795	568,025	5,770	1.02
Convertible debentures	133,915	133,740	175	0.13
Total de debentures	**707,710**	**701,765**	5,945	0.85
Provision for contingencies	31,955	33,114	(1,159)	(3.50)
Provision for taxes	43,269	54,538	(11,269)	(20.66)
Taxes in installments	218,318	192,868	25,450	13.20
Pension plan	145,850	154,509	(8,659)	(5.60)
Electric energy	11,935	17,219	(5,284)	(30.69)
Deferred income and social contribution taxes	46,654	44,145	2,509	5.68
Other obligations	80,352	77,283	3,069	3.97
Total noncurrent liabilities	**2,460,835**	**2,436,520**	**24,315**	**1.00**

» Total loans financing

Balance at March 31, 2011:	1,174,792	Variation ($):	13,713
Balance at December 31, 2010:	1,161,079	Variation (%):	1.18
Situation:	**increase**		

This group has increased due to new disbursements by BNDES / BNE in the period, offset by the transfers to the short term due to the amortizations.

» Provision for taxes

Balance at March 31, 2011:	43,269	Variation ($):	(11,269)
Balance at December 31, 2010:	54,538	Variation (%):	(20.66)

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Situation:	**decrease**

The decrease is due to reversal of the presumed credit PASEP COFINS in the amount of R$11,691, offset by the actualization of the presumed credit in March 2011 R$ 421.

» Taxes in installments

Balance at March 31, 2011:	218,318	Variation ($):	25,450
Balance at December 31, 2010:	192,868	Variation (%):	13.20
Situation:	**increase**		

This group has increased due to debt restatement of ISSQN of R$ 39,695 offset by the transfer from long-term to short-term value of R$ 14,442.

» Pension Plan

Balance at March 31, 2011:	145,850	Variation ($):	(8,659)
Balance at December 31, 2010:	154,509	Variation (%):	(5.60)
Situation:	**decrease**		

The variation in this balance was due to reversal of the actuarial liabilities, amounting to R$5,557, the transfer of R$6,404 to the short term, offset by monetary exchange of R$ 3,301.

» Electric Energy

Balance at March 31, 2011:	11,935	Variation ($):	(5,284)
Balance at December 31, 2010:	17,219	Variation (%):	(30.69)
Situation:	**decrease**		

This account has reduced due to the amortization of the debt installments within Cemig.

- **Shareholders' equity**

Company

	03/31/2011	12/31/2010	Variation	%
Beginning balance	**4,184,328**	**3,731,416**	**452,912**	**12.14**
Net income	130,247	677,125	(546,878)	(80.76)
Interest on equity capital	(39,420)	(224,213)	184,793	(82.42)
Ending balance	**4,275,155**	**4,184,328**	**90,827**	**2.17**

The increase in the shareholders' equity is due to the growth of the Company's profit for the period.

6- Financial Performance - Consolidated

The charts below present the consolidated financial performance for the first quarter of 2011 as compared to the same prior year period:

Statement of income

Consolidated

	03/31/2011	%	03/31/2010	%	Variation	%
Water supply services	443,093	56.89	420,889	57.48	22,204	5.28
Sewage services	157,673	20.24	141,835	19.37	15,838	11.17
Construction of assets	177,889	22.84	169,171	23.11	8,718	5.15
Revenue from finished products	256	-0.09	283	-0.10	-27	-9.54
Gross operating revenue	**778,911**	**100.00**	**732,178**	**100.00**	**46,733**	**6.38**
Cost of services rendered	-283,586	-36.41	-271,089	-37.03	-12,497	4.61
Construction cost	-174,920	-22.46	-164,183	-22.42	-10,737	6.54
Cost of services rendered	-458,506	-58.87	-435,272	-59.45	-23,234	5.34
Gross profit	**320,405**	**41.13**	**296,906**	**40.55**	**23,499**	**7.91**
Selling expenses	-40,817	-5.24	-42,868	-5.85	2,051	-4.78
Administrative expenses	-79,118	-10.16	-81,065	-11.07	1,947	-2.40
Other operating income	34,162	4.39	12,100	1.65	22,062	n.m.
Other operating expenses	-13,914	-1.79	-11,650	-1.59	-2,264	19.43
Employee profit shering	-7,744	-0.99	-7,564	-1.03	-180	2.38
Operating income/expenses	-107,431	-13.79	-131,047	-17.90	23,616	-18.02
Income before financial result and tax	**212,974**	27.34	**165,859**	22.65	47,115	28.41
Financial income	18,970	2.44	29,442	4.02	-10,472	-35.57
Financial expenses	-39,458	-5.07	-39,574	-5.40	116	-0.29
Financial Result	-20,488	-2.63	-10,132	-1.38	-10,356	n.m.
Income before taxes on equity	**192,486**	**24.71**	**155,727**	**21.27**	**36,759**	**23.60**
Tax provision	-46,678	**-5.99**	-32,411	**-4.43**	**-14,267**	**44.02**
Provision for social contribution on net income	-17,179	-2.21	-10,984	-1.50	-6,195	56.40
Net income for the quarter	**128,629**	**16.51**	**112,332**	**15.34**	**16,297**	**14.51**

- **Gross revenue** – Gross revenue increased R$46,733 or 6.38%, thus reaching R$778,911 in the 1st quarter of 2011, as compared to R$732,178 in the 1st quarter of 2010.

Main variations and reasons:

Water and sewage supply services – A The variation in the 1st quarter of 2011 as compared to the same period of 2010 is due to the average tariff increase of 3.96% in force as from March 2010. The variation is 5,28 for water and 11.17% for the sewage.

Note: Further to the aforementioned facts in common, other contributing factors include the growth in water savings (3.23%) and sewage savings (5.02%), both deriving from natural growth and the assumption of new systems, as well as decrease in the volume of billed water per savings of 0.10%, from 12.59 m³ in 2010 to 12.50 m³ in 2011, and change in sewage tariff from 40% to 60% effective in the following locations: Lavras in

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Jan/2011, Dores do Indaiá in Feb/2011, Serro in Dec/2010, Rio Pardo de Minas in Feb/2010, Montes Claros in Mar/2010 and, partially, Conselheiro Lafaiete in Feb/2011.

- **Cost and expenses**

Costs of services rendered – The cost of services rendered, comprising water and sewage system operation, conservation and maintenance expenses, increased R$23,657, as set out in the chart below:

Costs of services rendered

Consolidated

	03/31/2011	%	03/31/2010	%	Variation	%
Personnel	184,261	31.85	173,244	30.98	11,017	6.36
Materials	24,277	4.20	24,027	4.30	250	1.04
Electric energy	49,408	8.54	52,715	9.43	-3,307	-6.27
Outsourced services	49,950	8.64	55,204	9.87	-5,254	-9.52
Tariff transfer to municipalities	13,983	2.42	13,036	2.33	947	7.26
General expenses	7,413	1.28	5,718	1.02	1,695	29.64
Depreciation and amortization	79,110	13.68	68,986	12.34	10,124	14.68
Construction costs	174,920	30.24	164,183	29.36	10,737	6.54
Taxes recoverable and tax credits (PIS-PASEP/COFINS)	-15,759	-2.72	-12,275	-2.20	-3,484	28.38
Provision for doubtful accounts	10,208	1.76	14,367	2.57	-4,159	-28.95
Provision for losses	670	0.12	0	0.00	670	n.m
*** Cost of services rendered**	**578,441**	**100.00**	**559,205**	**100.00**	**19,236**	**3.44**

- **Personnel –** The increase in personnel costs by R$11,017 or 6.36% is due to:

- Readjustment of 5.49% determined by collective agreement 2010/2011, incorporating approximately 50% of the institutional performance bonus – IPB - in the employees'salaries from August 2009 and functional adjustments resulting from the growth of learning that occurred in July of 2010 with the passing months and increased to 11.29% five-year period item. The increase average of 9.61% to 11.69% in January of 2011 and the increase in jan/11 of the base, concomitant with the increase in nominal wages, caused an increase in nominal IPB. All these facts were offset by the reduction health plan account caused by a lower utilization of the plan period.

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Operating costs of commercial and administrative staff

Consolidated

	03/31/2011	%	03/31/2010	%	Variation	%
Salary normal	75,682	41.07	69,829	40.31	5,853	8.38
Salary overtime	4,394	2.38	3,843	2.22	551	14.34
Function bônus	1,361	0.74	1,263	0.73	98	7.76
Fees for the board of director and council	421	0.23	571	0.33	-150	-26.27
Vacation pay	13,335	7.24	14,311	8.26	-976	-6.82
13th monthly salary	8,051	4.37	7,452	4.30	599	8.04
Health exposure Premium	1,330	0.72	1,223	0.71	107	8.75
Sickness allowance	485	0.26	2	0.00	483	n.m.
Institutional performance bônus	6,421	3.48	4,885	2.82	1,536	31.44
Social security	27,503	14.93	26,003	15.01	1,500	5.77
FGTS	8,755	4.75	8,138	4.70	617	7.58
Occupational accident insurance	4,228	2.29	4,356	2.51	-128	-2.94
Severance pay and prior notice	135	0.07	124	0.07	11	8.87
Professional training	25	0.01	34	0.02	-9	-26.47
Standard lunch	700	0.38	632	0.36	68	10.76
Transportation voucher	1,861	1.01	2,034	1.17	-173	-8.51
Supplementary programs – COPASS	2,961	1.61	2,277	1.31	684	30.04
Health program	5,451	2.96	6,924	4.00	-1,473	-21.27
Meal program	20,345	11.04	20,121	11.61	224	1.11
Social security program	8,096	4.39	7,535	4.35	561	7.45
Other assistance programs	1,294	0.70	1,199	0.69	95	7.92
Employee compensation agreement	-671	-0.36	-1,339	-0.77	668	-49.89
Managerial performance bônus	836	0.45	793	0.46	43	5.42
Training of technical professionals	60	0.03	165	0.10	-105	-63.64
Professional training – graduate courses	0	0.00	12	0.01	-12	-100.00
Professional training – seminars/congresses	0	0.00	10	0.01	-10	-100.00
Professional training – managerial training	0	0.00	8	0.00	-8	-100.00
Extended maternity leave	71	0.04	20	0.01	51	-100.00
Expansion costs	-8,869	-4.81	-6,715	-3.88	-2,154	32.08
DVHM cost	0	0.00	-147	-0.08	147	-100.00
New system	0	0.00	-2,319	-1.34	2,319	-100.00
*** Personnel cost**	**184,261**	**100.00**	**173,244**	**100.00**	**11,017**	**6.36**

- **Outsourced services** - Expenses with outsourced services decreased by R$5,253 or 9.52%. The main variations occurred in the period with the reduction in property leases - PJ, caused by improper accounting classifications on the basis of inconsistency of data registration of service providers, now considered in this regard and reclassified into account data transmission as well as no recurrence in the first quarter of 2011 for the first quarter of 2010, services for preventive and corrective maintenance on the systems of water treatment and sewage disposal, mainly due to early implementation of new agreements, added new contractual items such as maintenance fee of site works, consultancy and supervision for professionals involved in contract services and Retro excavator, contract renewals whose inputs

have risen at rates well above the inflation measured by the price indices of the period, with the new agreements were a realignment in prices.

- **Eletric energy -** The decrease of R$3,307 or 6.27% in the first quarter of 2011 over the same period of 2010 refers to the adjustments in the values' provision on this account on the time of sending the the file electricity made by SICOE. The reporting period is lagged by 30 days and the adjustment in January 2011 refers to the provision in December 2010. Since the value of January 2010 is relevant because the adjustment in December 2009 was only made in February 2010.

- **General expenses –** The increase of R$ 1,695 or 29.64% in the first quarter of 2011 over the same period in 2010 is due to the high tariffs account transfers to municipalities, impacted mainly by the city of Belo Horizonte, influenced by increased revenue period in accordance with the tariff adjustment and other. The variation of this account was about R$947.

- **Depreciation and amortization -** The increase of R$10,124 or 14.68% relates to new works acquisitions throughout the Company since December 2010.

- **Taxes recoverable and tax credits (PIS-PASEP/COFINS) –**This account increased during the period due to the increase of revenues.

- **Allowance for doubtful accounts** - the reduction in provision for doubtful debts in the first quarter of 2011 compared with first quarter 2010, is due to the exclusion of interest and monetary base data of the bills which have become to constitute the provision from the month of July 2010, due to the recognition of interest and inflation on a cash basis.

Other operacional revenues/expenses:

Other operacional revenues/expenses

Consolidates

	03/31/2011	%	03/31/2010	%	Variation	%
Technical services revenue	589	2	110	1	479	n.m.
Reversal of nondeductible provision	22,721	67	5,911	49	16,810	n.m.
Recovery of accounts written off as loss	7,671	22	2,732	23	4,939	n.m.
Other revenues	3,181	9	3,347	28	-166	-4.96
Total other operating revenues	**34,162**	**100**	**12,100**	**100**	**22,062**	n.m.
Adventitious or windfall losses	-9,560	-76	-5,421	76	-4,139	76.35
Other expenses	-4,354	-35	-6,229	88	1,875	-30.10
Employee profit sharing	-7,744	-62	-7,564	106	-180	2.38
Total other operating expenses	**-21,658**	**-173**	**-19,214**	**270**	**-2,444**	**12.72**
Total other operating income/expenses	**12,504**	**100**	**-7,114**	**100**	**19,618**	n.m.

- **Reversal of nondeductible provision** – The increase in this account is due to the reversal of the claim alleged PIS/PASEP and COFINS, totaling R$ 11,691, offset by updating the assumed credit in March 2011 in the amount of R$421 and also to the decrease of the risk of loss in relation to pension plan.

- **Recovery of accounts written off as loss –** The increase of R$4,939 in the first quarter of 2011 over the same period in 2010 is due to the municipalities installments that were recognized at the time of collection.

- **Adventitious or windfall losses –** This account increased by R$ 4,139 or 76.35% due to the growth of judicial labor and civil with its respective balances of R$ 2,055 and R$ 1,333, writeoff projects, the area of equity control of the Company, declared unviable by the engineering area,decreasing thus, its property, equity and plan and because of the rain occurred in the western state,there was loss of physical structure of the Company's operating systems, emergency works were necessary for recovery, which funds were only released in January 2011and recorded during the quarter.

- **Other expenses –** This account decreased R$1,875 or 30.10% due to the revenue reversal of the actuarial liability on the basis of membership of the new plan Previminas BD.

Financial income/expenses:

Financial income/expenses

Consolidates

	03/31/2011	%	03/31/2010	%	Variation	%
Monetary and exchange variation	5,167	27	8,735	30	-3,568	-40.85
Interest	6,661	35	7,961	27	-1,300	-16.33
Actual financial investment yield	3,684	19	7,655	26	-3,971	-51.87
Other revenue	158	1	363	1	-205	-56.47
Financial assets capitalized/other	3,300	17	4,299	15	-999	-23.24
Total financial income	**18,970**	**100**	**29,013**	**100**	**-10,043**	**-34.62**
Monetary and exchange variation	-7,961	39	-13,395	127	5,434	-40.57
Interest on financing	-30,030	147	-25,270	239	-4,760	18.84
Other expenses	-1,467	7	-909	9	-558	61.39
Total financial expenses	**-39,458**	**193**	**-39,574**	**375**	**116**	**-0.29**
Net Financial result	**-20,488**	**100**	**-10,561**	**100**	**-9,927**	**94.00**

- **Monetary and Exchange variation –** Expenses and income from monetary and exchange variations decreased in the 1Q11 over the same period last year. Among them, the change in the calculation of installment debt of PBH with Copasa from March 2010, whose calculation was based on m3 billed for a period of 30years, having passed for 120 installments with interest of 1% per month, between the dollar

falling compared periods and lower revenue collections compared to billings provided for the period.

- **Actual financial investment yield** – The decreased in this balance of R$3,971 or 51.87% is due to the reduction of financial investments in the period.

- **Interest on financing** – This account has increased due to growth in account interest on debentures due to the higher number of agreements closed in the process of return, duration of contract with the Company expiring Previminas confession and pay this debt on the sponsor's share of responsibility for the financial gap the pension plan, beginning in November 2010 as well as interest on ISSQN installment with the Municipality of Belo Horizonte.

- **Income generation or EBITDA** – There was income generation of R$296,859 in 1Q11 against R$237,421 in 1Q10, representing an increase of R$59,438. EBITDA was of 46.74 in this quarter, compared to 41.28 in 2010, corresponding to a 5.45 p.p. increase.

  The table below presents the EBITDA calculation:

  Ebtida

  Consolidated

	03/31/2011	03/31/2010	Variation	%
Net income	113.636	112,332	1,304	1.16
(-) Revenue (expense) from construction	-2,969	-4,988	2,019	-40.48
Net income not considering revenue (expense) from construction	110,667	107,344	3,323	3.10
Provision for IRPJ and CSLL	74,429	43,395	31,034	71.52
Amortization and depreciation	83,531	68,986	14,545	21.08
Employees' profit sharing	7,744	7,564	180	2.38
Financial result	20,488	10,132	10,356	n.m.
EBITDA [1] [2]	296,859	237,421	59,438	25,03
Margin EBTIDA	46.74	41.28		5.45 p.p

(1) EBITDA means net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization charges. Since financial 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. EBITDA, however, presents limitations for use thereof 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 based on net revenue from services, which corresponds to net operating revenue plus other operating revenue.

7- Balance Sheet - Consolidated

Consolidated
Consolidated

	03/31/2011	12/31/2010	Variation	%
Current assets	701,811	661,156	40,655	6.15
Noncurrent assets	6,810,229	6,684,139	126,090	1.89
Total Assets	**7,512,040**	**7,345,295**	**166,745**	**2.27**
Current liabilities	750,433	692,864	57,569	8.31
Noncurrent liabilities	2,450,213	2,430,246	19,967	0.82
Shareholders' equity	4,311,394	4,222,185	89,209	2.11
Total liabilities and shareholders' equity	**7,512,040**	**7,345,295**	**166,745**	**2.27**

- **Current assets**

Consolidated

	03/31/2011	12/31/2010	Variation	%
Cash and cash equivalent	147,954	77,652	70,302	90.53
Trade accounts receivable	466,025	437,574	28,451	6.50
Financing assets held to maturity	0	56,365	(56,365)	(100.00)
Inventories	30,301	28,854	1,447	5.01
Taxes recoverable	32,163	31,804	359	1.13
Technical cooperation agreement	1,348	0	1,348	(100.00)
Banks and agreements	12,700	15,122	(2,422)	(16.02)
Sundry receivables	11,320	13,785	(2,465)	(17.88)
Total current assets	**701,811**	**661,156**	**40,655**	**6.15**

» Cash and Cash equivalent

Balance at March 31, 2011:	147,954	Variation ($):	70,302
Balance at December 31, 2010:	77,652	Variation (%):	90.53
Situation:	**increase**		

This account balance increased in the period due to the reclassification of previously investments recorded in assets held to maturity.

» Trade accounts receivable

Balance at March 31, 2011:	466,025	Variation ($):	28,451
Balance at December 31, 2010:	437,574	Variation (%):	6.50
Situation:	**increase**		

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This account balance increased in the period due to: (i) the increase of billed days in March compared to December in 8.87%; (ii) the increase in the value of sewage consumption as of January 2011 in Cruzília and São João de Bicas; (iii) the increase in the value of sewage consumption from 40% to 60% in January 2011, in Lavras and (iv) the reduction of the bank floating of R$23,300 in february, to R$13,512 in march.

Financial assets held to maturity

Balance at March 31, 2011:	0	Variation ($):	(56,365)
Balance at December 31, 2010:	56,365	Variation (%):	(100.00)
Situation:	**decrease**		

This account has reduced due to the financial investments that reached their maturity date and were transferred to the cash equivalent balance.

Banks and agreements

Balance at March 31, 2011:	12,700	Variation ($):	(2,422)
Balance at December 31, 2010:	15,122	Variation (%):	(16.02)
Situation:	**decrease**		

This account has reduced due to the redemptions for suppliers' payments purposes.

» Sundry receivables

Balance at March 31, 2011:	11,320	Variation ($):	(2,465)
Balance at December 31, 2010:	13,785	Variation (%):	(17.88)
Situation: **Decrease**			

This account balance decreased in the period due to the increase of employee vacation advancement.

- **Non-current assets**

Consolidated

1ST ITR	**03/31/2011**	**12/31/2010**	**Variation**	**%**
Trade accounts receivable	211,296	182,335	28,961	15.88
Deferred income and social contribution taxes	220,674	236,566	(15,892)	(6.72)
Restricted investment	38,180	41,621	(3,441)	(8.27)
Financing guarantee	104,532	100,986	3,546	3.51
Financial assets	277,063	284,339	(7,276)	(3.56)
Sundry receivables	15,918	15,952	(34)	(0.21)
Total noncurrent assets	**867,663**	**861,799**	5,864	0.68
Investments	22,060	260	21,800	n.m.
Intangibles assets	5,786,174	5,684,387	101,788	1.79
Property, plant and equipment	134,332	137,693	(3,362)	(2.44)
Total permanent assets	**5,942,566**	**5,822,340**	120,226	2.06
Total noncurrent assets	**6,810,229**	**6,684,139**	**126,090**	**1.89**

» Trade accounts receivable

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Balance at March 31, 2011:	211,296	Variation ($):	28,961
Balance at December 31, 2010:	182,335	Variation (%):	15.88
Situation:	**increase**		

This account balance increased due to the annual monetary restatement based on the IPCA index, realized in the accounts receivable debs payable by the City of Belo Horizonte, referring to the debts of water and sewer bills, offset by the transfer from the long-term to short-term.

» ***Deferred income and social contribution taxes***

Balance at March 31, 2011:	220,674	Variation ($):	(15,892)
Balance at December 31, 2010:	236,566	Variation (%):	(6.72)
Situation:	**decrease**		

The reduction in the deferred taxes relates to the write-off of the provisions for actuarial liabilities by recognition of debts and of ISSQN provision, which had part of its contingent controlled in the provision balances, once the amortization is made by debts compensation, remaining only the value as initially deferred installments.

» ***Investments***

Balance at March 31, 2011:	22,060	Variation ($):	21,800
Balance at December 31, 2010:	260	Variation (%):	n.m.
Situation:	**increase**		

The variation in this balance is due to the investment made in January 2011, through a capital contribution to the SPE. Fos de Jeceaba.

» ***Intangible***

Balance at March 31, 2011:	5,786,174	Variation ($):	101,787
Balance at December 31, 2010:	5,684,387	Variation (%):	1.79
Situation:	**increase**		

The variation on this balance is due to the company's investment in sewerage services.

- **Current liabilities**

Consolidated

	03/31/2011	12/31/2010	Variation	%
Loans and financing	164,629	149,960	14,669	9.78
Debentures	100,875	97,368	3,507	3.60
Contractors and suppliers	126,055	122,325	3,730	3.05
Taxes, charges and contributions	39,831	43,818	(3,987)	(9.10)
Taxes in installments	40,733	36,370	4,363	12.00
Provision for vacation pay and 13th salary	75,381	73,154	2,227	3.04
Employee profit sharing	34,876	27,132	7,744	28.54
Interest on equity capital	103,180	66,859	36,321	54.32
Technical Cooperation Agreements	0	2,462	(2,462)	(100.00)
Private pension plan	11,526	17,769	(6,243)	(35.13)
Electric energy	27,313	27,565	(252)	(0.91)
Sundry obligations	26,034	28,082	(2,048)	(7.29)
Total current liabilities	**750,433**	**692,864**	**57,569**	**8.31**

Management Report / Comments on Performance

» Loans and financing

Balance at March 31, 2011:	164,629	Variation ($):	14,669
Balance at December 31, 2010:	149,960	Variation (%):	9.78
Situation:	**increase**		

The variation in this balance is due to the increase on the contracts in return phase period.

» Taxes in installments

Balance at March 31, 2011:	40,733	Variation ($):	4,363
Balance at December 31, 2010:	36,370	Variation (%):	12.00
Situation:	**increase**		

The increase in this group is due to the amortization of the debt referring to the ISSQN total of R$10,065, offset by the transfer of this debt registered in the long term to the short term, total of R$14,442.

» Employee profit sharing

Balance at March 31, 2011:	34,876	Variation ($):	7,744
Balance at December 31, 2010:	27,132	Variation (%):	28.54
Situation:	**increase**		

The variation in this balance is due to the increase of the employee profit sharing realized in 2011, total R$7,744.

» Interest on equity capital

Balance at March 31, 2011:	103,180	Variation ($):	36,321
Balance at December 31, 2010:	66,859	Variation (%):	54.32
Situation:	**increase**		

This variation is due to the increased income earned in 1Q11, affecting the provisioning of interest on equity capital of R$ 39,421, offset by the payment of income tax on interest on equity capital calculated in December 2010 in the amount of R$3,100.

» Pension plan

Balance at March 31, 2011:	11,526	Variation ($):	(6,243)
Balance at December 31, 2010:	17,769	Variation (%):	(35.13)
Situation:	**decrease**		

This account has decreased due to the payment of contribution had been occurred within the month.

- **Sundry obligations**

Consolidated

	03/31/2011	12/31/2010	Variation	%
Tariff transfer	3	0	3	100.00
Concession debts	21,182	22,535	(1,353)	(6.00)
Total local governments	21,185	22,535	(1,350)	(5.99)
Other	4,849	5,547	(698)	(12.58)

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Total sundry obligations	**26,034**	**28,082**	**(2,048)**	**(7.29)**

Management Report / Comments on Performance

- **Non-current liabilities**

Consolidated

	03/31/2011	12/31/2010	Variation	%
Caixa Econômica Federal	645,207	652,226	(7,018)	(1.08)
State Government / BDMG	10,996	11,472	(476)	(4.15)
Nacional Treasury	68,720	77,397	(8,677)	(11.21)
BNDES/BNE	402,213	370,945	31,268	8.43
In local currency	1,127,136	1,112,039	15,097	1.36
Federal government – bonus	47,656	49,040	(1,384)	(2.82)
In foreign currency	47,656	49,040	(1,384)	(2.82)
Total loans financing	**1,174,792**	**1,161,079**	13,713	1.18
Non-convertible debentures	573,795	568,025	5,770	1.02
Convertible debentures	133,915	133,740	175	0.13
Total de debentures	**707,710**	**701,765**	5,945	0.85
Provision for contingencies	34,675	34,947	(272)	(0.78)
Provision for taxes	43,269	54,538	(11,269)	(20.66)
Taxes in installments	218,318	192,868	25,450	13.20
Pension plan	145,850	154,509	(8,659)	(5.60)
Electric energy	65,667	63,993	1,674	2.62
Deferred income and social contribution taxes	11,935	17,219	(5,284)	(30.69)
Other obligations	47,997	49,328	(1,331)	(2.70)
Total noncurrent liabilities	**2,450,213**	**2,430,246**	**19,967**	**0.82**

» Total loans financing

Balance at March 31, 2011:	1,174,792	Variation ($):	13,713
Balance at December 31, 2010:	1,161,079	Variation (%):	1.18
Situation:	**increase**		

This group has increased due to new disbursements by BNDES / BNE in the period, offset by the transfers to the short term due to the amortizations.

» Provision for taxes

Balance at March 31, 2011:	43,269	Variation ($):	(11,269)
Balance at December 31, 2010:	54,538	Variation (%):	(20.66)
Situation:	**decrease**		

The decrease is due to reversal of the presumed credit PASEP COFINS in the amount of R$11,691, offset by the actualization of the presumed credit in March 2011 R$ 421.

» Taxes in installments

Balance at March 31, 2011:	218,318	Variation ($):	25,450
Balance at December 31, 2010:	192,868	Variation (%):	13.20
Situation:	**increase**		

This group has increased due to debt restatement of ISSQN of R$ 39,695 offset by the transfer from long-term to short-term value of R$ 14,442.

» Pension Plan

Balance at March 31, 2011:	145,850	Variation ($):	(8,659)
Balance at December 31, 2010:	154,509	Variation (%):	(5.60)
Situation:	**decrease**		

The variation in this balance was due to reversal of the actuarial liabilities, amounting to R$5,557, the transfer of R$6,404 to the short term, offset by monetary exchange of R$ 3,301.

» Electric Energy

Balance at March 31, 2011:	11,935	Variation ($):	(5,284)
Balance at December 31, 2010:	17,219	Variation (%):	(30.69)
Situation:	**decrease**		

This account has reduced due to the amortization of the debt installments within Cemig.

- **Shareholders' equity**

Consolidated

	03/31/2011	12/31/2010	Variation	%
Beginning balance	**4,222,185**	**3,776,622**	**445,563**	**11.80**
Net income	128,629	669,776	(541,147)	(80.80)
Interest on equity capital	(39,420)	(224,213)	184,793	(82.42)
Ending balance	**4,311,394**	**4,222,185**	**89,209**	**2.11**

The increase in the shareholders' equity is due to the growth of the Company's profit for the period.