Quarterly Information

Companhia de Saneamento de Minas Gerais - COPASA

Quarter ended March 31, 2009 with Special Review Report of Independent Auditors

"Free translation from Portuguese into English"

"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

1. We have carried out a special review of the accompanying quarterly information (ITR) of Companhia de Saneamento de Minas Gerais – COPASA MG, parent company and consolidated as of and for the quarter ended March 31, 2009, which comprises the balance sheet, the income statement, changes in shareholders' equity and statement of cash flow, Management's performance report and related information of the parent company and consolidated.These quarterly information (ITR) are the responsibility of the Company's management.

2. We conducted our review in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) along with the Brazilian Federal Accounting Board ("Conselho Federal de Contabilidade"), which consisted principally of: (a) inquiries of and discussions with key personnel responsible for the accounting, financial and operating areas of the Company and its subsidiaries with respect to the criteria adopted in preparing the quarterly information; and, (b) review of information and subsequent events that have or could have material effects on the financial position and operations of the Company and its subsidiaries.

3. Based on our special review, we are not aware of any material modification that should be made to the quarterly information referred to above for it to be in accordance with the standards established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of mandatory quarterly information, including Official Memorandum/CVM/SNC/SEP No. 02/2009.

4. As mentioned in Note 2, the accounting practices adopted in Brazil were changed during 2008 and the effects from first time adoption were only recorded by the Company and its subsidiaries in the 4th quarter of 2008. The income statement and cash flows for the quarter ended March 31, 2008, presented together with the current quarterly information, were not adjusted for comparison purposes as allowed by Official Memorandum/CVM/SNC/SEP No. 02/2009.

5. As mentioned in Note 27, effective September 20, 1989, the Company, began being taxed, under a special taxation regime, for State Value-Added Tax (ICMS) on water supply. Based on the opinion of its legal advisors, the referred to VAT tax would require specific rules regulating the subject. To date, there has been no definition by the State Executive Branch concerning the computation criteria and required collection of such tax; also, such tax has not been included in the Company's water and wastewater rates, which are determined by the State of Minas Gerais. Consequently, such tax has neither been collected from customers, nor provided for by the Company or remitted to the State Government.

Belo Horizonte (MG) May 15, 2009.

ERNST & YOUNG
Auditores Independentes S/S
CRC - 2SP 015.199/O-6-F-MG

João Ricardo P. Costa
Accountant CRC - 1RJ 066.748/O-3-S-MG

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

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 03/31/2009 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY APPRECIATION OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

01.01 – IDENTIFICATION

1 – CVM CODE	2 - COMPANY NAME	3 – National Corporate Taxpayers' Registration Number – CNPJ
01944-5	CIA. DE SANEAMENTO DE MINAS GERAIS - COPASA	17.281.106/0001-03
4 – Registration Number – NIRE		
31300036375		

01.02 – HEAD OFFICE

1 – FULL ADDRESS				2 – SUBURB OR DISTRICT
RUA MAR DE ESPANHA, 525				SANTO ANTÔNIO
3 – POSTAL CODE	4 – MUNICIPALITY			5 – STATE
30270-330	BELO HORIZONTE			MG
6 – AREA CODE	7 – TELEPHONE	8 – TELEPHONE	9 – TELEPHONE	10 – TELEX
31	3250-2015	3250-1214	3250-2040	-
11 – AREA CODE	12 – FAX	13 – FAX	14 – FAX	
31	3250-1409	-	-	-
15 – E-MAIL				
dfi@copasa.com.br				

01.03 – INVESTOR RELATIONS OFFICER (Address for correspondence with Company)

1 – NAME				
RICARDO AUGUSTO SIMÕES CAMPOS				
2 – FULL ADDRESS			3 – SUBURB OR DISTRICT	
RUA MAR DE ESPANHA, 525			SANTO ANTÔNIO	
4 – POSTAL CODE	5 – MUNICIPALITY			6 – STATE
31330-270	BELO HORIZONTE			MG
7 – AREA CODE	8 – TELEPHONE	9 – TELEPHONE	10 - TELEPHONE	11 – TELEX
31	3250-2015	3250-1214	3250-2040	
12 – AREA CODE	13 – FAX	14 – FAX	15 - FAX	
31	3250-1409	3250-1312	-	
16 – E-MAIL				
dfi@copasa.com.br Or geraldo.calcado@copasa.com.br				

01.04 –REFERENCE / INDEPENDENT ACCOUNTANTS

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1-BEGINNING	2-END	3-QUARTER	4-BEGINNING	5-END	6-QUARTER	7-BEGINNING	8-END
01/01/2009	12/31/2009	1	01/01/2009	03/31/2009	4	10/1/2008	12/31/2009

9 – INDEPENDENT ACCOUNTANT	10 - CVM CODE
Ernst & Young Auditores Independentes S/S	00471-5
11 - RESPONSIBLE PROFESSIONAL	12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE RESPONSIBLE PROFESSIONAL
João Ricardo Pereira da Costa	722.071.677-04

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01.05 – CAPITAL COMPOSITION

Number of shares (Units)	Current Quarter 3/31/2009	Prior quarter 12/31/2008	Same quarter in prior year 3/31/2008
Paid-up capital			
1 – Common	115,191	115,166	115,165
2 – Preferred	0	0	0
3 – Total	115,191	115,166	115,165
Treasury Stock			
4 – Common	370	370	370
5 – Preferred	0	0	0
6 – Total	370	370	370

01.06 – CHARACTERISTICS OF THE COMPANY

1 – TYPE OF COMPANY **Commercial. industrial and other**
2 – SITUATION **Operating**
3 – NATURE OF OWNERSHIP **Public**
4 – ACTIVITY CODE 1160 - Water supply and sanitary waterwaste services
5 – MAIN ACTIVITY *The Company is engaged in providing water supply and sanitary waterwaste services.*
6 – TYPE OF CONSOLIDATION *Total*
7 – TYPE OF REPORT OF INDEPENDENT ACCOUNTANTS *E xception*

01.07 – COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 – ITEM	2 – CNPJ	3 – NAME

01.08 – DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 – ITEM	2 – EVENT	3 – DATE APPROVED	4 – AMOUNT	5 – DATE OF PAYMENT	6 - TYPE OF SHARE	7 – YIELD PER SHARE

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01.09 – SUBSCRIBED CAPITAL AND ALTERATION IN THE CURRENT YEAR

1 – ITEM	2 – DATE OF ALTERATION	3 - CAPITAL	4 – AMOUNT OF THE ALTERATION	5 –NATURE OF ALTERATION	7 – NUMBER OF SHARES ISSUED	8 – SHARE PRICE ON ISSUE DATE
01	01/16/2006	1,818,780	102,791	Interest capital	894	115.0000000000
02	02/06/2006	2,541,857	723,077	Subscription in cash	30,769	23.5000000000
03	03/08/2006	2,632,242	90,385	Subscription supplementary	3,846	23.5000000000
04	08/29/2008	2,632,265	23	Convertion 188 debentures in 752 ordinary shares	0	0.0000000000
05	03/27/2009	2,633,063	798	Convertion debentures in ordinary shares	0	0.0000000000

01.10 – INVESTOR RELATIONS OFFICER

1 – DATE	2 – SIGNATURE

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02.01 - BALANCE SHEET - ASSETS (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 – 3/31/2009	4 – 12/31/2008
1	Total assets	6,522,356	6,250,642
1.01	Current assets	1,381,562	1,228,536
1.01.01	Cash and cash equivalents	925,574	786,128
1.01.01.01	Cash and Banks	141,839	31,924
1.01.01.02	Marketable Securities	783,735	754,204
1.01.02	Credits	418,304	408,370
1.01.02.01	Accounts Receivable	379,930	368,947
1.01.02.02	Other Credits	38,374	39,423
1.01.02.02.01	Prepaid Expenses	1,089	1,089
1.01.02.02.02	Bank account – agreements	352	1,713
1.01.02.02.03	Short term investments - agreements	27,411	27,524
1.01.02.02.04	Advance employess	6,132	7,872
1.01.02.02.05	Technical cooperation agreement	2,115	-
1.01.02.02.06	Other	1,275	1,225
1.01.03	Inventory	26,150	24,856
1.01.04	Other	11,534	9,182
1.01.04.01	Recoverable taxes	10,214	7,862
1.01.04.02	Deferred Income Tax / Social Security Contribution	1,320	1,320
1.02	Noncurrent assets	5,140,794	5,022,106
1.02.01	Long-term assets	416,925	420,464
1.02.01.01	Other credits	391,856	393,322
1.02.01.01.01	Accounts Receivable	196,597	201,966
1.02.01.01.02	Financing Guarantee	84,302	82,085
1.02.01.01.03	Escrow deposits	8,891	8,912
1.02.01.01.04	Deferred Income Tax / Social Security Contribution	57,695	57,221
1.02.01.01.05	Other	44,371	43,138
1.02.01.02	Insider company credits	25,069	27,142
1.02.01.02.01	Related company credits	-	-
1.02.01.02.02	Controlled company credits	25,069	27,142
1.02.01.02.03	With other insider company credits	-	-
1.02.01.03	Other	-	-
1.02.02	Permanent assets	4,723,869	4,601,642
1.02.02.01	Investments	10,076	13,761
1.02.02.01.01	Related company shares	-	-
1.02.02.01.02	Related company shares-Premium	-	-
1.02.02.01.03	Controlled company shares	9,816	13,501
1.02.02.01.04	Controlled company shares-Premium	-	-
1.02.02.01.05	Other investments	260	260
1.02.02.02	Fixed Assets	4,526,989	4,397,861
1.02.02.03	Intangible	186,804	190,020
1.02.02.04	Deferred	-	-

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02.02 - BALANCE SHEET – LIABILITIES (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 - 3/31/2009	4 - 12/31/2008
2	Total liabilities and shareholders' equity	6,522,356	6,250,642
2.01	Current liabilities	611,996	548,051
2.01.01	Loans and financings	127,320	122,546
2.01.02	Debentures	59,974	55,327
2.01.03	Suppliers	87,780	70,117
2.01.04	Taxes charges and Contribution	42,098	34,699
2.01.05	Dividends payable	-	-
2.01.06	Provisions	61,080	58,060
2.01.06.01	Accrual for employee vacation	52,139	58,060
2.01.06.02	Accrual for 13th salary	8,941	-
2.01.07	Payable to related companies	-	-
2.01.08	Other	233,744	207,302
2.01.08.01	Employees profit sharing	32,803	24,612
2.01.08.02	Technical Cooperation Agreement	-	7,520
2.01.08.03	Pension plan	11,588	15,922
2.01.08.04	Interest on equity	145,290	111,008
2.01.08.05	Other	44,063	48,240
2.02	Non-current liabilities	2,010,783	1,899,290
2.02.01	Long-term liabilities	2,010,783	1,899,290
2.02.01.01	Loans and financings	919,763	860,982
2.02.01.02	Debentures	667,827	604,621
2.02.01.03	Provisions	140,557	141,806
2.02.01.03.01	Accrual for taxes	113,144	111,455
2.02.01.03.02	Accrual for contingencies	27,413	30,351
2.02.01.04	Payable to related companies	-	-
2.02.01.05	Advance for future capital increase	8,797	8,797
2.02.01.06	Other	273,839	283,084
2.02.01.06.01	Pension plan	174,357	178,826
2.02.01.06.02	Deferred income tax / Social security contribution	6,274	6,427
2.02.01.06.03	Other	88,833	91,582
2.02.01.06.04	Deferred revenue	4,375	6,249
2.03	Future accounting year results	-	-
2.05	Shareholders Equity	3,899,577	3,803,301
2.05.01	Paid-in capital	2,633,063	2,632,265
2.05.02	Capital reserves	70,388	70,388
2.05.03	Revaluation reserves	-	-
2.05.03.01	Own assets	-	-
2.05.03.02	Related companies	-	-
2.05.04	Income reserves	1,100,648	1,100,648
2.05.04.01	Legal	86,466	86,466
2.05.04.02	Statutory	-	-
2.05.04.03	Contingencies	-	-
2.05.04.04	To realize income	-	-
2.05.04.05	Income retention	1,012,932	1,012,932
2.05.04.06	Non distributed dividends	-	-
2.05.04.07	Other income reserves	1,250	1,250
2.05.05	Equity valuation adjustments	-	-
2.05.05.01	Adjustments marketable securities	-	-
2.05.02.02	Adjustments convertion	-	-
2.05.02.03	Adjustments business combinantion	-	-
2.05.06	Retained earnings (accumulated losses)	95,478	-
2.05.07	Advance for future capital increase	-	-

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FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 03/31/2009 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

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01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

03.01 – INCOME STATEMENTS (R$ thousand)

1 – COD	2 – DESCRIPTION	3 – 1/1/2009 to 3/31/2009	4 – 1/1/2009 to 3/31/2009	5 – 1/1/2008 to 3/31/2008	6 – 1/1/2008 to 3/31/2008
3.01	Gross sales and/or services	599,233	599,233	521,404	521,404
3.01.01	Water supply services	448,487	448,487	395,336	395,336
3.01.02	Waterwaste services	150,746	150,746	126,068	126,068
3.02	Deductions from gross revenue	(62,660)	(62,660)	(54,101)	(54,101)
3.03	Sales/Services Net Revenue	536,573	536,573	467,303	467,303
3.04	Cost of services	(240,611)	(240,611)	(231,071)	(231,071)
3.05	Gross Profit	295,962	295,962	236,232	236,232
3.06	Operating Expenses/Income	(141,748)	(141,748)	(100,689)	(100,689)
3.06.01	Commercial	(38,266)	(38,266)	(37,640)	(37,640)
3.06.02	Administrative	(66,551)	(66,551)	(64,557)	(64,557)
3.06.03	Financial	(35,104)	(35,104)	3,558	3,558
3.06.03.01	Financial income	46,789	46,789	37,556	37,556
3.06.03.02	Financial expenses	(81,893)	(81,893)	(33,998)	(33,998)
3.06.04	Other operating income	12,224	12,224	8,551	8,551
3.06.05	Other operating expenses	(9,398)	(9,398)	(9,957)	(9,957)
3.06.05.01	Accrual for taxes	-	-	-	-
3.06.05.02	Other operating expenses	(9,398)	(9,398)	(9,957)	(9,957)
3.06.06	Equity pick up	(4,653)	(4,653)	(644)	(644)
3.07	Operating profit	154,214	154,214	135,543	135,543
3.08	Non-operating results	-	-	-	-
3.08.01	Income	-	-	-	-
3.08.02	Expenses	-	-	-	-
3.09	Profit before taxation and participations	154,214	154,214	135,543	135,543
3.10	Provision for income and social contribution taxes	(50,545)	(50,545)	(48,612)	(48,612)
3.10.01	Provision for income tax	(37,511)	(37,511)	(36,062)	(36,062)
3.10.02	Provision for social contribution	(13,034)	(13,034)	(12,550)	(12,550)
3.11	Deferred income tax	-	-	-	-
3.12	Participations and Statutory Contributions	(8,191)	(8,191)	-	-
3.12.01	Participations	(8,191)	(8,191)	-	-
3.12.02	Contributions	-	-	-	-
3.13	Reversal on interest equity	37,229	37,229	-	-
3.15	Net income for the period	132,707	132,707	86,931	86,931
	NUMBER OF SHARES EXCEPT TREASURY (UNIT)	114.821	114.821	114,795	114,795
	Income per share (R$)	1,15577	1,15577	0,75727	0,75727
	Loss per share (R$)				

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04.01 – CASH FLOWS – INDIRECT METOD (R$ thousand)

1 – COD	2 – DESCRIPTION	3 – 1/1/2009 to 3/31/2009	4 – 1/1/2009 to 3/31/2009	5 – 1/1/2008 to 3/31/2008	6 – 1/1/2008 to 3/31/2008
4.01	Cash flow from operating activities	235,531	235,531	160,299	160,299
4.01.01	Cash generated by operating activities	229,248	229,248	179,202	179,202
4.01.01.01	Net income for the period	132,707	132,707	86,931	86,931
4.01.01.02	Allowance for doubtful accounts	2,627	2,627	1,549	1,549
4.01.01.03	Interest receivables on accounts receivable	(3,118)	(3,118)	(2,845)	(2,845)
4.01.01.04	Monetary variations on accounts receivable	7,035	7,035	6,965	6,965
4.01.01.05	Deferred tax and social contribution	(627)	(627)	(866)	(866)
4.01.01.06	Exchange variation on financing collaterals	404	404	427	427
4.01.01.07	Income financing collaterals	(1,312)	(1,312)	(693)	(693)
4.01.01.08	Monetary variation on loans to subsidiaries	(499)	(499)	-	-
4.01.01.09	Equity pick up	4,654	4,654	644	644
4.01.01.10	Permanent asset disposals	9	9	46	46
4.01.01.11	Depreciation and amortization	60,640	60,640	59,064	59,064
4.01.01.12	Interest on loan	27,923	27,923	17,339	17,339
4.01.01.13	Monetary and exchange variation on loans	2,500	2,500	727	727
4.01.01.14	Tax provisions	1,689	1,689	1,345	1,345
4.01.01.15	Contingencies provision	(2,938)	(2,938)	1,704	1,704
4.01.01.16	Reversion pension plan	(4,081)	(4,081)	-	-
4.01.01.17	Interest on cemig/previminas	1,877	1,877	1,857	1,857
4.01.01.18	Monetary variation on cemig/previminas	1,633	1,633	5,008	5,008
4.01.01.19	Deferred revenue	(1,875)	(1,875)	-	-
4.01.02	Changes in assets and liabilities	6,283	6,283	(18,903)	(18,903)
4.01.02.01	Accounts receivable	(12,158)	(12,158)	11,182	11,182
4.01.02.02	Inventory	(1,294)	(1,294)	(759)	(759)
4.01.02.03	Recoverable taxes	(2,352)	(2,352)	8,106	8,106
4.01.02.04	Escrow deposits	21	21	52	52
4.01.02.05	Financing collateral	(1,309)	(1,309)	(4,190)	(4,190)
4.01.02.06	Related parties – loans	2,572	2,572	-	-
4.01.02.07	Other	1,931	1,931	456	456
4.01.02.08	Suppliers	17,663	17,663	(28,193)	(28,193)
4.01.02.09	Taxes payable	(510)	(510)	(1,783)	(1,783)
4.01.02.10	Tax provision	7,909	7,909	3,293	3,293
4.01.02.11	Accrued vacation pay	(5,921)	(5,921)	(4,634)	(4,634)
4.01.02.12	Accrual for 13th salary	8,941	8,941	7,106	7,106

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04.01 – CASH FLOWS – INDIRECT METOD (R$ thousand)

4.01.02.13	Employees profit sharing	8,191	8,191	-	-
4.01.02.14	Technical Cooperation Agreement	(9,635)	(9,635)	168	168
4.01.02.15	Pension plan	(4,495)	(4,495)	(4,491)	(4,491)
4.01.02.16	Electric power	(5,519)	(5,519)	(4,777)	(4,777)
4.01.02.17	Other debts	2,248	2,248	(439)	(439)
4.01.03	Other	-	-	-	-
4.02	Net cash from investing activities	(174,554)	(174,554)	(161,079)	(161,079)
4.02.01	Sale of share	798	798	-	-
4.02.02	Increase investments	(354)	(354)	-	-
4.02.03	Increase property plant and equipment and intangible assets	(174,998)	(174,998)	(154,193)	(154,193)
4.02.04	Increase participation subsidiaries	-	-	(6,886)	(6,886)
4.03	Net cash from financing activities	78,469	78,469	(27,936)	(27,936)
4.03.01	Increase loans and financing	162,057	162,057	39,730	39,730
4.03.02	Amortization loans – principal	(38,733)	(38,733)	(32,207)	(32,207)
4.03.03	Amortization loans - interest	(33,902)	(33,902)	(28,260)	(28,260)
4.03.04	Payment of interest on own capital	(2,947)	(2,947)	(6)	(6)
4.03.05	Amortization cemig/previminas - principal	(6,127)	(6,127)	(5,340)	(5,340)
4.03.06	Amortization cemig/previminas - interest	(1,879)	(1,879)	(1,853)	(1,853)
4.04	Exchange variation cash and cash equivalents	-	-	-	-
4.05	Increase (decrease) cash and cash equivalents	139,446	139,446	(28,716)	(28,716)
4.05.01	Cash and cash equivalents at beginning of the period	786,128	786,128	989,493	989,493
4.05.02	Cash and cash equivalents at the end of the period	925,574	925,574	960,777	960,777

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FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 03/31/2009 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

05.01 – SHAREHOLDERS EQUITY (R$ thousand) – 01/01/2009 TO 03/31/2009

1 – COD	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earning (loss) accumulated	Equity valuation adjustments	Total
5.01	At the end of the period	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.04	Net income for the period	-	-	-	-	132,707	-	132,707
5.05	Destination	-	-	-	-	(37,229)	-	(37,229)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(37,229)	-	(37,229)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combinantion	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	798	-	-	-	-	-	798
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,633,063	70,388	-	1,100,648	95,478	-	3,899,577

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FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
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COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

05.02 – SHAREHOLDERS EQUITY (R$ thousand) – 01/01/2009 TO 03/31/2009

1 – COD	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earning (loss) accumulated	Equity valuation adjustments	Total
5.01	At the end of the period	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.04	Net income for the period	-	-	-	-	132,707	-	132,707
5.05	Destination	-	-	-	-	(37,229)	-	(37,229)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(37,229)	-	(37,229)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combinantion	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	798	-	-	-	-	-	798
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,633,063	70,388	-	1,100,648	95,478	-	3,899,577

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01.01 – IDENTIFICATION

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08.01. CONSOLIDATED BALANCE SHEET - ASSETS (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 – 3/31/2009	4 – 12/31/2008
1	Total assets	6,531,736	6,258,495
1.01	Current assets	1,395,601	1,251,166
1.01.01	Cash and cash equivalents	926,816	791,036
1.01.01.01	Cash and Banks	143,081	36,832
1.01.01.02	Marketable Securities	783,735	754,204
1.01.02	Credits	428,376	423,432
1.01.02.01	Accounts Receivable	382,614	371,670
1.01.02.02	Other Credits	45,762	51,762
1.01.02.02.01	Prepaid Expenses	1,091	1,097
1.01.02.02.02	Bank account – agreements	2,094	1,742
1.01.02.02.03	Short term investments - agreements	35,169	38,387
1.01.02.02.04	Advance employess	6,132	9,311
1.01.02.02.05	Other	1,276	1,225
1.01.03	Inventory	28,874	27,489
1.01.04	Other	11,535	9,209
1.01.04.01	Recoverable taxes	10,215	7,889
1.01.04.02	Deferred Income Tax / Social Security Contribution	1,320	1,320
1.02	Noncurrent assets	5,136,135	5,007,329
1.02.01	Long-term assets	392,801	394,268
1.02.01.01	Other credits	392,801	394,268
1.02.01.01.01	Accounts Receivable	196,597	201,966
1.02.01.01.02	Collateral Guarantee	84,302	82,085
1.02.01.01.03	Escrow deposits	8,891	8,912
1.02.01.01.04	Deferred Income Tax / Social Security Contribution	57,695	57,221
1.02.01.01.05	Other	45,316	44,084
1.02.01.02	Insider company credits	-	-
1.02.01.02.01	Related company credits	-	-
1.02.01.02.02	Controlled company credits	-	-
1.02.01.02.03	With other insider company credits	-	-
1.02.01.03	Other	-	-
1.02.02	Permanent assets	4,743,334	4,613,061
1.02.02.01	Investments	260	260
1.02.02.01.01	Related company shares	-	-
1.02.02.01.02	Related company shares-Premium	-	-
1.02.02.01.03	Other investments	260	260
1.02.02.02	Fixed Assets	4.556,255	4,422,766
1.02.02.03	Intangible	186,819	190,035
1.02.02.04	Deferred	-	-

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01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

08.02. CONSOLIDATED BALANCE SHEET - LIABILITIES (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 - 3/31/2009	4 - 12/31/2008
2	Total liabilities and shareholders' equity	6,531,736	6,258,495
2.01	Current liabilities	625,382	559,300
2.01.01	Loans and financings	127,320	122,546
2.01.02	Debentures	59,974	55,327
2.01.03	Suppliers	95,967	74,194
2.01.04	Taxes charges and Contribution	42,605	35,306
2.01.05	Dividends payable	-	-
2.01.06	Provisions	61,118	58,076
2.01.06.01	Accrual for employee vacation	52,168	58,076
2.01.06.02	Accrual for 13th salary	8,950	-
2.01.07	Payable to related companies	-	-
2.01.08	Other	238,398	213,851
2.01.08.01	Employees profit sharing	32,803	24,612
2.01.08.02	Technical Cooperation Agreement	4,586	13,970
2.01.08.03	Pension plan	11,588	15,922
2.01.08.04	Interest equity	145,290	111,008
2.01.08.05	Other	44,131	48,339
2.02	Non-current liabilities	2,006,777	1,895,894
2.02.01	Long-term liabilities	2,006,777	1,895,894
2.02.01.01	Loans and financings	919,763	860,982
2.02.01.02	Debentures	667,827	604,621
2.02.01.03	Provisions	140,557	141,806
2.02.01.03.01	Accrual for taxes	113,144	111,455
2.02.01.03.02	Accrual for contingencies	27,413	30,351
2.02.01.04	Payable to related companies	-	-
2.02.01.05	Advance for future capital increase	8,797	8,797
2.02.01.06	Other	269,833	279,688
2.02.01.06.01	Pension plan	174,357	178,826
2.02.01.06.02	Deferred Income Tax / Social Security Contribution	6,274	6,427
2.02.01.06.03	Other	84,827	88,186
2.02.01.06.04	Deferred revenue	4,375	6,249
2.03	Future accounting year results	-	-
2.04	Minority	-	-
2.05	Shareholders Equity	3,899,577	3,803,301
2.05.01	Paid-in Capital	2,633,063	2,632,265
2.05.02	Capital reserves	70.388	70,388
2.05.03	Revaluation Reserves	-	-
2.05.03.01	Own Assets	-	-
2.05.03.02	Related companies	-	-
2.05.04	Income reserves	1,100,648	1,100,648
2.05.04.01	Legal	86,466	86,466
2.05.04.02	Statutory	-	-
2.05.04.03	Contingencies	-	-
2.05.04.04	To realize income	-	-
2.05.04.05	Income retention	1,012,932	1,012,932
2.05.04.06	Non distributed dividends	-	-
2.05.04.07	Other income reserves	1,250	1,250
2.05.05	Equity valuation adjustments	-	-
2.05.05.01	Adjustments marketable securities	-	-
2.05.02.02	Adjustments convertion	-	-
2.05.02.03	Adjustments business combinantion	-	-
2.05.06	Retained earnings (accumulated losses)	95,478	-
2.05.07	Advance for future capital increase	-	-

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FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
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01.01 – IDENTIFICATION

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01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

09.01. CONSOLIDATED INCOME STATEMENTS (R$ thousand)

1 – COD	2 – DESCRIPTION	3 – 1/1/2009 to 3/31/2009	4 – 1/1/2009 to 3/31/2009	5 – 1/1/2008 to 3/31/2008	6 – 1/1/2008 to 3/31/2008
3.01	Gross sales and/or services	601,319	601,319	521,434	521,434
3.01.01	Water Supply Services	450,217	450,217	395,366	395,366
3.01.02	Waterwaste Services	150,746	150,746	126,068	126,068
3.01.03	Gross sales	356	356	-	-
3.02	Deductions from Gross Revenue	(63,413)	(63,413)	(54,104)	(54,104)
3.03	Sales/Services Net Revenue	537,906	537,906	467,330	467,330
3.04	Cost of services	(241,158)	(241,158)	(231,074)	(231,074)
3.05	Gross Profit	296,748	296,748	236,256	236,256
3.06	Operating Expenses/Income	(142,413)	(142,413)	(100,713)	(100,713)
3.06.01	Commercial	(38,435)	(38,435)	(37,640)	(37,640)
3.06.02	Administrative	(70,877)	(70,877)	(65,225)	(65,225)
3.06.03	Financial	(35,616)	(35,616)	3,558	3,558
3.06.03.01	Financial income	46,314	46,314	37,556	37,556
3.06.03.02	Financial expenses	(81,930)	(81,930)	(33,998)	(33,998)
3.06.04	Other operating income	12,978	12,978	8,551	8,551
3.06.05	Other operating expenses	(10,463)	(10,463)	(9,957)	(9,957)
3.06.06	Equity pick up	-	-	-	-
3.07	Operating profit	154,335	154,335	135,543	135,543
3.08	Non-operating results	-	-	-	-
3.08.01	Income	-	-	-	-
3.08.02	Expenses	-	-	-	-
3.09	Profit before taxation and participations	154,335	154,335	135,543	135,543
3.10	Provision for income and social contribution taxes	(50,666)	(50,666)	(48,612)	(48,612)
3.10.01	Provision for income tax	(37,598)	(37,598)	(36,062)	(36,062)
3.10.02	Provision for social contribution	(13,068)	(13,068)	(12,550)	(12,550)
3.11	Deferred income tax	-	-	-	-
3.12	Participations and Statutory Contributions	(8,191)	(8,191)	-	-
3.12.01	Participations	(8,191)	(8,191)	-	-
3.12.02	Contributions	-	-	-	-
3.13	Reversal interest equity	37,229	37,229	-	-
3.15	Net Income for the period	132,707	132,707	86,931	86,931
	NUMBER OF SHARES. EXCEPT TREASURY (UNIT)	114.821	114.821	114.795	114.795
	Income per share (R$)	1,15577	1,15577	0,75727	0,75727
	Loss per share (R$)				

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BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
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01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

10.01. CONSOLIDATED CASH FLOW (R$ thousand)

1 – COD	2 – DESCRIPTION	3 – 1/1/2009 to 3/31/2009	4 – 1/1/2009 to 3/31/2009	5 – 1/1/2008 to 3/31/2008	6 – 1/1/2008 to 3/31/2008
4.01	Cash flow from operating activities	235,995	235,995	165,225	165,225
4.01.01	Cash generated by operating activities	225,386	225,386	178,570	178,570
4.01.01.01	Net income for the period	132,707	132,707	86,931	86,931
4.01.01.02	Allowance for doubtful accounts	2,796	2,796	1,549	1,549
4.01.01.03	Interest receivables on accounts receivable	(3,118)	(3,118)	(2,845)	(2,845)
4.01.01.04	Monetary variations on accounts receivable	7,035	7,035	6,965	6,965
4.01.01.05	Deferred tax and social contribution	(627)	(627)	(866)	(866)
4.01.01.06	Exchange variation on financing collaterals	404	404	427	427
4.01.01.07	Income financing collaterals	(1,312)	(1,312)	(693)	(693)
4.01.01.08	Permanent asset disposals	9	9	46	46
4.01.01.09	Depreciation and amortization	60,764	60,764	59,076	59,076
4.01.01.10	Interest on loans	27,923	27,923	17,339	17,339
4.01.01.11	Monetary and exchange variation on loans	2,500	2,500	727	727
4.01.01.12	Tax provisions	1,689	1,689	1,345	1,345
4.01.01.13	Contingencies provision	(2,938)	(2,938)	1,704	1,704
4.01.01.14	Reversion pension plan	(4,081)	(4,081)	-	-
4.01.01.15	Interest on cemig/previminas	1,877	1,877	1,857	1,857
4.01.01.16	Monetary variation on cemig/previminas	1,633	1,633	5,008	5,008
4.01.01.17	Deferred revenue	(1,875)	(1,875)	-	-
4.01.02	Changes in assets and liabilities	10,609	10,609	(13,345)	(13,345)
4.01.02.01	Accounts receivable	(12,288)	(12,288)	11,166	11,166
4.01.02.02	Inventory	(1,385)	(1,385)	(1,512)	(1,512)
4.01.02.03	Recoverable taxes	(2,328)	(2,328)	8,106	8,106
4.01.02.04	Escrow deposits	21	21	52	52
4.01.02.05	Financing collateral	(1,309)	(1,309)	(4,190)	(4,190)
4.01.02.06	Other	4,770	4,770	3,427	3,427
4.01.02.07	Suppliers	21,778	21,778	(25,987)	(25,987)
4.01.02.08	Taxes payable	7,297	7,297	1,938	1,938
4.01.02.09	Accrued vacation pay	(5,908)	(5,908)	(4,634)	(4,634)
4.01.02.10	Accrual for 13th salary	8,950	8,950	7,106	7,106
4.01.02.11	Employees profit sharing	8,191	8,191	-	-
4.01.02.12	Technical Cooperation Agreement	(9,384)	(9,384)	873	873
4.01.02.13	Pension plan	(4,495)	(4,495)	(4,491)	(4,491)
4.01.02.14	Electric power	(5,519)	(5,519)	(4,775)	(4,775)
4.01.02.15	Other debts	2,218	2,218	(424)	(424)
4.01.03	Other	-	-	-	-
4.02	Net cash from investing activities	(178,684)	(178,684)	(162,174)	(162,174)
4.02.01	Sell share	798	798	-	-
4.02.02	Increase property plant and equipment	(179,482)	(179,482)	(159,518)	(159,518)
4.02.03	Increase intangible assets	-	-	(2,656)	(2,656)
4.03	Net cash from financing activities	78,469	78,469	(27,936)	(27,936)
4.03.01	Increase loans and financing	162,057	162,057	39,730	39,730
4.03.02	Amortization loans – principal	(38,733)	(38,733)	(32,207)	(32,207)
4.03.03	Amortization loans - interest	(33,902)	(33,902)	(28,260)	(28,260)
4.03.04	Payment of interest equity	(2,947)	(2,947)	(6)	(6)
4.03.05	Amortization cemig/previminas - principal	(6,127)	(6,127)	(5,340)	(5,340)
4.03.06	Amortization cemig/previminas - interest	(1,879)	(1,879)	(1,853)	(1,853)
4.04	Exchange variation cash and cash equivalents	-	-	-	-
4.05	Increase (decrease) cash and cash equivalents	135,780	135,780	(24,885)	(24,885)
4.05.01	Cash and cash equivalents at beginning of the period	791,036	791,036	989,907	989,907
4.05.02	Cash and cash equivalents at the end of the period	926,816	926,816	965,022	965,022

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01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

11.01. CONSOLIDATED SHAREHOLDERS' EQUITY (R$ thousand) 01/01/2009 TO 03/31/2009

1 – COD	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earning (Accumulated loss)	Equity valuation adjustments	Total
5.01	At the end of the period	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.04	Net income for the period	-	-	-	-	132,707	-	132,707
5.05	Destination	-	-	-	-	(37,229)	-	(37,229)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(37,229)	-	(37,229)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combinantion	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	798	-	-	-	-	-	798
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,633,063	70,388	-	1,100,648	95,478	-	3,899,577

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

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 03/31/2009 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

11.02. CONSOLIDATED SHAREHOLDERS' EQUITY (R$ thousand) 01/01/2009 TO 03/31/2009

1 – COD	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earning (accumulated loss)	Equity valuation adjustments	Total
5.01	At the end of the period	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,632,265	70,388	-	1,100,648	-	-	3,803,301
5.04	Net income for the period	-	-	-	-	132,707	-	132,707
5.05	Destination	-	-	-	-	(37,229)	-	(37,229)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(37,229)	-	(37,229)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combinantion	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	798	-	-	-	-	-	798
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,633,063	70,388	-	1,100,648	95,478	-	3,899,577

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06.01 – NOTES (R$ thousand)

1. Operating context

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 State. The Company is engaged in planning, designing, performing, expanding, remodeling, managing and providing public utility services comprising water supply and waterwaste 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 bylaws.

As of March 31, 2009, the Company has the following wholly-owned subsidiaries:

- COPASA Águas Minerais de Minas S/A, established by the State Law 16,693, 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 16,698, of April 17, 2007, is engaged in planning, designing, executing, expanding, remodeling and exploiting public utility services comprising water supply and waterwaste collection, 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 planning region.

- COPASA Serviços de Irrigação S/A, established by the State Law 16,698, of April 17, 2007, is engaged in managing, executing and exploiting the irrigation systems of the Jaíba's Project, and conducting its maintenance, using both personal 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 to the execution of its purposes.

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06.01 – NOTES (R$ thousand) (Continued)

1. Operating context (Continued)

The Company operates in 887 locations in the State of Minas Gerais (unaudited) (883 as of December 31, 2008 - unaudited), in water supply and/or sanitary waterwaste activities. The twenty major water and waterwaste concessions the Company holds are:

Unaudited				
Water Concessions			**Waterwaste Concessions**	
Location	Connections	Expiration	Location	Expiration
Belo Horizonte	889.901	2032	Belo Horizonte	2032
Contagem	199.476	2073	Contagem	2073
Betim	115.440	2042	Montes Claros	2028
Montes Claros	106.323	2028	Betim	2042
Divinópolis	78.715	2033	Ipatinga	2022
Ribeirão das Neves	76.660	2034	Ribeirão das Neves	2034
Ipatinga	71.244	2022	Santa Luzia	2013
Santa Luzia	61.023	2013	Varginha	2013
Patos de Minas	47.792	2038	Pouso Alegre	2026
Varginha	43.795	2013	Conselheiro Lafaiete	2009
Pouso Alegre	42.838	2026	Lavras	2034
Ibirité	42.659	2034	Teófilo Otoni	2034
Conselheiro Lafaiete	40.994	2009	Ibirité	2034
Teófilo Otoni	37.688	2034	Itajubá	2034
Sabará (*)	36.757	2007	Alfenas	2033
Lavras	34.327	2034	Araxá	2032
Araxá	33.387	2032	Pará de Minas	2009
Itajubá	30.778	2034	Coronel Fabriciano	2033
Ubá	30.577	2014	Vespasiano	2034
Coronel Fabriciano	28.711	2033	Paracatu (*)	2007

(*) The concession agreements with the Cities of Paracatu and Sabará terminated on December 1, 2007 and August, 3, 2007, respectively. However, the Company has already started negotiating their renewals, which should be concluded soon. The total revenue for the first quarter 2009 was R$4,065 for Sabará and R$3,695 for Paracatu, or 0.66% and 0.60% of the Company's total water service and waterwaste revenues, respectively.

1. Operating context (Continued)

In the systems operated by the Company, the assets owned by the Municipalities were incorporated into the Company's property, plant and equipment as intangible assets, at the amounts determined by financial-economic technical appraisal reports, and are depreciated at the straight-line method, based on their estimated useful lives, except for the assets belonging to the Além Paraíba and Ipatinga systems, which are depreciated over the duration of the agreements.

Under most of the agreements, local cities participate with 20% of the water and waterwaste investments made in the municipality, as a capital contribution to the Company. At the end of the concession, should the concession not be renewed, the assets incorporated by the Company as well as those deriving from the Company's investments are to be returned to the cities, net of their shares in the Company's capital, through a refund to Copasa, except for Além Paraíba and Ipatinga, which are to returned free of charge. For agreements entered into until June 2006, this refund is equivalent to each system's net assets. As for the agreements entered into since July 2006, the refunds due by the cities are to be calculated based on technical appraisal reports of the systems' assets at the time of their returns. The concession contract with the City of Belo Horizonte, was renewed in 2002 (see additional comments in Note 22).

2. Basis of Preparation and Presentation of the Financial Statements and First-Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08

The accounting practices adopted in the preparation of this quarterly information are consistent with those disclosed in the financial statements at December 31, 2008.The quarterly information were prepared in accordance with the accounting practices adopted in Brazil and on the standards and pronouncements Brazil and on the standards and pronouncements of the Brazilian Securities and Exchange Commission – CVM observing the financial guidelines in Brazil's corporation law (Law No. 6404/76), which include the new provisions introduced, amended and set aside by Law No. 11638, dated December 28, 2007 and Provisional Executive Act (MP) No. 449, dated December 3, 2008.

The accounting information for the 1st quarter of 2008, presented for comparison purposes, was not adjusted to reflect the effects of the aforesaid law and provisional executive order, as allowed by CVM Official Memorandum SNS-SEP 02/20009 and in compliance with the established disclosure requirements, according to which an explanatory note shall disclose the estimated effects on P&L and on shareholders' equity at March 31, 2008, which would exist had they been adjusted by the accounting practices in force in the current year. The Company is presenting in the following exhibits, for comparison purposes, a brief description and the amounts corresponding to the impacts from the changes introduced by Law Nº. 11638/07 and by Provisional Executive Order Nº. 449/08.

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06.01 – NOTES (R$ thousand) (Continued)

2. Basis of Preparation and Presentation of the Financial Statements and First-Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08

Shareholders' equity		**Company**	**Consolidated**
		03/31/2008	**03/31/2008**
Brief description of the adjustments			
Equity before adjustments for Law No. 11638/07 and MP No. 449/08		3,603,892	3,603,892
Net effects resulting from full implementation of Law No. 11638/07 and MP No. 449/08	**3**	(7,021)	52
Equity after full implementation of Law No. 11638/07 MP No. 449/08		3,603,871	3,603,944

Income statement		**Company** **03/31/2008**	**Consolidated** **03/31/2008**
Brief description of the adjustments			
Net income before adjustments for Law No. 11638/07 and MP No. 449/08		86,931	86,931
Reversal of depreciation	**1**	52	52
Equity pickup over adjustments for Law No. 11638/07 and MP No. 449/08	**2**	(7,073)	-
Net effects resulting from full implementation of Law No. 11638/07 and MP No. 449/08	**3**	(7,021)	52
Net income after full implementation of Law No. 11638/07 and MP No. 449/08		79,962	86,983

1. Includes depreciation adjustment amounts related to goods received through donations and grants under item;

2. Write-off of deferred charges from Copasa Águas Minerais de Minas S/A, pursuant to CPC 13 guidelines;

3. Net result of all adjustments described above.

2. Basis of Preparation and Presentation of the Financial Statements and First-Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08

These financial statements were approved by the officers' meeting held on April 30, 2009.

The Company and its subsidiaries opted to adopt the Transition Tax Regime (RTT) introduced by Provisional Executive Act No. 449/08, under which the computation of Corporate Income Tax (IRPJ), Social Contribution Tax on Net Income (CSLL), Social Contribution Tax on Corporate Revenues for Social Integration Purposes (PIS) and the Social Contribution Tax on Corporate Revenues for Social Security Financing (COFINS) for the two-year period 2008-2009, continued to be performed based on accounting methods and criteria defined by Law No. 6404, dated December 15, 1976, in force at December 31, 2007. As such, deferred income and social contribution taxes, calculated on the adjustments resulting from adoption of the new accounting practices originating in Law No. 11638/08 and MP 449/08 were recorded in the Company's financial statements and its subsidiaries, as applicable in accordance CVM Rule 371. The Company and its subsidiaries will disclose such option in its Corporate Income Tax Return for 2009.

Until December 31, 2009, the Company and its subsidiaries will review the estimated economic useful lives of its permanent assets, used to determine its depreciation rates. Any significant changes in the estimated economic useful lives of assets, resulting from such review, will be treated as change in accounting estimates to be recognized on a prospective basis.

2. Basis of Preparation and Presentation of the Financial Statements and First-Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 (Continued)

The Consolidated Financial Statements include the financial statements of the Company and the following wholly-owned subsidiaries:

	% of equity held	
	Total	**Voting**
Subsidiaries:		
Copasa Águas Minerais de Minas S/A	100	100
Copasa Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S/A – COPANOR	100	100
Copasa Serviços de Irrigação S/A	100	100

The financial statements of the subsidiaries included in the consolidation process were prepared as of the same date as those of the Company, and Company's accounting practices are consistently adopted by the subsidiaries.

The Consolidated Financial Statements were prepared in conformity with the Accounting Standard and Procedure 21 (NPC 21) - Rules for Consolidation, issued by the Brazilian Institute of Public Accountants (IBRACON) in March 1982, and CVM Instruction No. 247, of March 27, 1996. The following criteria were followed in consolidation:

- Elimination of intercompany balances;
- Elimination of investments and equity in subsidiaries, against the investee's shareholders' equity; and
- Elimination of intercompany transactions

3. Summary of Significant Accounting Practices

(a) Results of operations

Income and expenses are recorded on the accrual basis of accounting. Income from unbilled water supply and sanitary waterwaste services are recorded as unbilled trade accounts receivable, based on monthly estimates, so as to match income and expenses in the proper period. Interest income/expenses are recorded by the method of effective interest rate under financial income/expenses.

(b) Transactions denominated in foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency (Brazilian real) at the exchange rate at the balance sheet date. Gains and losses resulting from the restatement of these assets and liabilities for exchange variation between transaction date and year end, are recognized in the statement of income as financial income (expenses).

(c) Cash and cash equivalents

These comprise current account balances and short-term investments redeemable up to 90 days from the date of balance sheet and with immaterial risk of changing in market value. The short-term investments included in cash and cash equivalents are mostly classified as “financial assets” at their fair value through P&L.

3. Summary of Significant Accounting Practices (Continued)

(d) Allowance for doubtful accounts

Calculated based on the analysis of receivables and recorded in an amount considered by Management sufficient to cover possible losses on receivables, according to the following criteria:

Trade accounts receivable

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

These receivables, except those related to the 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.

Amounts over R$5, over 180 days past due:

The allowance for doubtful accounts is recognized for all receivables, except those related to the State Government and the Belo Horizonte Municipal Government, from 180 to 360 days past due, as a credit to the caption allowance for doubtful accounts and as a charge to income. When the receivables exceed 360 days past due they are written off against income.

Other receivables from the Municipal and Federal Governments:

Effective September 1, 2003, according to the position adopted by Management, receivables from the Federal and Municipal Governments, arising from special agreements, contracts and other operations, over 360 days past due, started to be fully accrued.

3. Summary of Significant Accounting Practices (Continued)

(d) Allowance for doubtful accounts (Continued)

Amounts receivable 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 Government of Minas Gerais State 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 value 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.

(e) Inventories

Maintenance inventories are stated at average cost, not exceeding the market value. Provisions for slow-moving or obsolete inventories are set up when deemed necessary by management.

(f) Other current assets

Other assets are disclosed at their historical value, including, when applicable, the earnings and monetary and exchange variations incurred on a daily *pro rata* basis.

3. Summary of Significant Accounting Practices (Continued)

(g) Investments

The investments in controlled companies are evaluated by the equity method. The other permanent investments are evaluated by the acquisition cost method less loss provision, when applicable.

(h) Property, plant and equipment

Stated at acquisition cost, monetarily restated through December 31, 1995, at official rates, combined with the following aspects:

- depreciation of property, plant and equipment at the rates mentioned in Note 9;
- Interest over construction works financing is added to fixed assets, incurred through the date the works start up. Capitalized interest is depreciated under the same criteria and useful lives determined to the fixed asset item into which they have been incorporated.
- Repairs and maintenance expenses are not recognized unless the economic benefits associated therewith are likely to occur and their amounts may be reliably measured. Other expenses are directly posted to income as incurred.

(i) Provision for impairment of assets

Management reviews the net book value of assets in order to evaluate events or changes in economic, operating or technological circumstances that may evidence deterioration or impairment. When such evidence is identified and the net book value exceeds the recoverable value, a provision for impairment is set up to adjust the net book value to recoverable value. These losses are classified as other operating expenses.

3. Summary of Significant Accounting Practices (Continued)

(j) Intangible assets

Stated at acquisition cost, less amortization, as disclosed in Note 10.

(k) Current and non-current liabilities

These are stated in the balance sheet when the Company has a legal or constituted obligation as a result of a past event, being probable that funds will be required to settle it. Certain liabilities involve uncertainties in relation to term and amount, being estimated as incurred and recorded through a provision. The provisions are recorded based on best estimates of the risk involved.

(l) Interest on equity

Interest on equity payable to shareholders under Law No. 9249/95 was recorded in the statement of income under the caption financial expenses, in conformity with tax legislation. For purposes of publishing the financial statements, interest on equity is recorded as a charge to retained earnings.

(m) Actuarial liability

The Company takes part in a private pension plan administered by a private entity that provides their employees with pensions and other post employment-benefits. The Company records as actuarial liabilities, under Current and Noncurrent liabilities, the amount contracted with these entities to cover insufficient reserves whenever such amount exceeds that calculated under the responsibility of independent actuaries, adopting the projected unit credit method, in accordance with CVM No. 371/2000, as per Note 17. Actuarial gains or losses are recorded under the accrual basis of accounting.

(n) Employees' Bonus

The Company accrues the employees' bonus according to operational and financial targets disclosed to its employees. These amounts are recorded as "Employees' Bonus" under Current Liabilities and in Income.

3. Summary of Significant Accounting Practices (Continued)

(o) Taxation

Revenue from sales and services are subject to the taxes and contributions below, at the following statutory rates:

Taxes	Rate
PASEP – Social integration program	1.65%
Social Contribution Tax on Corporate Revenues for Social Security Financing – COFINS	7.60%
State VAT – ICMS (subsidiaries)	7.00% to 18.00%

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

From 1989 the Company started paying ICMS (State VAT) under a special taxation regime. However, as disclosed in Note 27, the collection has been suspended since 1991, as a result of a preliminary decision on a Notice of Claim of Unconstitutionality (ADIN). To the present date, the State Executive Branch has not yet handed down a decision concerning this issue.

Taxation on profits includes income tax and social contribution. Income tax is computed on taxable income at 15%, plus a 10% surtax on profits in excess of R$ 240 in the period of 12 months, while social contribution is computed at 9% on taxable income, and recognized on the accrual basis, therefore the inclusion of temporarily nondeductible expenses for book profit, or temporarily nontaxable exclusions from income considered for calculating current taxable profit generate deferred tax credits or debits.

Tax prepayments or recoverable amounts are stated under current assets when exceeding the amount of tax payable. Deferred income and social contribution taxes are recognized on temporary differences, tax losses and social contribution tax loss carryforwards (“deferred tax credits”).

3. Summary of Significant Accounting Practices (Continued)

(p) Government grants and government assistance:

Government grants and assistance are recognized when there is reasonable assurance that the conditions established by the government have been met and that they will be earned. Initially they are recorded as revenue in income for the time necessary to compare with the expenditure that the government intends to compensate, then they are allocated to the tax incentives reserve in equity, except those guaranteed until December 31, 2007 that were recognized directly in equity.

(q) Accounting estimate:

Accounting estimates are used in the measurement and recognition of certain assets and liabilities in the Company's financial statements and its subsidiaries. These estimates take into consideration the experience from past and current events, assumptions related to future events and other objective and subjective factors. Significant items subject to estimates include the selection of useful lives of fixed and intangible assets; the allowance for doubtful accounts; the provision for inventory losses; the provision for investment losses; analysis of recoverable value of fixed and intangible assets; deferred income and social contribution taxes; the provision for contingencies and actuarial liabilities. The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the inaccuracies inherent to the estimate process. The Company reviews its estimates and assumptions at least on a quarterly basis.

(r) Statement of cash flows:

The statements of cash flows were prepared and are presented in accordance with CVM Rule No. 547 of August 13, 2008, which approved accounting pronouncement CPC 03 – Statement of Cash Flows, issued by the Brazilian FASB (CPC).

3. Summary of Significant Accounting Practices (Continued)

(s) Financial Instruments:

Financial instruments are recognized on the date the Company becomes party to the contractual provisions of the financial instruments. When recognized, they are initially recorded at their fair value plus transaction costs that are directly attributable to its purchases or emissions, except for financial assets and liabilities classified as at fair value through profit and loss (FVTPL), that have their costs recognized directly at P&L for the year. Their subsequent measurement occurs at the time of each balance sheet in accordance with the rules established for each type of classification of financial assets and liabilities. The principal financial assets recognized by the Company are cash and cash equivalents, bank deposits, marketable securities and trade accounts receivable. The principal financial liabilities recognized by the Company are: trade accounts payable, loans and financing, and debentures.

4. Cash and Cash Equivalents

	Company		Consolidated	
	03/31/2009	**03/31/2008**	**03/31/2009**	**03/31/2008**
Cash and banks	**141,839**	31,924	**143,081**	36,832
Securities (*)	**783,735**	754,204	**783,735**	754,204
Total	**925,574**	786,128	**926,816**	791,036

(*) The Company keeps own funds from its activity - in addition to those earned by the sale of shares in February 2006 - 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 98% to 108% in first quarter.Financial income in first quarter 2009 from investment of own funds totaled R$ 23,282 (R$ 23,172 in first quarter 2008).

The Company classifies its marketable securities as available for sale and records them at fair value.

5. Trade Accounts Receivable

Trade accounts receivable mature as follows:

	Company		Consolidated	
	03/31/2009	**03/31/2008**	**03/31/2009**	**03/31/2008**
a) Current assets				
Billed amounts				
Falling due	87,525	97,280	90,374	98,526
Up to 30 days past due	66,062	58,007	66,062	58,527
From 31 to 60 days past due	23,596	25,330	23,596	25,700
From 61 to 90 days past due	12,532	12,326	12,532	12,632
From 91 to 180 days past due	21,737	23,152	21,737	23,433
Over 180 days past due	24,266	19,277	24,266	19,277
	235,718	235,372	238,567	238,095
Unbilled amounts	172,717	159,453	172,717	159,453
	408,435	394,825	411,284	397,548
(-) Allowance for doubtful accounts (*)	(28,505)	(25,878)	(28,670)	(25,878)
Total current assets	379,930	368,947	382,614	371,670
b) Non-current assets				
Long-term				
Unbilled amounts	196,597	201,966	196,597	201,966
Accounts receivable - current and non-current	**576,527**	570,913	**579,211**	573,636

5. Trade Accounts Receivable (Continued)

Trade accounts receivable includes R$8,138 of invoices issued to the State of Minas Gerais, and R$ 2,865 billed to the Belo Horizonte Municipal Government (R$ 7,008 and R$ 2,741as December 31, 2008, respectively).

The balance of unbilled amounts recorded in long-term assets refers to debts renegotiated with the Belo Horizonte Municipal Government, as mentioned in Note 22.

(*) In addition to the amount of the reversal of allowance for doubtful accounts, the Company recorded R$ 9,059 related to losses on realization of receivables, charged directly to the statement of income in first quarter 2009, under the caption selling expenses (R$11,753 in first quarter 2008). Since the year of 2005, the Company started recording write-offs of invoices referring to installment payments to municipal governments due to default on the payment established in the contract.

These amounts are detailed as follows:

	Company	
	03/31/2009	**03/31/2008**
(a) Direct write-off of amounts up to R$5, over 180 days past due, and over R$5, over 360 days past due	**6,432**	10,204
(b) Supplementary allowance for doubtful accounts for amounts falling due and amounts less than 180 days past due, related to specific default customers	**2,627**	1,549
Total	**9,059**	11,753

In first quarter 2009, written-off receivables of R$2,079 (R$5,031 in first quarter 2008) were recovered, recorded as other operating income. Changes in the allowance for doubtful accounts were as follows:

	Company	
	03/31/2009	**03/31/2008**
1. Total at the beginning of the year	**25,878**	15,067
2. Provision (reversion) of the year	**2,627**	1,549
3. Total at the end of the period	**28,505**	16,616

6. Current Assets - Other Receivables

Represented by:

	Company		Consolidated	
	03/31/2009	**03/31/2008**	**03/31/2009**	**03/31/2008**
Prepaid expenses (*)	1,089	1,089	1,091	1,097
Bank account – agreements	352	1,713	2,094	1,742
Short term investments – agreements(**)	27,411	27,524	35169	38,387
Advances to employees (***)	6,132	7,872	6,132	9,311
Sundry	1,275	1,225	1,276	1,225
Total	**36,259**	39,423	**45,762**	51,762

(*) Refers to expenses with the “health program” of the employees of the Company that will be discounted in the subsequent months.

(**) Subsidiary COPANOR has R$ 6,243 deriving from an agreement with the State Department of Health, having generated gross earnings was credited to the said agreement funds.

(***) Refers mainly to the advanced vacation pay and 13th salary in the amount of R$ 5,748 paid to employees that had their vacation in first quarter 2009.

7. Noncurrent Assets - Other Receivables

	Company		Consolidated	
	03/31/2009	**03/31/2008**	**03/31/2009**	**03/31/2008**
Restricted investment (*)	44,371	43,138	**44,371**	43,138
Loan to Águas Minerais (**)	17,505	16,464	**-**	-
Loan to Copanor (***)	5,603	8,817	**-**	-
Loan to Jaíba (****)	1,961	1,861	**-**	-
Sundry	-	-	**945**	946
Total	**69,440**	70,280	**45,316**	44,084

(*) Refers to funds from the ANA (National Water Agency) held by COPASA in the context of the Water Basin Depollution Program (PRODES), to be transferred as payment for the treated waterwaste from the Onça waterwaste treatment station, in the Municipality of Belo Horizonte, and treated waterwaste of treatment station of “Betim Central”, in the Municipality of Betim, through the attainment of treated waterwaste and abatement of polluting emissions goals. Because these goals were not attained, the Company records these funds in long-term liabilities, under the caption Deposits for construction work (Note 18).

(**) It refers to contracts of mutual and payroll related charges relating to employees assigned by the Company to its wholly-owned subsidiary Copasa Águas Minerais de Minas, which will be reimbursed as provided for contractually.

(***) It refers to contracts of mutual and payroll and related charges relating to employees and well drilling expenses assumed by the Company in the municipalities covered by COPANOR’s concession area, which will be subsequently reimbursed by the subsidiary as provided for contractually.

(****) It refers to contracts of mutual and payroll and related charges relating to employees assigned by the Company to its wholly-owned subsidiary Copasa Serviços de Irrigação S.A. which will be reimbursed by the subsidiary as provided for contractually.

8. Investments

	Company		Consolidated	
	03/31/2009	**03/31/2008**	**03/31/2009**	**03/31/2008**
Subsidiaries accounted for under the equity method				
Copasa Águas Minerais de Minas S.A.	9,654	13,222	**-**	-
Copanor	1	1	**-**	-
Copasa Serviços de Irrigação S.A.	161	278	**-**	-
Subtotal	9,816	13,501	**-**	-
Investments accounted for under the cost method				
Prodemge - Cia. Processamento de MG	959	959	**959**	959
Brasil Telecom	66	66	**66**	66
Telesp	99	99	**99**	99
Vivo Participações	43	43	**43**	43
TIM Participações	30	30	**30**	30
Other	22	22	**22**	22
Provision for loss	(959)	(959)	**(959)**	(959)
Subtotal	260	260	**260**	260
Total	10,076	13,761	**260**	260

The main information on the investments in subsidiaries is as follows:

	03/31/2009			12/31/2008		
	Águas Minerais	Copanor	Serviços de Irrigação	Águas Minerais	Copanor	Serviços de Irrigação
Shareholders' Equity	**9,654**	**(4,006)**	**161**	13,222	(3,390)	278
Capital	**13,929**	**1**	**1**	13,929	1	1
Advance for future capital increase	**14,957**	**-**	**-**	14,603	-	-
Profit(loss)	**(19,232)**	**(4,005)**	**160**	(15,310)	(3,391)	277
Number of shares	**13,929**	**1**	**1**	13,929	1	278
COPASA's interest (%)	**100**	**100**	**100**	100	100	100

8. Investments (Continued)

Changes in investments:

	12/31/2008	Equity method	Advance for future capital increase	03/31/2009
Águas Minerais	13,222	(3,922)	354	9,654
Copanor	1	-	-	1
Serviços de Irrigação	278	(117)	-	161
Total	**13,501**	**(4,039)**	**354**	**9,816**

At March 31, 2009, subsidiary COPANOR had an uncovered liability of R$ 4,006. The Company set up a provision for loss in this amount, in order tho offset its share in the aforementioned uncovered liability. This provision was accounted for as current liabilities, under miscellaneous obligations.

COPASA's subsidiary Copasa Águas Minerais shows accumulated loss and working capital deficiency. The operations of Copasa Águas Minerais started up in September 2008, and due to high costs it could not reach its 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 is engaged, and financial support from its parent company. The financial statements of Copasa Águas Minerais, which serve as basis for the Company's equity pickup and consolidation were prepared premised on its continuity and include neither adjustments to realization and classification of its assets nor valuation of its liabilities, which could be requested in the event of discontinuance of its business operations.

9. Property, Plant and Equipment

	Company			
	03/31/2008			12/31/2008
Description	Cost	Accumulated depreciation and amortization	Net	Net
Water systems				
Forest/environmental preservation land	100,980	-	100,980	98,899
Constructions and deep tubular wells	3,197,751	(1,722,821)	1,474,930	1,489,810
Electrical installations	15,163	(12,646)	2,517	3,093
Machinery and equipment (ND) *	22,125	(11,037)	11,088	10,742
Machinery and equipment (AD) *	389,315	(325,775)	63,540	64,218
Well drilling equipment	1,801	(1,188)	613	644
SUBTOTAL	3,727,135	(2,073,467)	1,653,668	1,667,406
Waterwaste systems				
Land	4.252	-	4,252	4,085
Constructions	1,634,913	(475,550)	1,159,363	1,160,158
Electrical installations	251	(93)	158	164
Machinery and equipment (ND) *	6,689	(3,479)	3,210	3,317
Machinery and equipment (AD) *	32,318	(28,194)	4,124	5,183
SUBTOTAL	1,678,423	(507,316)	1,171,107	1,172,907
Items general use				
Land	4,563	-	4,563	3,309
Constructions	100,357	(65,805)	34,552	35,250
Electrical installations	26	(21)	5	4
Furniture and Fixtures	5,836	(3,682)	2,154	2,158
Machinery and equipment (ND) *	38,571	(23,566)	15,005	15,173
Tools	108	(86)	22	23
IT equipment	48,402	(36,472)	11,930	12,589
Vehicles	93,946	(75,065)	18,881	21,062
Motorcycles	6,084	(4,861)	1,223	1,380
Heavy equipment	4,988	(3,736)	1,252	1,423
SUBTOTAL	302,881	(213,294)	89,587	92,371
Investment grants and donations	(32,064)	1,059	(31,005)	(25,432)
Subtotal	(32,064)	1,059	(31,005)	(25,432)
Other	41,398	-	41,398	44,598
Construction inventories	85,686	-	85,686	79,354
Construction in progress	1,516,548	-	1,516,548	1,366,657
SUBTOTAL	1,643,632	-	1,643,632	1,490,609
Total	**7,320,007**	**(2,793,018)**	**4,526,989**	**4,397.861**

(*) ND - Normal depreciation; AD - accelerated depreciation.

9. Property, Plant and Equipment (Continued)

	Consolidated			
	03/31/2009			12/31/2008
Description	Cost	Accumulated depreciation	Net	Net
Water Systems	3,727,135	(2,073,467)	1,653,668	**1,667,406**
Waterwaste Systems	1,678,423	(507,316)	1,171,107	**1,172,907**
Items general use	324,606	(213,693)	110,913	**109,401**
Investment donations and grants	(32,064)	1.059	(31,005)	**(25,432)**
Other	41,398	-	41,398	**44,598**
Advance to suppliers	4,400	-	4,400	**4,400**
Construction inventories	85,686	-	85,686	**79,354**
Construction in progress	1,520,088	-	1,520,088	**1,370,132**
Total	**7,349,672**	**(2,793,417)**	**4,556,255**	**4,422,766**

Other is basically advances for acquisition of land.

Assets allocated to the municipalities where the agreements do not establish refund at the end of the concession, Além Paraíba and Ipatinga systems, are amortized over contractually established terms. Other assets included in property, plant and equipment are depreciated under the straight-line method, based on their estimated useful lives, at the rates shown below:

	% annual
Construction	4
Deep tubular wells	4
Furniture and fixtures	10
Machinery and equipment (ND)	10
Machinery and equipment (AD)	20
Electrical installations	10
Well drilling equipment	15
Vehicles and tools	20
IT equipment	20
Heavy equipment	25

9. Property, Plant and Equipment (Continued)

Depreciation for the first quarter ended 2009 totaled R$ 57,033 (R$ 55,269 in first quarter ended 2008) and were recorded in income.

Water systems refer to assets and installations in 887 locations (unaudited) (883 in 2008) of the State of Minas Gerais, which are operated under the concession agreements signed with the municipalities, for periods ranging from 18 to 99 years, but mostly 30 years.

The balance of construction in progress refers mainly to the expansion and implementation of water systems, in the amount of R$ 554,927 (R$ 446,919 in December 2008), and waterwaste systems, in the amount of R$ 689,396 (R$ 602,083 in December 2008).

In the first quarter, the Company capitalized in the account of Construction in progress, interest and charges in the amount of R$ 11,563 (R$ 14,605 in first quarter 2008).

10. Intangible assets

	Company			
	03/31/2008			12/31/2008
Description	**Cost**	**Accumulated amortization**	**Net**	**Net**
Software license	46,121	(23,092)	23,029	24,563
Guidelines, methods and processes	18,317	(15,934)	2,383	2,569
Expropriations	3,953	(1,938)	2,015	1,993
Concession rights	182,729	(23,477)	159,252	160,767
Other intangibles	391	(266)	125	128
Total	**251,511**	**(64,707)**	**186,804**	**190,020**

	Consolidated			
	03/31/2008			12/31/2008
Description	Cost	Accumulated amortization	Net	Net
Intangibles assets	251,528	(64,709)	186,819	190,035
Total	**251,528**	**(64,709)**	**186,819**	**190,035**

10. Intangibles assets (Continued)

Expropriations refer to amounts paid to owners of land areas used by the Company for installation of water mains. These assets are amortized over the effective period of the concession agreements with the municipalities where they are located.

Concession rights reflect the financial participation in waterwaste construction work and treatment of vale floors, to be performed by the municipalities, and are amortized over the effective period of the concession agreements with the municipalities (Note 24).

Amortization of other intangibles is calculated at the rates shown below:

	% annual
Software license	20
Guidelines, methods and processes	10

The amortization of the first quarter ended is in the amount of R$3,607 (R$3,795 in first quarter 2008) and were recorded in income.

11. Loans and Financing

a) The total was following:

	Company			
	03/31/2009		12/31/2008	
	Current	Noncurrent	Current	Noncurrent
In local currency				
For property, plant and equipment				
Federal Savings and Loans Bank (CEF)	75,852	619,734	72,317	601,531
State Government/BDMG	7,483	19,875	7,524	21,435
National Treasury	31,640	134,780	31,151	142,126
National Bank for Economic and Social Development – BNDES – BNE	85	64,064	47	13,347
Subtotal	115,060	838,453	111,039	778,439
In foreign currency				
For property, plant and equipment				
Banco do Brasil S.A.	2,644	-	2,675	-
Federal Government - bonds	9,616	81,310	8,832	82,543
Subtotal	12,260	81,310	11,507	82,543
Grand total	**127,320**	**919,763**	122,546	860,982

11. Loans and Financing (Continued)

b) Interest rates

Bank	Rates % p.a.	Index	Maturity
Federal Savings and Loans Bank (CEF)	Rates ranging from 6.50% to 11.00% plus 2% administration fee – average 03/31/2009 of 10.15% per annum (10.24% at 12/31/2008).	TR	2029
State government /BDMG	Rates ranging from 8.21% to 10.07% - 03/31/2009 - average of 7.95% p.a. (8.85% at 12/31/2008).	IGP-M	2016
National treasury	5.38%	TR	2014
National Bank for Economic and Social Development - BNDES – BNE	Rates ranging from 1.52% to 2.3 - 03/31/2009 - average of 1.53% p.a. (1.56% at 12/31/2008).	TJLP	2023
Banco do Brasil S.A.	Libor + 13/16 of 1% spread p.a.	Foreign Exchange	2009
Federal Government – bonus (c)	Basket of interest rates (*)	Foreign Exchange	2024

(*)Basket of interest rates - Federal Government - bonds

Bonds	Interest Rate	Commission
Debt Conversion Bond	Libor + 7/8 of 1% p.a. spread	0.2% p.a.
New Money Bonds	Libor + 7/8 of 1% p.a. spread	0.2% p.a.
Flirb	Libor + 13/16 of 1% p.a. spread	0.2% p.a.
C-Bond	8% p.a.	0.2% p.a.
Discount Bond	Libor + 13/16 of 1% p.a. spread	0.2% p.a.
Par Bond	6% p.a.	0.2% p.a.
El Bond	Libor + 13/16 of 1% p.a. spread	0.2% p.a.
Brazilian Investment Bonds	6% p.a.	0.2% p.a.

11. Loans and Financing (Continued)

(c) Federal Government-bonds

This debt, originally contracted with foreign institutions, was included in the agreement concluded by the Brazilian Government with the international financial community, for renegotiation of the Brazilian public sector's external debt with foreign private creditors. Under the provisions of this agreement, approved by the Federal Senate through Rule No. 98, of December 29, 1992, the debt was exchanged for bonds issued by the Federal Government, which became a debtor to foreign creditors.

In substitution for the installments of the principal, several types of bonds were issued, at rates consistent with those usually practiced by the international financial market, as follows:

Type of bond	Amount (US$)	Issue Date	Term years	Grace Period years	Amortization
Debt Conversion Bond	4,975,382,14	04.15.94	18	10	17 semiannual installments
New Money Bonds	187,451,07	04.15.94	15	7	17 semiannual installments
Flirb	190,185,09	04.15.94	15	9	13 semiannual installments
C-Bond	7,166,340,02	04.15.94	20	10	21 semiannual installments
Discount Bond	10,415,393,33	04.15.94	30	-	1 single installment after 30 years
Par Bond	15,187,902,27	04.15.94	30	-	1 single installment after 30 years
Brazilian Investment Bonds	1,154,295,38	08.31.89	25	10	30 semiannual installments
Total	**39,276,949,71**				

11. Loans and Financing (Continued)

(d) Maturity non-current amounts

The long-term portion matures as follows:

	Company	
Maturity	**03/31/2009**	**12/31/2008**
2010	95,397	121,617
2011	127,886	125,177
2012	138,582	131,198
2013	137,540	129,938
2014	99,367	91,681
2015	66,790	59,397
2016	42,433	35,834
After 2017	211,768	166,140
Total	**919,763**	**860,982**

(e) Guaranties

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

1. 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.

1.1. Discount Bond and Par Bond:

As accessory guarantee for this financing, the Company keeps at Banco do Brasil the amount of R$ 35,153 as collateral, restated through March 31st , 2009 (R$ 35,557 in December 31st , 2008) by applying the average price of the Zero Coupon Bond of the US Treasury, recorded under the caption “collateral for financing”.

11. Loans and Financing (Continued)

e) Guaranties (Continued)

2. Fiduciary transfer of receivables and receivables restriction agreement.

In order to ensure the performance of the Company's obligations, undertaken in the FGTS funds transfer agreements, in the context of the Sanitation for All Program, entered into by the Federal Savings and Loans Bank (CEF) as designated administrator and Unibanco, Fiduciary transfer of receivables and receivables restriction agreements have been entered into on July 4, 2006 with the managing agents Bradesco, Itaú and CEF, as follows:

			Contract		
Contract	Number	Original amount	Fiduciary transfer	Restricted Account	Reserve Account
Credit facility I		256,428			
Fiduciary transfer	2006 1637		17,000	17,000	20,689
Amendment	2006 2933		17,000	17,000	
Credit facility II		284,593			
Fiduciary transfer	2006 1639		15,300	15,300	
Amendment	2006 2934		15,300	15,300	
Total		**541,021**			**20,689**

The Company made the following pledges for these agreements:

- Fiduciary collateral transfer of part of COPASA's receivables from water supply and waterwaste collection public utility services provided to its private consumers, in the minimum amount of R$ 17,000 and R$ 15,300 per month, noncumulative, 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 funds deposited in the Restricted Account and Reserve Account in funds, temporary cash equivalents or held under any other type of investment, arising from payments of transferred receivables. As of March 31, 2009 the liquidity fund consisting of the amount of reserve account, which corresponds to three times the amount of the installments falling due and is recorded under the caption Collateral for financing in the amount of R$ 20,689 (R$ 20,306 in December 2008).

11. Loans and Financing (Continued)

e) Guaranties (Continued)

3. Other financing:

- The loans and financing agreements entered into with the Federal Savings and Loans Bank (CEF), to the carry out the institutional development actions in several cities of Minas Gerais and to the performance of works 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 on December 9, 2003 and three (3) times the value of the monthly charge, for the agreement executed on June 30, 2004, calculated based on the collection available for these agreements. The balance of this account, recorded under the caption Collateral for Financing as of March 31, 2009 is R$ 4,813 (R$ 2,872 in December 31, 2008).

- Loans and financing contracts with the National Bank for Economic and Social Development - BNDES for optimization and expansion of water supply systems and sanitation in the concession areas are guaranteed by the sale of part of fiduciary duties arising out of the public service of providing water supply and sanitation, in an amount equivalent to the minimum value of R$ 3,000 and R$ 23,000 per month, adjusted annually by the IPCA / IBGE, and by security deposits on account of the minimum balance corresponding to three (3) times the value of the installments falling due. The balance of this account recorded as financing bond guarantees, at March 31, 2009 is R$ 1,114 (R$ 283 in December 31, 2008).

- Other financing is collateralized by the Minas Gerais State Government and by the Company's tariff revenues.

11. Loans and Financing (Continued)

f) Contractual covenants

The Company's financing agreements have covenants that require the performance of special guarantees, as follows:

(a) Covenants of syndicated agreements:

Ratio	Limit
Total liabilities/shareholders' equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.55
Water and waterwaste connections/Headcount	Equal or greater than 350

(b) Contractual Covenants with CEF - the contracts previously signed with Unibanco, with funds from FGTS (severance pay fund), were transferred to CEF's management, as described in item 2 above.

Ratio	Limit
Total liabilities/shareholders' equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.7
Current liquidity, adjusted	Greater than 0.9
Water and waterwaste connections/Headcount	Greater than 365

(c) Contractual covenants with - BNDES/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

Note that through March 31, 2009, none of the covenants above was breached

12. Debentures

Series	Subscription date	03/31/2009 Current	03/31/2009 Non-Current	12/31/2008 Current	12/31/2008 Non-Current
Nonconvertible Debentures					
Subscriptions made - 1st issuance					
1st and 2nd	06/30/2004	7,886	33,491	7,900	35,402
3rd and 4th	11/09/2004	7,886	33,491	7,900	35,402
5th and 6th	07/29/2004	7,886	33,491	7,900	35,402
7th	12/19/2005	3,943	16,745	3,950	17,701
8th and 9th	04/24/2006	7,886	33,491	7,900	35,402
10th	12/19/2006	3,943	33,491	3,950	17,701
11th and 12th	03/23/2007	7,887	16,746	7,900	35,403
		47,317	200,946	47,400	212,413
Subscriptions made - 3rd issuance					
1st to 6th	12/06/2007	501	150,477	534	150,387
7th	09/25/2008	83	25,079	89	25,058
8th	12/06/2008	250	75,238	6,802	75,194
9th to 11th	03/30/2009	8,477	75,239	-	-
		9,311	326,033	7,425	250,639
Nonconvertible Total		56,628	526,979	54,825	463,052
Convertible Debentures					
Subscriptions made - 2nd issuance					
Single Subscription	08/28/2007	2,100	88,401	316	89,147
Single Subscription	09/06/2007	1,187	49,974	177	49,944
Single Subscription	12/03/2007	59	2,473	9	2,478
Convertible Total		3,346	140,848	502	141,569
Total		**59,974**	**667,827**	**55,327**	**604,621**

12. **Debentures** (Continued)

- Nonconvertible Debentures

(a) Subscriptions made – 1st issuance:

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 (National Bank for Economic and Social Development). These debentures were issued in 12 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 issuance 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 expiration	- July 15, 2014
Yield	- TJLP + 3.58% p.a.
Guarantee	- 20% of revenue, plus reserve account

This first issue is guaranteed by 20% of the Company's tariff revenue and a reserve account, the amount of which is equivalent to three installments falling due, deposited in an investment fund, recorded under the caption "collateral for financing". As of March 31, 2009, the amount pledged as collateral totaled R$17,398 (R$17,644 in December 31, 2008).

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

12. **Debentures** (Continued)

- Nonconvertible Debentures

(b) Subscriptions made – 3rd issuance:

The simple debentures, not convertible into common shares, negotiated in a private deal under exclusive subscription by BNDES – National Bank for Economic and Social Development, are composed of 450 simple debentures of R$1,000 each, whose issuance 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 expiration	December 15, 2019
Yield	TJLP + 2.3% p.a.
Guarantee	Floating, with assignment and binding of receivables, plus reserve account

This 3rd issuance is guaranteed by mensal minimum deposits of R$18,000, related to revenues of the Company, updated annually by the IPCA, and by a reserve account, in which the minimum balance must be equal to 3 (three) undue installments, related to all debentures of all series issued and subscribed, deposited in a investment fund, recorded in the account balance “Collateral for Financing”. As of March 31, 2009, the amount pledged as collateral totaled R$ 5,135 (R$ 5,423 in December 31, 2008).

12. Debentures (Continued)

- Convertible Debentures

(c) Subscriptions made - 2nd issuance:

On June 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
Quantity	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 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 holds 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, maturing at 04:00 p.m. of 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 was firstly made on June 2, 2008 and will end by May 31, 2013. Until May 31, 2012 each debenture can be converted into four common shares issued by the Company and between June 1, 2012 and May 31, 2013 each debenture can be converted into two common shares issued by the Company for R$31.20 each share, updated according to the terms of the deed. Until March 31, 2009 the following conversions have already been completed:

	Number	
Date	Convertible debentures	Convertible debentures
08/04/2008	188	752
03/06/2009	5,396	21,584
03/12/2009	973	3,892
Total	6,557	26,228

12. **Debentures** (Continued)

- Convertible Debentures - Continued

  The funds provided by the 2nd and 3rd issuances will be used in the Company's Investment Plan for the 2007/2010 period to modernize, increase and implement new water treatment stations and waterwaste treatment stations, optimize operations with improvements in the control of loss reduction and for water supply studies and projects and sanitation services, as well as investments in new concessions and institutional development.

- *Covenants*

  Under debentures contracts, the Company has covenants requiring that the following specific ratios are obtained, as follows:

Ratio	Limit
EBITDA/debt service	Equal or greater than 1.5
EBITDA margin	Equal or greater than 33%
Indebtedness ratio	Equal or less than 70%
EBITDA/net revenue	Equal or greater than 36%
Net indebtedness/EBITDA	Equal or less than 3.0

  Note that through March 31, 2009, none of the covenants above was breached.

13. Tax Provisions

	Company		Consolidated	
	03/31/2009	**12/31/2008**	**03/31/2009**	**12/31/2008**
Noncurrent				
PIS/PASEP/COFINS (*)	44,189	43,352	44,189	43,352
IPI Premium Credit (**)	68,955	68,103	68,955	68,103
Total	**113,144**	**111,455**	**113,144**	**111,455**

(*) As of March 31, 2009, the utilization of PIS/PASEP and COFINS deemed credits to offset taxes in January 2004 August 2007 represented R$ 44,189 (R$ 43,352 as of December 31, 2008). 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 conduced by independent consultants, which resulted in the refinement of the estimate of the tax bases, the Management decided to provide for the use of these tax credits until the legal basis of such credits is defined.

(**) In 2001, we acquired from third parties, at a 15% discount, R$65,800 million worth of credit premiums relating to IPI (Federal VAI), or IPI, an excise tax, which we offset against other federal tax debts. The aforesaid credits were obtained on the basis of preliminary injunctions from legal actions filed by credit assigning companies. Although the Brazilian IRS (Secretaria da Receita Federal) 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 (i.e., acquisition from third parties), the legal nature of IPI credit premiums, or because of the still pending underlying court proceedings, such IPI credit premiums may not be offset. Until recently, the Higher Court of Justice used to recognize the IPI credit premium right. However, the relevant case law has been recently changed, advancing the legal theory that, for consisting of a sectorial incentive, the term of effectiveness would have been on October 5, 1990.

13. Tax Provisions (Continued)

We understand that the subject depends upon conclusive judgment by the Federal Supreme Court.

Considering the current legal scenario, our outside lawyers assessed the chances of loss involving this matter as probable. However, we have sound legal grounds to claim that part of the compensation was tacitly approved. Thus, there are fairly tenable arguments to assert the termination of obligations with the Brazilian IRS in relation to cases in which more than five years have elapsed between the date of the offsetting statement and any notice by the Brazilian IRS to disallow the tax amount offset. As regards the approval of offsetting requests claimed for more than five years without any notice to disallow the claim being served by the Brazilian IRS, our outside lawyers estimate the chances of loss on this part of the contingency as possible. At March 31, 2009, the balance of this provision is R$ 68,955 (R$ 68,103 at December 31, 2008), as per the Company calculations , including late-payment fine and interest charges by reference to the SELIC rate, and not considering tax credit amounts offset for more than five years without any approval or rejection expressed by the Brazilian IRS.

14. Contingencies

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

(a) Lawsuits with probable likelihood of loss

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

The Company, based on the opinions of its legal counsel and Management, recognized a reserve for these contingencies in an amount sufficient to cover probable losses. The accrued amounts are presented according to the nature of the corresponding lawsuits, as follows:

	Company					
Nature	**03/31/2009**			**12/31/2008**		
	Reserve	**Escrow Deposits**	**Net**	**Reserve**	**Escrow Deposits**	**Net**
Civil (*)	13,081	-	13,081	12,065	-	12,065
Labor (**)	14,713	(754)	13,959	14,818	(742)	14,076
Tax (***)	498	(125)	373	4,335	(125)	4,210
Total	**28,292**	**(879)**	**27,413**	**31,218**	**(867)**	**30,351**

Changes in contingencies and escrow deposits at the first quarter are as follow:

Nature	**03/31/2008**	**Additions**	**Reversions**	**Use**	**03/31/2009**
Civil	12,065	1,852	-	(836)	13,081
Labor	14,818	644	(260)	(489)	14,713
Tax	4,335	58	(1,698)	(2,197)	498
Subtotal	31,218	2,554	(1,958)	(3,522)	28,292
Escrow deposits	(867)	(59)	-	47	(879)
Total	**30,351**	**2,495**	**(1,958)**	**(3,475)**	**27,413**

14. Contingencies (Continued)

(a) Lawsuits with probable likelihood of loss (Continued)

The details on the recognized reserves are as follows:

(*) Reserves for civil lawsuits are related to claims for compensation for property damage 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 2003 tariff increase for the City of Belo Horizonte, since COPASA applied the increase rate to the first bills issued after the increase date, rather than billing the consumption subsequent to the increase date. In challenging the legality of the tariff increase, the Public Prosecution Office proposed the cancellation thereof. The final decision found for the partial validity of the claim and required the Company to return to customers the portion of the tariff increase corresponding to the consumption preceding the increase date. The proceedings for execution of the award are currently ongoing. This contingency, as of March 31, 2009, was estimated at R$2,324, which has been fully provisioned (R$2,295 of December 31, 2008).

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 process had to be reclassified to a probable loss contingency. Accordingly, the Company set up a provision deemed sufficient to cover the likely loss on this suit, which amounts to R$ 2,254 at March 31, 2009 (R $2,226 at December 31, 2008).

14. Contingencies (Continued)

(a) Lawsuits with probable likelihood of loss (Continued)

(**) 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, challenge of instances of termination for cause, reinstatement of low risk healthcare plan and continuity of staples basket payment. COPASA has provisioned all labor claims where the outcome was considered a probable and/or possible loss, which represents approximately 33.81% of the potential liabilities estimated for all labor claims.

We also appear as a co-liable joint defendant, with the principal liability lying with outsourced contractors that provide maintenance and construction services to the Company. 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, COPASA may be legally compelled to settle the labor liability, for which reason the prospects for loss in these cases are considered possible. As of March 31, 2009, the Company recorded a reserve for contingencies in the amount of R$1,821 (R$ 2,355 as of December 31,2008), for potential liability concerning these cases, taking into account the existence of contractors that are undergoing financial difficulties and could potentially default.

14. Contingencies (Continued)

(a) Lawsuits with probable likelihood of loss (Continued)

In addition, we are currently a party to fifteen administrative proceedings initiated after an inspection by officials representing the Regional Labor Office, which resulted in infringement notices on allegation that we failed to compute the effects of overtime worked over the employees' weekly rest remuneration, such that this would represent undue reductions in salaries, leading to the notices and a fine for each employee found to be in the same situation. This in turn affects our contributions to the Severance Pay Fund (FGTS. The likelihood of loss in eleven of these lawsuits was assessed as possible, and a reserve in the amount of R$ 6,906 (R$ 6,773 as of December 31, 2008).

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. We estimate that the loss on this lawsuit totals R$ 1,011, which is duly provided for at March 31, 2009 (R$ 1,000 at December 31, 2008).

14. Contingencies (Continued)

(b) Lawsuits with possible likelihood of loss(Continued)

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

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

	Company	
Nature	**03/31/2009**	**12/31/2008**
Civil (*)	446,840	462,216
Tax (**)	7,873	7,774
Total	**454,713**	**469,990**

(*) 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:

(a) Individual Lawsuits

We are parties to a significant number of individual lawsuits claiming damages for the disconnection of water service, occupational accidents and damages caused by construction. These lawsuits were filed in the normal course of our 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 our activities, among other matters. We do not believe that an unfavorable outcome in these legal actions, either individually or in the aggregate, would have a material adverse effect on our business, results of operations, financial condition or prospects.

14. Contingencies (Continued)

(b) Lawsuits with possible likelihood of loss (Continued)

(b) Public Civil Actions

In addition, we are parties to public civil actions and class actions that challenge, and seek to annul, declare void or suspend 12 of our concession agreements, namely those executed with the municipalities of Almenara, Caratinga, Campina Verde, Cataguases, Divinópolis, Frutal, Lavras, Leopoldina, Nanuque, Ribeirão das Neves, São Gotardo and Três Corações. Moreover, we, the City of Belo Horizonte and SUDECAP are parties to a class action that seeks to have the cooperation services agreement declared void. In this latter case, the parties submitted their final arguments and the lawsuit is currently pending judgment. Our summation claims for dismissal on the grounds of impropriety of the class action and, as to the merits, for denial of the complaint based on the argument that the cooperation services agreement is a lawful and valid instrument. As of March 31, 2009, no judgment had been rendered on any of these lawsuits, except Caratinga, and we had not made any provisions because we consider that our prospects of a defeat are either remote or possible. The opinions of renowned jurists and a precedent of the Court of Appeals of the State of Minas Gerais concerning a similar case are all in favor of our position that the concession agreements and the cooperation services agreements are lawful, valid and binding instruments. In any event, an unfavorable outcome in any of these lawsuits could adversely affect our business and financial condition, as it would result in the loss of our concessions or the cooperation agreement.

14. Contingencies (Continued)

(b) Lawsuits with possible likelihood of loss (Continued)

(b) Public Civil Actions (Continued)

Furthermore, we are parties to an execution action for collection of a sum certain and to a specific performance claim, both of which result from noncompliance with a TAC entered into with the Public Attorneys' Office of the municipality of Betim, which, as of March 31, 2009, amounted to R$ 34,626 (R$ 34,200 as of December 31, 2008). We filed a motion to stay the execution and dispute the allegation of noncompliance arguing that, to the extent of our ability, we did implement the construction work required from us so as to meet the increase in demand resulting from population growth within the municipality, though having had no control over the implementation of certain infrastructure work it was incumbent on the municipality to provide. We are currently awaiting the report to be submitted by the court-appointed expert in respect of his investigation of the facts. The likelihood of loss was assessed as possible. Accordingly, no reserve has been recorded in connection with this lawsuit.

(c) Environmental Actions

We are a party to a number of public civil actions and class actions concerning environmental matters, which were filed against us in the normal course of our business. For the most part, these proceedings involve claims for compensation and investments in preservation of the environment for alleged environmental damages resulting from the construction of waterwaste treatment plants. Though these claims generally do not involve significant amounts, we may be required to make substantial investments and/or to abstain from certain operating practices.

One of these environmental class actions involve material contingencies amounting to R$ 59,002 as of March 31, 2009 (R$ 58,277 as of December 31, 2008). We dispute in these proceedings claims for compensation of environmental damages related to effluents discharged in the São Francisco River. Until the moment no decision was sentenced for this case, which we assess the likelihood of loss as possible.

14. Contingencies (Continued)

(b) Lawsuits with possible likelihood of loss (Continued)

(d) Instruments of Adjustment of Conduct - TACs

In the past we executed several TACs, with the Prosecution Office of the State of Minas Gerais concerning environmental issues arising out of administrative and civil investigations of our operations. We also settled a public civil action by means of an instrument of adjustment of conduct entered into with the Prosecution Office, which provides for completion of the sanitary waterwaste system in the municipality of Paracatu in addition to payment of a civil indemnity.

In most cases, these compliance agreements require us to implement or improve local sanitary waterwaste systems or waterwaste treatment plants in order to prevent discharges of untreated effluents into bodies of water (rivers, creeks, etc.). The investments required for compliance with our undertakings in these TACs are included in our capital expenditure plan.

(**) The most significant ones are as follows:

In April 2004, the Company was assessed by the Federal Revenue Service for not including in the PASEP and COFINS (taxes on revenue) tax basis the financial income from monetary variations of liabilities, generated by the decrease in the US dollar rate. The tax liability as of March 31, 2009 amounts to R$ 25,792 (R$ 25,475 as of December 31, 2008) and may be classified as a possible contingency, since there are no previous decisions on the matter. However, the Company filed an administrative appeal for rejection and contestation of the tax assessment notice and will sustain its position at higher courts, if necessary, until the final decision. Based on the opinion of legal counsel, management believes that the recognition of a reserve for this assessment is not presently necessary.

14. Contingencies (Continued)

(b) Lawsuits with possible likelihood of loss (Continued)

(d) Instruments of Adjustment of Conduct - TACs (Continued)

In relation to COFINS, it is important to mention that the administrative appeal filed was denied on June 14, 2005, and concerning PIS/PASEP, the administrative appeal is still awaiting decision before the Second Board of Tax Appeals. However, the Superior Justice Court, in a recent decision, declared the unconstitutionality of Law No. 9,718/98 related to the extension of the tax basis of said contribution. Accordingly, the Company intends to appeal in court for voiding of the administrative act that recognized the tax credit supported by unconstitutional legislation.

15. Employees' Bonus

The Company's management, pursuant to the 2005/2007 Collective Agreement signed with the its employees' unions, approved the rules of the Company Employees' Bonus Program ("Programa de Participação dos Empregados nos Lucros da Empresa") as decided in a meeting held on October 28, 2005 and in accordance with prevailing legislation. The amount to be distributed is equivalent to 25% of the mandatory minimum dividends paid to shareholders, or 6.25% of net income for the year, 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 operating profit.

However, the 2008/2010 Collective Agreement intoduced changes to the previous regulation, which was approved on the meeting of July 25, 2008, establishing that the computed amount shall be linearly distributed among all employees, in equal two installments the first one payable in April's payroll and the second one in October's.

At first quarter ended then March 31, 2009, the Company provided R$ 8,191, to honor this commitment.

16. Technical Cooperation Agreements

Refers mainly to funds received, after July 2006, related to the agreements entered into by the Company with the State Regional Development and Urban Policy Department, 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 another interior regions of the State of Minas Gerais.

The amounts received from agreements are applied on specified works on the terms under the agreements themselves, and their amounts, when received, are recognized in the Technical cooperation agreement accounts under Current liabilities, and when used, in Current assets pending matching of accounts.

The amounts were following:

	Company					
	03/31/2009			31/12/2008		
	State	Other	Total	State	Other	Total
Assets	168,532	24,840	193,372	157,971	18,004	175,975
Liabilities	178,611	12,646	191,257	171,412	12,083	183,495
Net	**10,079**	**12,194**	**2,115**	**13,441**	**5,921**	**7,520**

	Consolidated					
	03/31/2009			31/12/2008		
	State	Other	Total	State	Other	Total
Assets	186,776	24,840	211,616	175,543	18,004	193,547
Liabilities	203,556	12,646	216,202	195,434	12,083	207,517
Net	**16,780**	**12,194**	**4,586**	**19,891**	**5,921**	**13,970**

17. Pension Plan

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 is equal to the one made by participating employees, pursuant to Supplementary Laws No. 108 and 109, of May 29, 2001 and previously prepared actuarial reports.

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

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. The liabilities as follows:

	Company	
	31/03/2009	**31/12/2008**
Interest current	489	490
Special contribution	6,137	5,974
Normal contribution	4,962	9,458
Total – current liabilities	**11,588**	**15,922**
Special contribution	94,417	94,805
Prior years contributions	79,940	84,021
Total – non current liabilities	**174,357**	**178,826**
Total	**185,945**	**194,748**

In the 1st quarter of 2009, P&L was affected by the reversal of the provision for actuarial liabilities (net) for R$ 4,081 (in the 1st quarter of 2008, there was no recording affecting P&L).

18. Other Payables

	Company		Consolidated	
	03/31/2008	**12/31/2008**	**03/31/2008**	**12/31/2008**
Current				
Electric power (*)	27,754	33,165	27,754	33,165
Municipal governments (**)	10,935	11,203	10,935	11,203
Other	5,374	3,872	5,442	3,971
Total Current	**44,063**	**48,240**	**44,131**	**48,339**
Noncurrent				
Electric power (*)	46,732	51,109	46,732	51,109
Construction work (***)	38,095	37,077	38,095	37,077
Deferred revenue	4,375	6,249	4,375	6,249
Provision loss	4,006	3,391	-	-
Other	-	5	-	5
Total Noncurrent	**93,208**	**97,831**	**89,202**	**94,435**

(*) Refers to the installment payment of the debt arising from past-due bills, in conformity with the agreement and acknowledgement of debt formalized with Companhia Energética de Minas Gerais - CEMIG, through which the Company recognized the debt of R$78,495, which was agreed to be divided into 96 monthly and consecutive installments until September 2012, restated based on the IGP-M, plus interest of 0.5% per month. As of March 31, 2009, there are 42 installments to be paid.

(**) Part of this debt refers to offset of accounts and obligation assumed in renovation of concession agreements with several municipalities

18. Other Payables (Continued)

(***) In December 2003, the Company received funds amounting to R$ 12,636 transferred from the National Water Agency - ANA, in return for the Federal Government participation in the construction of the Waterwaste Treatment Plant of Ribeirão Arrudas, in the City of Belo Horizonte . In accordance with clause 6 of contract 012/2003 signed with the National Water Agency - ANA on November 21, 2003, the payment for treated waterwaste will be made to the Company in two quarterly consecutive installments after certification of the goals of reduction of pollutant loads to be issued by that agency. The term of contract originally scheduled for December 31, 2007 was postponed to July 1st, 2013, changing the date of the request for issuance of certification by the Company to July 1st, 2009, as provided for in the 3rd Addendum to the contract signed on August 15, 2007. As the Company already has, since November 2008, studies that prove the achievement of 1st stage of the goals, planned for July 2009, the right to 1 / 3 of the amount passed on by ANA was recognized, corresponding to R$ 7,499, of which R$ 1,250 was credited in financial income and R$ 6,249 in deferred income in December 31, 2008.

The Company recognized in revenues for the 1st quarter of 2009 the amount of R$1,875, consisting of deferred income recorded in 2008, and R$214 consisting of 1/3 of revenues forthe quarter arising from the investment of funds received. The invested amount, updated until March 31, 2009, consisting of this transfer is R$23,141 (R$22,498 at December 31, 2008) (Note 07).

As of December 31, 2007, the Company received additional R$18,720 of a new transfer of funds from ANA (National Water Agency), as a counterpart to the participation of the Federal Government in the construction of the waterwaste treatment station of “Betim Central”, in the municipality of Betim. Under clause 6 of the agreement 039/2007, signed with ANA on December 11, 2007, settlement of sanitary waterwaste will be made in 12 quarterly, successive installments, contingent to the certification of the limit reduction of pollution emissions to be established by ANA. The request to issue the certificate should be made by the Company until June 30, 2009, as provisioned in the mentioned agreement. The updated balance of the funds transferred, as of March 31, 2009, is R$21,230 (Note 7) (R$ 20,640 in December 31, 2008).

19. Shareholders' Equity and Dividends

(a) Capital

	Company	
	03/31/2008	**12/312008**
Authorized capital	3,000,000	3,000,000
Unsubscribed capital	(367,936)	(367,735)
Subscribed and paid-up capital	**2,633,064**	**2,632,265**

Subscribed and paid-up capital is represented by 114,821,000 common shares, as follows:

	Company			
	03/31/2009		**12/31/2008**	
Shareholders	Amounted	%	Amounted	%
State of Minas Gerais	61,188,867	53.12	61,188,867	53.13
Other	53,632,133	46.56	53,605,905	46.55
Subtotal	114,821,000	99.68	114,794,772	99.68
Treasury Shares	370,176	0.32	370,176	0.32
Total	**115,191,176**	**100.00**	**115,164,948**	**100.00**

19. Shareholders' Equity and Dividends (Continued)

(a) Capital (Continued)

As of March 2008, the Municipal Government of Belo Horizonte and CODEMIG held 9,67% and 6,64% interest in the Company, respectively. On May 27, 2008, after exercising of the supplementary shares by the Global Coordinator, the Announcement of the Closing of Public Offer for Secondary Distribution of Common Registered Book-entry Shares with no par value, free and clear from any lien or encumbrance, issued by Companhia de Saneamento de Minas Gerais – COPASA MG and held by the shareholders CODEMIG and Belo Horizonte Municipality, through which 18,776,521 shares were distributed, of which 7,641,537 are held by CODEMIG and 11,134,984 by the Belo Horizonte Municipality, at the unit price of R$24.50, totaling R$460,025.

On August 4, 2008 and on March 6 and 11, 2009 a number of debenture-holders conversed 188, 5,396 and 973 debentures, respectively, into 26,228 common shares of the Company, and each debenture was conversed into 4 common shares, as established in the 2nd Issue Deed for debentures convertible into shares. With this, the Company's free float increased to 46.5%.

At May 05, 2008, Mackenzie Financial Corporation, in the capacity of mutual fund administrator advisor and/or sub-advisor, informed us that participation of such funds in the total Company capital reached 5.02%.

(b) Treasury Shares

The Company holds 370,176 own shares in treasury, in the amount of R$9,190, mainly acquired from the shareholder State of Minas Gerais, through transactions related to settlement of debts originated from the provision of water and waterwaste services and technical cooperation agreements.

(c) Profit retention

At April 28, 2009 in the annual shareholders'meeting, management approved a proposal for a profit retention of R$270,281, for future investments by the Company, in line with the "action plan" approved by the Board of Directors, to be performed in the long term.

19. Shareholders' Equity and Dividends (Continued)

(d) Tax Incentive Reserve

It consists of the allocation of tax incentives deriving from government grants and donations appropriated to income for the year in accordance with Article 195-A of the Corporation Law, included by Law No. 11638/07, effective from January 1, 2008.

In year 2008, R$1,250 was allocated to income relating to the incentive for the fulfillment of the 1st stage of the goal of reduction of pollutant loads at Betim Waterwaste Treatment Plant, scheduled for July 2009 (Note 18). This incentive was granted by the Water National Agency – ANA with funds from the National Program of Water Basins Depollution (PRODES).

(e) Shareholders' remuneration

The Company's board of directors approved the payment of interest on equity capital to shareholders for R$37,229, as decided in the following meetings;

Date	Gross amount reported	Total per share
03/27/2009	37,229	(*)
	37,229	

(*) The payment of 114,795,524 shares entitled to full remuneration will amount to R$0.32424988273 per share, whilst 25,476 shares entitled to pro rata temporis remuneration will amount to R$0.2431739677 per share.

Interest on equity capital reported will be assigned to mandatory dividends for 2009.

As provided for in Article 9 of Law No. 9249/95, and observing the Long Term Interest Rate – TJLP, interest was recorded as financial expenses deductible for the calculation of income tax and social contribution, generating a tax benefit of R$ 12,658. For corporate purposes, the interest on equity is being disclosed as a debit to retained earnings, under shareholders' equity.

19. Shareholders' Equity and Dividends (Continued)

(e) Shareholders' remuneration (Continued)

The changes interest on equity is following:

	03/31/2009	12/31/2008
Total in December 31, 2008	111,008	-
Interest on equity	37,229	115,861
Withholding income tax in advance	(2,947)	(4,880)
Remaining balance for years 2006 to 2008	-	27
Balance of interest on equity in current liabilities	**145,290**	**111,008**

20. Income and Social Contribution Taxes

(a) Income Tax

The amount recorded as income tax expenses in the Financial Statements is calculated as follows:

	Company	
	03/31/2009	**03/31/2008**
Income of period before taxes	154,214	135,543
Employees' Bonus	(8,191)	-
	146,023	135,543
Additions		
Realization of the special monetary adjustment reserve	2,913	3,260
Donations/grants recorded in shareholders' equity	6,065	5,530
Temporary nondeductible provisions	12,502	11,925
Deferred exchange rate variation expenses related to loss on unsettled transactions	605	427
Equity Result	4,653	644
Other	61	162
	26,799	21,948
Deductions		
Nondeductible provisions - write-off of settled lawsuits	3,522	603
Reversal of nondeductible provisions	1,550	1,339
Donations/grants recorded in shareholders' equity	2,089	-
Reversion nondeductible expenses – previminas	4,081	-
Deferred exchange rate variation expenses related to loss on unsettled transactions	1,055	1,288
Reversal of unchargeable accounts	7,728	5,470
Other	911	892
	20,936	9,592
Tax basis	151,886	147,899
Rate (25%)	37,972	36,975
Deferred Income Tax	(460)	(913)
Total accrued	**37,511**	**36,062**

20. Income and Social Contribution Taxes (Continued)

(b) Social contribution

The amount recorded as social contribution expenses in the Financial Statements is calculated as follows

	Company	
	03/31/2009	**03/31/2008**
Income of period before taxes	154,214	135,543
Employees' Bonus	(8,191)	-
	146,023	135,543
Additions		
Realization of the special monetary restatement reserve	2,913	3,260
Temporary nondeductible provisions	12,502	11,925
Deferred exchange rate variation expenses, related to loss on unsettled transactions	605	427
Equity Result	4,653	644
	20,673	16,256
Deductions		
Nondeductible provisions - write-off of settled lawsuits	3,522	604
Reversal of nondeductible provisions	1,550	6,809
Donations/grants recorded in shareholders' equity	2,089	-
Reversion nondeductible expenses – previminas	4,081	-
Reversal of unchargeable accounts	7,728	-
Deferred exchange rate variation expenses, related to loss on unsettled transactions	1,055	1,288
Other	7	3
	20,032	8,704
Subtotal	146,664	143,095
Offset of tax loss	-	(4,183)
Tax basis	146,664	138,912
Rate (9%)	13,200	12,502
Deferred Social Contribution	(166)	48
Total accrued	**13,034**	**12,550**

20. Income and Social Contribution Taxes (Continued)

(c) Deferred income and social contribution taxes

In compliance with Executive Act No. 2,158/99, since 2003 the Company determines the exchange variation for tax purposes on a cash basis. In light of the above, the excess of exchange variation recorded on an accrual basis accumulates a balance, as of March 31, 2009, of R$18,453 related to credits arising from deferred exchange gains. The Company accrues in long-term liabilities income tax at the rate of 25% and social contribution tax at the rate of 9% of said balance.

As of March 31, 2009, the Company has also tax credits of income tax, accrued at the rate of 25%, and social contribution at the rate of 9%, as follows:

	Company			
	Assets		Liabilities	
	03/31/2009	03/31/2008	03/31/2009	03/31/2008
Basis accrual				
1.Income from deferred exchange variation related to gains on unsettled transactions	-	-	18,453	47,492
2. Negative basis social contribution	-	-	-	-
3. Allowance for doubtful account	28,505	16,616	-	-
4. Reserves for contingencies	28,292	35,761	-	-
5. Tax provision – IPI premium-credit	68,955	65,365	-	-
6. Tax provision - PASEP/COFINS	44,189	40,747	-	-
7. Provision for loss – investments	959	-	-	-
8. Provision for loss - inventory	2,671	-	-	-
Total	173,572	158,489	18,453	47,492
Deferred income and social contribution taxes:				
On debits				
Income tax (18.903 x 25%)	-	-	4,613	11,873
Social contribution tax (18.903 x 9%)	-	-	1,661	4,274
On credits				
Income tax (172.179 x 25%)	43,393	39,622	-	-
Social contribution tax (172.179 x 9%)	15,621	14,264	-	-
Total	**59,014**	**53,886**	**6,274**	**16,147**
Short term	**(1,320)**	**-**	**-**	**-**
Long term	**57,694**	**53,886**	**6,274**	**16,147**

20. Income and Social Contribution Taxes (Continued)

(c) Deferred income and social contribution taxes (Continued)

In meetings on March 26 and 27, 2009, a technical study was approval of the Supervisory Board and the Board of Directors, respectively, prepared by the Finance Board and Investor Relations. 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 over a maximum 10-year period, as defined in CVM Instruction No. 371.

According to the aforementioned technical study, the future taxable income allows realization of deferred tax assets existing at March 31, 2009, as estimated below:

	Parent Company
Years	Expected Realization - Company
2009	1,320
2010	14,233
2011	18,795
2012	5,742
2013	8,979
2014 to 2018	9,945
Total	**59,014**

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

The realization of tax credits related to reserve for contingencies was allocated to the last years of the projections due to the difficulty in anticipating the outcome of these litigations.

21. Financial Income, (Expenses)

The change in financial income (expenses) in the first quarter ended the 2009 in relation to the first quarter ended the 2008 year as follows:

	Company		
Description	**01/01/2009 to 03/31/2009**	**01/01/2008 to 03/31/2008**	Variation
Financial income	41,046	32,970	8,076
Income of exchange and monetary variation	5,743	4,586	1,157
Income – sub total	46,789	37,556	9,233
Financial expenses	(31,740)	(19,264)	(12,476)
Expenses of exchange and monetary variation	(12,924)	(14,734)	1,810
Expenses – sub total	(44,664)	(33,998)	(10,666)
Result	2,125	3,556	(1,433)

22. Provision of Public Water and Waterwaste Services in Belo Horizonte

On November 13, 2002, the State and the Municipality signed a cooperation agreement to ensure that the Company will continue to provide water supply and sanitary waterwaste services in Belo Horizonte for another 30 years.

On April 30, 2004, the First Amendment to this agreement was signed. The main items of the cooperation agreement, consolidated by the amendment, are as follows:

1) All water and sanitary waterwaste piping own by the Municipality, existing on May 23, 2000, was transferred, upon sale, to the Company's assets after they have been duly evaluated, upon payment by means of the Municipality's ownership interest in the Company's capital, according to the provisions of Municipal Law No. 8,754, of January 2004, 16. The purchase of said assets was approved in the Extraordinary Shareholders' Meeting held on April 30, 2004 and was performed in the amount of R$280,220, according to an appraisal report prepared by a specialized company.

22. Provision of Public Water and Waterwaste Services in Belo Horizonte (ontinued)

2) After the end of the term of this agreement the assets sold to the Company and merged into its assets will be reversed to the Municipality's assets upon repurchase after valuation at that time.

3) The assets arising from investments performed by the Company, beginning May 24, 2000, through the end of the effective period of this agreement, will also be merged into the Municipality's assets and reimbursed to the Company after valuation at that time.

4) The Municipality declared and recognized the debt under its responsibility in the total amount of R$70,662, related to November 30, 2002, corresponding to invoices of the water and waterwaste services issued through November 2002, still pending payment. This debt will be paid in 335 monthly, consecutive installments, each equivalent to 202,838.77m³ of water, beginning January 2005. The amount of each installment in local currency will be calculated by multiplying the volume to be settled by the average tariff billed per m³ in Belo Horizonte, plus simple interest of 0.5% per month, beginning November 2002. In March 31, 2009 the total amount to receivable registered were R$ R$ 205,302 (R$ 8,705 in current assets and R$ 196,597 in non current assets) (Note 5), R$ 210,811 in December 31, 2008 (R$ 8,845 in current assets and R$ 201,966 in non current assets).

5) The Company will assume the costs of the DRENURBS (Environmental Rehabilitation and Sanitation Program for Valley Floors and Natural Bed Streams of Belo Horizonte) up to the amount of R$170,000. The Company and the Municipality are negotiating the installment adjustment index and a new date to begin payments, which, according to contract, should have begun in January 2008, in monthly installments over a 24-year period. The amounts will be monetarily restated according to the index to be established by the parties before the beginning of payments.

23. Financial Instruments

(a) Fair value of financial instruments

The fair values of the Company's financial instruments are as follows:

	Company	
	03/31/2009	
	Carrying value	Fair value
Assets:		
Temporary cash investments (Note 4)	783,735	784,601
Collateral for financing (Note 11 and 12) and restricted investments (Note 7)	128,673	128,673
Total	912,408	913,274
Liabilities:		
Loans and financing (Note 11)	1,047,083	1,104,158
Non convertible debentures (Note 12)	583,607	600,110
Convertible debentures (Note 12)	144,194	146,148
Total	1,774,884	1,850,416

The market values of liabilities are calculated through the projection of the balance due as adjusted by the contractually established rate over the months remaining to pay. The amount identified retroacts to the current period using the market rates indicated below:

23. Financial Instruments (Continued)

(a) Fair value of financial instruments (Continued)

	Contractual rate	Period (months)	Market rate	Notes
CEF/FGTS	10.15%	225	8.50%	Federal Savings and Loans Bank (CEF) rate at Dec/08
State Government/BDMG	7.95%	75	8.85%	Same rate once there is no similar tax
Brazilian Treasury	5.38%	61	8.50%	Same as CEF rate as there is no similar tax
BNDES/BNE	7.78%	123	7.98%	National Bank for Economic and Social Development (BNDES) rate at Dec/08
Banco do Brasil (Bank of Brazil)	4.77%	12	8.50%	Same as CEF rate as there is no similar tax
União Federal (Federal Union)	6.44%	192	8.50%	Same as CEF rate as there is no similar tax
Debentures	9.10%	67	7.98%	BNDES rate at Dec/08
Debentures – shares	8.55%	60	7.98%	BNDES rate at Dec/08

As of March 31, 2009, the Company's indebtedness was subject to the following:

Index	Related indebtedness (%)
TR	48.6
IGP-M	1.5
US dollar	5.3
TJLP	44.6

The Company does not have swap contracts for indexes, interest and/or indicators, or any other financial instruments that may be classified as derivatives.

23. Financial Instruments (Continued)

(b) Concentration of credit risk

A significant portion of sales is distributed among a large number of customers. In the case of these customers, the credit risk is minimal due to the large portfolio and the control procedures, which monitor this risk.

Doubtful accounts are adequately covered by an allowance for possible losses on their realization.

(c) Foreign currency

Transactions in foreign currency consist of loans financings for specific work to improve and expand water supply and waterwaste collection and treatment systems. The Company does not hedge exchange risks.

The Company's exposure in foreign currency, represented by its US dollar-denominated debt, amounts to R$ 93,570 as of March 31, 2009 (R$ 94,050 in December 31, 2008), approximately 5.3% of its total debt (approximately 5.7% in December 31, 2008). As of March 31, 2009, the Company maintains collateral of R$35,153 (R$ 35,557 in December 31, 2008) as guarantee of part of foreign currency-denominated financing (Note 11).

(d) Interest rate risk

The Company is exposed to the elevation of the international interest rates, with the impact to loans and financings in foreign currency with floating interest rates (mostly referred to the contracts linked to the Federal Union – Bonds).

23. Financial Instruments (Continued)

(d) Interest rate risk (Continued)

The increase of national interest rates was partially reduced, due to the indexation of the assets to the interest rates as follows:

	Company	
Company's exposure to national interest taxes	**03/31/2009**	**12/31/2008**
Assets:		
Investments (Note 4)	783,735	754,204
Liabilities:		
Loans and financing and debentures (notes 11 and 12)	1,681,314	1,549,426
Obligations than assets	**897,579**	**795,222**

(e) Sensitivity Analysis

- Credit concentration risk

The Company's financial instruments that are exposed to credit concentration risk are represented by loans indexed to the exchange rate in the amount of R$ 93,570, which risk in an unexpected significant US dollar appreciation will be at levels compatible with its existing financial resources, as mentioned in Note 4.

- Fair market value

At March 31, 2009, the Company has R$ 783,735 invested in Bank Deposit Certificates - CDBs. For these investments, fair value tests were performed, resulting in an immaterial difference.

- Nonderivative financial instruments

At March 31, 2009 and December 31, 2008 the Company has only nonderivative financial instruments, duly recognized in the financial statements, such as: Cash and cash equivalents (Note 4), Marketable securities (Note 4), Loans and financing (Note 11) and Debentures (Note 12).

24. Commitments

COPASA signed agreements to build new systems whereby liabilities are recorded as services are provided. Following are the main agreements with contractors (unaudited):

Contractor	Amount	Signature Date	Term in days (1)
Comim Construtora Ltda.	118,956	11/25/2008	720
Consorcio ICOMON-ACCIONA ÁGUA	64,802	03/02/2009	365
Mendes Junior Trading s.a.	54,837	03/31/2009	300
Saint Gobain Canalização Ltda.	49,570	12/18/2008	365
Construtora EMCCAMP Ltda.	41,330	12/30/2008	540
Comim Construtora Ltda.	40,951	11/28/2008	720
SONEL Soc. Nacional Eletric. Hidr. Ltda.	30,851	12/29/2008	720
SONEL Soc. Nacional Eletric. Hidr. Ltda.	19,810	03/03/2009	900
SONEL Soc. Nacional Eletric. Hidr. Ltda.	19,706	02/04/2009	900
Construtora Sanenco Ltda.	18,954	02/04/2009	900
Socienge Construções Ltda.	18,811	12/29/2008	900

(1) Counted from the date established in the first service order.

Upon renewal or revision of certain concession agreements, the Company assumed commitments to financially participate in works related to sanitary waterwaste services and to valley floor treatment, to be performed by the municipal governments. Of the executed work, those pertaining to public places (sewerage of streamlets, sanitation avenues) are treated as intangible assets, under the title concession right, and amortized over the concession period. The waterwaste interceptors are incorporated into the Company’s fixed assets.

24. Commitments (Continued)

The main amounts refer to the following municipalities:

	Amount		
Municipalities	Committed	Amount Realized	% Realization
Betim	80,286	73,521	91.57
Belo Horizonte (note 22)	170,000	-	-
Contagem	81,363	64,613	79.41
Montes Claros	121,941	55,873	45.82
Ribeirão das Neves	86,411	70,319	81.38
Teófilo Otoni	54,360	-	-

25. Related-Party Transactions

In addition to the balance payable to CEMIG, as mentioned in Note 18, and the technical cooperation agreements, in Note 18, the other transactions with related parties are basically those conducted with the State of Minas Gerais and the Municipality of Belo Horizonte. The most significant balances and transactions are as follows:

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01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

06.01 – NOTES (R$ thousand) (Continued)

25. Related-Party Transactions (Continued)

	Company				
	03/31/2009				
	Subsidiaries			Other	
	Águas Minerais	Copanor	Serviços Irrigação	Estado MG	PBH
Assets					
Current					
Trade account receivables					
- billed amounts	-	-	-	8,138	2,865
- unbilled amounts	-	-	-	-	8,705
Noncurrent					
Long-term assets					
Trade accounts receivable – unbilled amounts	-	-	-	-	196,597
- Loans	17,505	5,603	1,961	-	-
Investments	9,654	1	161	-	-
TOTAL ASSETS	**27,159**	**5,604**	**2,122**	**8,138**	**208,167**
Liabilities					
Current					
Interest on equity	-	-	-	81,598	-
Advance for future capital increase	-	-	-	-	8,797
Other payables					
- Municipal governments - tariff pass-throughs	-	-	-	-	3,614
Agreements (Note 16)	-	-	-	10,079	-
TOTAL LIABILITIES	**-**	**-**	**-**	**91,677**	**12,411**
TRANSACTIONS					
Income from water supply and waterwaste services	-	-	-	17,383	5,703
Cost of services	-	-	-	-	(12,454)
Financial income - interest	-	-	-	-	3,723
Income from monetary variations (1)	449	21	28	-	(7,035)

(1) Considering that the Belo Horizonte City Hall debt is updated based in the medium rate, these criteria made in the 1st quarter of 2009 financial expenses due to a negative variation of the medium rate, that from R$ 2,6525 in December, 2008 dropped to R$2,5823 in March 2009, a negative variation of 2,6466%

25. Related-Party Transactions (Continued)

	Company				
	12/31/2008				
	Subsidiaries			Other	
	Águas Minerais	Copanor	SUDECAP	Estado MG	PBH
Assets					
Current					
Trade account receivables					
- billed amounts	-	-	-	7,008	2,741
- unbilled amounts	-	-	-	-	8,845
Noncurrent					
Long-term assets					
Trade accounts receivable – unbilled amounts	-	-	-	-	201,966
Loans	16,464	8,817	1,861	-	-
Investments	13,222	1	278	-	-
TOTAL ASSETS	**29,686**	**8,818**	**2,139**	**7,008**	**213,552**
Liabilities					
Current					
Interest on equity	-	-	-	61,757	-
Advance for future capital increase	-	-	-	-	8,797
Other payables					
Municipal governments - tariff pass-throughs	-	-	-	-	4,519
Agreements (Note 22)	-	-	-	13,441	-
TOTAL LIABILITIES	**-**	**-**	**-**	**75,198**	**13,316**
	03/31/2008				
Transactions					
Income from water supply and waterwaste services	-	-	-	15,119	5,020
Cost of services	-	-	-	-	(11,114)
Financial income - interest	-	-	-	-	2,845
Income from monetary variations (2)	-	-	-	-	(6,965)

25. Related-Party Transactions (Continued)

(2) Considering that the Belo Horizonte City Hall debt is updated based in the medium rate, these criteria made in the 1st quarter of 2008 financial expenses due to a negative variation of the medium rate, that from R$2,4419 in December, 2007 dropped to R$2,3623 in March 2008, a negative variation of 3,2598%.

Balances and transactions with related parties are conducted under prices and conditions considered by Management as compatible with those prevailing in the market, except concerning the form of financial settlement, which may occur through special negotiations (offset of accounts), as provided for and commented in Note 22.

Compensation paid to Company directors in first quarter ended then March 31, 2009 was in the amount to R$ 825 (R$ 789 in 2008).

► Cooperation agreement with the Belo Horizonte municipality

We signed a cooperation agreement with the Belo Horizonte municipality for the execution of water supplying and sanitation services, as mentioned in Note 22.

25. Related-Party Transactions - Continued

► Cooperation service agreement with the Belo Horizonte municipality

On February 7, 2006, the Company executed an operational agreement with the municipality of Belo Horizonte for the integration and convergence of planning, control and execution of undertakings of SUDECAP - Superintendência e Desenvolvimento de Capital (the local development agency), and other municipal agencies, and COPASA, for design of projects, performance of services involving the implementation and maintenance of infra-structure for water supply, sanitation, urbanizing, treatment of valley floors, pluvial draining and development of activities of sanitation education. services under COPASA's responsibility may be executed by SUDECAP, and vice versa. Annually, the parties will offset accounts relating to services completed, and any debit balances determined shall be adjusted and paid within thirty (30) days from the account offset. However, on March 20, 2007, an amendment to the service agreement was made to include a new paragraph in clause 5 under which any debits derived from social programs shall be paid 30 (thirty) days after measurement of the work performed is authorized, rather than an annual basis, at the time accounts are offset. In line with this amendment, the Company made payments to SUDECAP on May 8, 2007, of R$1,257, and on November 9, 2007, of R$1,816, and on March 10, 2008 of R$1,836. These payments refer to works performed by SUDECAP relating to the construction of water pipelines and sanitation in Aglomerado da Serra in the Municipality of Belo Horizonte, which were incorporated into the Company's equity. On November 17, 2008, two account matchings were signed, resulting in the amounts of R$ 51 and R$ 315 received by COPASA. In the 1st quarter of 2009 there were no amount to be registered.

► 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 18.

25. Related-Party Transactions - Continued

► Financing agreements with BDMG

Varying financing agreements were made with BDMG during the normal course of business.

► 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.

► Agreements with the Brazilian Government guaranteed by the State of Minas Gerais

The following agreements describe the guarantees given by the State of Minas Gerais for agreements between COPASA and the federal government:

Agreement of debt financing and refinancing as of July 11, 1990: as an alternative to pay the debt, the State of Minas Gerais assigned and transferred to the Federal Government credits related to deposits from its shares in the States Participation Fund, up to the limit sufficient to pay monthly installments and other monthly financial charges. As of March 31, 2009, the remaining debt is of R$2,644, as mentioned in Note 11.

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 existing balances 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, 2009, the outstanding balance under these agreements totals R$ 166,420, as mentioned in Note 11.

25. Related-Party Transactions (Continued)

► Agreements with the Brazilian Government guaranteed by the State of Minas Gerais (Continued)

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, 2009, the outstanding balance of these agreements is R$ 90,926, as mentioned in Note 11.

26. Insurance

The Company has no insurance to cover damage to their buildings and/or facilities at the closing date of the financial statements for the year ended March 31, 2009.

27. ICMS Levy (State VAT)

According to State Decree No. 32.525/91 the Company started contributing to ICMS (State VAT). However, after repeal by Decree Nº 38104/96 and later repeal of the later by Decree Nº. 43080/02, the Company continued to be an ICMS taxpayer under a special regime regarding the supply of piped water. The Company whereby this tax was levied and collected on the supply of piped water from years 1989 to 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. In connection with the repeal of Decree Nº 32535/91 in 1996, the aforesaid ADIN was declared impaired by loss of the subject matter.

Also, the State of Minas Gerais became a member of Convention No. 98/89, which authorizes the states and the federal district to grant ICMS exemption on the supply of piped water. While the Company became a member of Convention, the matter is controversial since the current ICMS Regulation of the State of Minas Gerais (Decreee Nº. 43080/02) did not accept the aforesaid Convention.

27. ICMS Levy (State VAT) (Continued)

Additionaly, this issue has been clearly provided for by a Supreme Court decision awarded on Direct Unconstitutionality Proceeding No. 2224, filed on June 12, 2000, wich headnote whereby the supply of treated water to final consumers is an essential public service, by express constitutional determination. However, as the merits of the action have not adjudged, and although there are pronouncements from the STF (Supreme Court) and the STJ (Supreme Court of Justice), and repeated understanding of the state law that there would be no impact of the ICMS (State VAT) on the supply of drinking water by companies that provide this public service. On a delinquent ICMS collection proceeding filed by the State of Minas Gerais against COPASA, the latter prevailed in the Federal Supreme Court, whose final decision at such level was handed down through Appeal to the Supreme Court Nº 450.460-0, published in the Federal Justice Gazette on April 9, 2007, and so far there is no definitive understanding of the Judiciary. Also, no decision has been handed down by the State Executive Branch on the criteria for ICMS calculation and required collection. 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.

28. Tariff adjustment

On May 14, 2009 the Court of Justice of the State of Minas Gerais confirmed the advanced relief (preliminary injunction) previously granted, in the understanding that no tariff adjustment is allowed in 2009 while the Minas Gerais State sanitation regulator is not created. Accordingly, the action will be passed on to the trial court for judgment on merits and, as a preliminary injunction is involved, the Company will file an appeal with the Higher Court of Justice against the decision.

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06.01 – NOTES (R$ thousand) (Continued)

EXECUTIVE BOARD

MÁRCIO AUGUSTO VASCONCELOS NUNES	Chief Executive Officer
LUIZ OTÁVIO MOTA VALADARES	Vice Chief Executive Officer
CARLOS GONÇALVES DE OLIVEIRA SOBRINHO	Technical and Environment Officer
DIEGO LEONARDO DE ANDRADE CARVALHO	Southwest Operations Officer
GELTON PALMIERI ABUD	Corporate Management Officer
JUAREZ AMORIM	Metropolitan Operations Officer
MARCIO LUIZ MURTA KANGUSSU	North Operations Officer
MARCOS ANTÔNIO TEIXEIRA	Planning and Venture Management Officer
RICARDO AUGUSTO SIMÕES CAMPOS	Chief Financial and Investor Relations Officer

ACCOUNTANT IN CHARGE

GERALDO MAGELA MOREIRA CALÇADO	Accountant - CRCMG - 36.109

Operating Performance Report for CVM

1Q09 – First Quarter of 2009

1 – General Service Data

Copasa performance in the first quarter of 2009 (1Q09) shows that the Company continues steadily towards sustained growth, significantly contributing to the improvement in the quality of life, environmental conditions and social-economic development of the Minas Gerais state. The population serviced by the water supply increased by 376 thousand individuals, with 12.5 million inhabitants connected to the distribution network, compared to 12.1 million in 1Q08. The number of municipalities to which water supply services are provided rose from 597 in March 2008 to 601 in March 2009. In this quarter, the Company began water supply services to the municipality of Goianá.

COPASA MG
General Water Supply Service Data
1st quarters of 2009 and 2008

Items	Units	1Q09	1Q08	Variation	
				Amount	%
Municipalities with concession (1)	number	611	611	0	0,0
Municipalities with operations (2)	number	601	597	4	0,7
Serviced population	housand inhabitan	12.490	12.114	376	3,1
Service to the state population (3)	%	63,6	62,3	1,3	2,1
Billed connections	ousand connectio	3.297	3.206	91	2,8
Network extent	km	40.819	40.037	782	2,0
Volume of billed water	1,000 m³/quarter	148.264	146.542	1.722	1,2
Volume of produced water	1,000 m³/quarter	213.970	211.585	2.385	1,1

(1) - Total municipalities where the Company maintains concessions: offices, villages, settlements or other
(2) - Total municipalities where the Company maintains operations: offices, villages, settlements or other
(3) - Population serviced in relation to total state population (urban + rural)

This performance is reflected in the number of connections billed by the Company, which increased by 91 thousand, totaling 3.30 million connections and representing a 2.8% increase in relation to 1Q08. The water distribution system grew 782 km, totaling 40,819 km, 2.0% more than 1Q08 (40,037 km).

In connection with the sanitary waterwaste systems, the expansion was greater, as a result of the intensified efforts to increase the coverage of such services. The number of serviced municipalities increased 31.5%, from 108 in March 2008 to 142 in 1Q09, meaning a total population of 7.1 million connected to the waterwaste system (6.3 million in 1Q08), representing an increase of 12.2% (773 thousand individuals). In relation to the total state population, the service rose from 32.8% to 36.2% in the period.

COPASA MG

General Sanitary Sewage Service Data

1st quarters of 2009 and 2009

Items	Units	1Q09	1Q08	Variation	
				Amount	%
Municipalities with concession (1)	number	194	184	10	5,4
Municipalities with operations (2)	number	142	108	34	31,5
Serviced population	ıousand inhabitant	7.112	6.339	773	12,2
Service to the state population (3)	%	36,2	32,8	3,4	10,4
Billed connections	ousand connectio	1.721	1.542	179	11,6
Network extent	km	14.937	13.829	1.108	8,0
Volume of billed sewage	1,000 m³/quarter	84.057	79.375	4.682	5,9
Volume of treated sewage	1,000 m³/quarter	34.156	28.160	5.996	21,3

(1) - Total municipalities where the company maintains concessions: offices, villages, settlements or other

(2) - Total municipalities where the company maintains operations: offices, villages, settlements or other

(3) - Population serviced in relation to total state population (urban + rural)

Such services are provided by means of 1.72 million billed waterwaste connections (1.54 million in 1Q08), representing an increase of 179 thousand connections (11.6%). The waterwaste collection system grew by 1,108 km, totaling 14,937 km, 8.0% more than 1Q08.

The treated waterwaste volume reached 34.1 million m³ in the quarter, an increase of 21.3% compared to the same prior-year period, mainly due to beginning of operation of 10 new Waterwaste Treatment Stations (ETE) in several cities in the state and to increase in the volume treated by the ETEs of Onça and Arrudas, located in the metropolitan region of Belo Horizonte.

2 – Performance Indicators

The Company growth in the period increased the volume of billed water by 1.7 million m³ (1.2%) and waterwaste by 4.7 million m³ (5.9%) in relation to 1Q08. The increase in the number of people serviced by water supply and sanitary waterwaste systems in the locations in which such systems were already operating and the beginning of billing in new locations contributed to such result. In the first quarter of 2009, water supply system billing began in the city of Cantagalo waterwaste system billing began in Comercinho, Ipuiúna, Santa Rita de Caldas and São Gotardo.

In relation to the performance indicators, we highlight employee productivity, measured by the employee/1000 connection ratio (water + waterwaste), which went from 2.34 employees/1000 connections in 1Q08 to 2.23 in 1Q09, particularly due to rise in the number of waterwaste connections due to beginning of operations in new localities.

COPASA MG
Operating/Commercial Performance Indicators
1st quarters of 2009 and 2008

Items	Units	1Q09	1Q08	Variation	
				Amount	%
1-Employees	nº	11.181	11.060	121	1,1
2-Employees/connections (A+E)	emp/1,000 connections	2,23	2,34	-0,11	-4,7
3-Volume billed					
Water	1,000 m³/quarter	148.264	146.541	1.723	1,2
Sewage	1,000 m³/quarter	84.057	79.375	4.682	5,9
Total	1,000 m³/quarter	232.321	225.916	6.405	2,8
4-Volume of water produced	1,000 m³/quarter	213.970	211.585	2.385	1,1
5-Hydrometric rate	%	99,70	99,43	0,27	0,3
7-Water not converted into revenue- ANCR (1)	l/connection/day	246,98	254,63	-7,65	-3,0

(1) - Average in the past 12 months

The percentage of hydrometric readings showed a slight increase, reaching 99.70% in March/2009. Such rate is one of the highest among waterwaste companies, which means that of a total 3.30 million water connections, only 9.8 thousand still do not have installed hydrometers.

Another very favorable result is the reduction of 3.0% in the indicator “Water not Converted into Revenue” - ANCR, which represents the difference between the distributed volume and the volume effectively billed to consumers, reaching 246.98 l/connection/day in 1Q09. Studies have shown that such indicator, which basically includes actual water losses resulting from pipe ruptures, thefts and imprecise measurements, is one of the lowest among Brazilian sanitation companies.

This performance is a result of the Water Waste Prevention and Reduction Program (PRPA), implemented in 2003 and undergoing constant development, based on the concepts of the National Water Waste Prevention Program (PNCDA) and of the International Water Association – IWA. Through the PRPA, we seek to implement an integrated management model to prevent losses, monitor the progress of the water loss indicators and implement actions that aim at eliminating the most frequent causes of such losses.

3 – Investments in 1Q09

In 1Q09 investments were directed mostly to expansion and improvement of the Rio das Velhas Production System, which is part of the Integrated System of the Belo Horizonte Metropolitan Region, to interconnection of the Das Velhas and Paraobeba river basins (blue line), in the Belo Horizonte Metropolitan Region, to implementation of the Barbacena Sanitary Waterwaste System, to expansion of the Justinópolis Sanitary Waterwaste System in Ribeirão das Neves, to secondary treatment of the Sanitary Waterwaste Treatment Station of Ribeirão do Onça – ETE Onça, to implementation of the Sanitary Waterwaste Systems of Montes Claros and to construction works of the Sanitary Waterwaste Treatment Station - ETE Central in Betim.

Investments (In R$ Thousandlion)	2008	1Q09	1Q08
WATER	397,0	90,3	86,6
WATERWASTE	382,9	87,2	82,9
OTHER	25,1	3,4	8,2
TOTAL	**805,0**	**180,9**	**177,7**

4 – Analysis and Discussion on the Financial Position

The financial position analysis and discussion below is based on the information resulting from the Financial Statements prepared in accordance with the accounting practices adopted in Brazil.

In the discussion below, references to increases or decreases in each of the years are made in comparison with the corresponding previous year, except when stated otherwise.

This analysis and discussion considered the accounts that, in the Company's understanding, are materially significant to adequately justify the changes in the financial position on the indicated dates, whether due to the their balance or the variation observed between such dates.

- **Balance sheet**

	Company			
Year - in thousands of R$	**3/31/09**	**12/31/08**	**Variation**	
			R$	**%**
Current assets	1,381,562	1,228,536	153,026	12.46
Noncurrent assets	5,140,794	5,022,106	118,688	2.36
Total assets	**6,522,356**	**6,250,642**	**271,714**	**4.35**
Current liabilities	611,996	548,056	63,940	11.67
Noncurrent liabilities	2,010,783	1,899,285	111,498	5.87
Shareholders' equity	3,899,577	3,803,301	96,276	2.53
Total liabilities and shareholders' equity	**6,522,356**	**6,250,642**	**271,714**	**4.35**

- **Current assets**

	Company			
Year - in thousands of R$	**3/31/09**	**12/31/08**	**Variation**	
			R$	**%**
Cash and cash equivalents	925,575	786,129	139,446	17.74
Trade accounts receivable	379,930	368,947	10,983	2.98
Inventories	26,150	24,856	1,294	5.21
Taxes recoverable	10,214	7,862	2,352	29.92
Deferred income and social contribution taxes	1,320	1,320	0	0.00
Technical cooperation agreement	2,115	0	2,115	n.m
Sundry credits	36,259	39,423	(3,164)	(8.03)
Total current assets	**1,381,562**	**1,228,536**	**153,026**	**12.46**

▸ **Cash and cash equivalents** – This account increased R$139,446 thousand at March 31, 2009, corresponding to 17.74%. At December 31, 2008, the balance amounted to R$786,129 thousand, increasing to R$925,575 thousand at March 31, 2009. The main reason for such increase was the release of funds by BNDES (National Economic and Social Development Bank) intended for work agreements in the approximate amount of R$83,000 thousand in the end of March, invested in April only, in addition to investment income, in the amount of R$23,282 thousand in 1Q09.

▸ **Taxes recoverable** – The taxes recoverable account increased R$2,352 thousand at March 31, 2009 corresponding to 29.92%. At December 31, 2008 this account totaled R$7,862 thousand, increasing to R$10,214 thousand at March 31, 2009. The change is due to the fact that offset of IRPJ and CSLL is no longer permitted, as provided for in Provisional Executive Order No. 449 of December 4, 2008.

- **Technical cooperation agreement –** This account balance at March 31, 2009 was of R$2,115 thousand, recording no balance at December 31, 2008. The variation is explained by the realization of expenses in projects relating to agreements, in the amount of R$17,397 thousand, offset against the receipt of funds from agencies with which the Company has signed agreements, totaling R$7,762 thousand. This event changed the presentation of the net balance of the agreement account, which, until December 2008, was presented in current liabilities and, as of this 1st quarter of 2009, is presented in current assets, showing the right that the Company has to the refund from agencies with which the Company entered into agreements in the quarter, particularly at the federal level.

- **Sundry credits** - This line consolidates the following accounts: health program, advances to employees, salaries, vacation pay, 13th monthly salary and travel expenses, in addition to escrow deposits relating to lawsuits and advances to suppliers. The decrease amounted to 8.03%, that is, R$3,164 thousand. In March 2009, the balance was of R$36,259 thousand against R$39,423 thousand in December 2008, resulting from decrease in vacation pay to employees in the period.

- **Noncurrent assets**

Company				
Year - in thousands of R$	**3/31/09**	**12/31/08**	**Variation**	
			R$	**%**
Noncurrent assets	**416,925**	**420,464**	(3,539)	(0.84)
Trade accounts receivable	196,597	201,966	(5,369)	(2.66)
Deferred income and social contribution taxes	57,695	57,221	474	0.83
Judicial deposits	8,891	8,912	(21)	(0.24)
Collateral for financing operations	84,302	82,085	2,217	2.70
Sundry credits	69,440	70,280	(840)	(1.20)
Permanent assets	**4,723,870**	**4,601,642**	122,228	2.66
Investments	10,076	13,761	(3,685)	(26.78)
Property, plant and equipment	4,713,794	4,587,881	125,913	2.74
Total noncurrent assets	**5,140,794**	**5,022,106**	**118,688**	**2.36**

- ## Permanent assets

  ▸ **Investments** – This account decreased R$3,685 thousand, with a variation of 26.78%, presenting the amounts of R$13,761 and R$10,076 thousand at December 31, 2008 and March 31, 2009, respectively. The reduction is a result of recognition of equity losses.

  ▸ **Property, plant and equipment** - Property, plant and equipment increased 2.74%, equivalent to R$125,913 thousand, reaching R$4,713,794 thousand in March 31, 2009, against R$4,587,881 thousand in December 31, 2008. This increase is primarily explained by the new undertakings to expand and create water and sanitary drainage systems and installations for own use.

- ## Current liabilities

	Company			
Year - in thousands of R$	**3/31/09**	**12/31/08**	**Variation**	
			R$	**%**
Loans and financing	127,320	122,546	4,774	3.90
Debentures	59,974	55,327	4,647	8.40
Contractors and suppliers	87,780	70,117	17,663	25.19
Taxes, charges and contributions	34,189	34,699	(510)	(1.47)
Tax provisions	7,909	0	7,909	n.m
Vacation accrual and for 13th monthly salary	61,080	58,060	3,020	5.20
Employee profit sharing	32,803	24,612	8,191	33.28
Interest on equity	145,290	111,008	34,282	30.88
Technical cooperation agreement	0	7,520	(7,520)	n.m.
Pension plan	11,588	15,922	(4,334)	(27.22)
Electric power	27,754	33,165	(5,411)	(16.32)
Other liabilities	16,309	15,080	1,229	8.15
Total current liabilities	**611,996**	**548,056**	**63,940**	**11.67**

▸ **Debentures** - At March 31, 2009, short-term debentures totaled R$59,974 thousand representing an increase on the R$55,327 thousand recorded at December 31, 2008. The 8.4% variation, corresponding to R$4,647 thousand, was due to amortization of R$11,590 thousand and conversion of debentures into shares, in the amount of R$798 thousand, offset against the provision for interest on non-convertible debentures relating to new disbursements, totaling R$4,620 thousand, and transfer from noncurrent amounting to R$12,383 thousand.

- **Suppliers** - Suppliers records the balance of R$70,117 thousand at December 31, 2008, increasing to R$87,780 thousand at March 31, 2009 The rise of R$17,663 thousand, equivalent to 25.19%, is mainly due to beginning of works financed by BNDES, the funds of which were made available at the end of 2008.

- **Vacation accrual and for 13th monthly salary** – At December 31, 2008, the balance was of R$58.060 thousand, increasing by R$3,020 thousand at March 31, 2009, with a balance of R$61,080 thousand, thus varying 5.2% in the period. The variation is a consequence of the regular provision for 13th monthly salary that increases during the year, the payment of which is made at the end of the current year.

- **Employee profit sharing** - At December 31, 2008, this account balance was of R$24,612 thousand increasing by R$8,191 thousand, and recording a total of R$32,803 thousand at March 31, 2009, corresponding to a growth of 33.28% in the period. Such increase is a consequence of Management recording the employee profit sharing on a quarterly basis, which, in 2008, was recorded only in December.

- **Interest on equity** - This account increased R$34,282 thousand, totaling R$145,290 thousand at March 31, 2009, against R$111,008 thousand at December 31, 2008. The variation of 30.88% is due to recording of interest on equity on profit for 1Q09, in the amount of R$37,229 thousand, offset against the payment of income tax of R$2,947 thousand.

- **Technical cooperation agreement** – See justification in current assets.

- **Pension plan** - At December 31, 2008 and March 31, 2009, this account recorded the balance of R$15,922 thousand and R$11,588 thousand, respectively. The variation of R$4,334 thousand, corresponding to a fall of R$27.22% in the period, refers to contributions relating to the increase that took place in November 2007, discounted from payroll in February 2008, which did not occur in 1Q09.

➢ Other liabilities

	Company			
Year - in thousands of R$	3/31/09	12/31/08	Variation	
			R$	%
Local governments	10,935	11,203	(268)	(2.39)
Tariff increase	3	125	(122)	(97.60)
Concession debits	10,932	11,078	(146)	(1.32)
Other	5,374	3,877	1,497	38.61
Total other liabilities	**16,309**	**15,080**	**1,229**	**8.15**

Other liabilities currently comprise payroll deduction loans payable, matching of accounts and renewal of concessions.

The balance of this group of accounts at December 31, 2008 was R$15,080 thousand, increasing to R$16,309 thousand at March 31, 2009, representing a variation of R$1,229 thousand, or 8.15%. The variation was particularly due to expenses with accredited parties (Authorization for Expenses with Accredited Parties – ADCs) of R$658 thousand, and payroll deduction loans receivable, relating to the Low Risk health plan.

• Noncurrent liabilities

	Company			
Year - in thousands of R$	3/31/09	12/31/08	Variation	
			R$	%
Noncurrent liabilities	**2,010,782**	**1,899,285**	111,497	5.87
Loans and financing	**1,587,590**	**1,465,603**	121,987	8.32
In local currency	**838,453**	**778,439**	60,014	7.71
Federal Savings and Loans Bank	619,733	601,531	18,202	3.03
State Government / BDMG	19,875	21,435	(1,560)	(7.28)
National Treasury	134,780	142,126	(7,346)	(5.17)
BNDES/BNE	64,064	13,347	50,717	n.m.
In foreign currency	**81,310**	**82,543**	(1,233)	(1.49)
Federal Government - bonus	81,310	82,543	(1,233)	(1.49)
Debentures	**667,827**	**604,621**	63,206	10.45
Nonconvertible debentures	526,973	463,053	63,920	13.80
Convertible debentures	140,854	141,569	(715)	(0.51)
Provision for contingencies	27,414	30,351	(2,937)	(9.68)
Tax provisions	113,144	111,455	1,689	1.52
Pension plan	**174,357**	**178,826**	(4,469)	(2.50)
Electric energy	**46,731**	**51,109**	(4,378)	(8.57)
Advance for future capital increase	**8,797**	**8,797**	0	0.00
Deferred income and social contribution taxes	**6,274**	**6,427**	(153)	(2.38)
Other liabilities	**46,476**	**46,717**	(241)	(0.52)
Total noncurrent liabilities	**2,010,783**	**1,899,285**	**111,498**	**5.87**

- **Noncurrent loans and financing** - This account increased 6.83% between December 31, 2008 and March 31, 2009, recording a difference of R$58,781 thousand. At December 31, 2008, the balance amounted to R$860,982 thousand, increasing to R$919,763 thousand at March 31, 2009. The major reason for such increase are the disbursements made by the Federal Savings and Loans Bank ("Caixa Econômica Federal") and BNDES, in the respective amounts of R$36,000 thousand and R$51,000 thousand, offset against amortizations and transfers to the short-term in the period, of approximately R$28,800 thousand.

- **Debentures** - Noncurrent debentures increased R$63,206 thousand, or 10.45%, recording the amount of R$604,621 thousand at December 31, 2008, against R$667,827 thousand at March 31, 2009. This variation was due to approval by BNDES of new series of nonconvertible debentures, in the amount of R$75,000 thousand, and monetary restatement of R$588 thousand, offset against transfers to the short-term of R$12,383 thousand.

- **Provision for contingencies** – This account totaled R$30,351 thousand at December 31, 2008, decreasing to R$27,414 thousand at March 31, 2009. Such fall of R$2,937 thousand, or 9.68%, is substantially due to dismissal of the suit filed against the Federal Government, for which the Company paid lawyers' fees equivalent to R$2,156 thousand.

- **Pension plan** – This account totaled R$178,826 thousand at December 31, 2008, decreasing to R$174,357 thousand at March 31, 2009. Such fall of R$4,469 thousand, or 2.5% occurred basically due to reversal of actuarial liabilities in the quarter, amounting to R$4,081 thousand.

- **Electric energy** – The noncurrent electric energy balance totaled R$51,109 thousand at December 31, 2008, having decreased R$4,378 thousand at March 31, 2009, with a balance of R$46,731 thousand. The variation of 8.57% is primarily due to debt amortization installments recorded in the referred to period.

- ## Shareholders' equity

	Company			
Year - in thousands of R$	**3/31/09**	**12/31/08**	**Variation**	
			R$	**%**
Opening balance	**3,803,301**	**3,511,358**	291,943	8.31
Interest on equity	(37,229)	(115,861)	78,632	(67.87)
Capital increase	798	23	775	n.m.
Retained earnings	132,707	407,781	(275,074)	(67.46)
Ending balance	**3,899,577**	**3,803,301**	**96,276**	**2.53**

Shareholders' equity increased 2.53%, amounting to R$3,899,577 thousand at March 31, 2009, against R$3,803,301 thousand at December 31, 2008. Such increase refers substantially to generation of profit in the period. Capital increased as a result of conversion of 6,369 debentures into 25,476 common shares.

5 – Financial Performance

Income for the first quarter of 2009, when compared to the first quarter of 2008, recorded a growth, as shown in the tables below:

Company

1st quarter	2009		2008		Variation	
		%		%		%
Statement of income for the quarter	448,487		395,336		53,151	13.44
Revenue from water supply services	150,746		126,068		24,678	19.58
Gross operating revenue	**599,233**		**521,404**		**77,829**	**14.93**
Deductions from gross operating revenue	(62,660)		(54,101)		(8,559)	15.82
Net operating revenue	**536,573**	**100.00**	**467,303**	**100.00**	**69,270**	**14.82**
Cost of services	(240,611)	-44.84	(231,071)	-49.45	(9,540)	4.13
Gross profit	**295,962**	**55.16**	**236,232**	**50.55**	**59,730**	**25.28**
Commercial expenses	(38,266)	-7.13	(37,640)	-8.05	(626)	1.66
Administrative expenses	(66,551)	-12.40	(64,557)	-13.81	(1,994)	3.09
Other operating income/expenses	2,826	0.53	(2,050)	-0.44	4,876	n.m.
Equity earnings/losses	(4,653)	-0.87	0	0.00	(4,653)	100.00
Financial income/expenses, net	2,125	0.40	3,558	0.76	(1,433)	-40.28
Interest on equity	(37,229)	-6.94	0	0.00	(37,229)	100.00
Income before income and social contribution taxes	**154,214**	**28.74**	**135,543**	**29.01**	**18,671**	**13.77**
Income and social contribution taxes	(50,545)	-9.42	(48,612)	-10.40	(1,933)	3.98
Employee profit sharing	(8,191)	-1.53	0	0.00	(8,191)	100.00
Reversal of interest on equity	37,229	6.94	0	0.00	37,229	100.00
Net income for the year	**132,707**	**24.73**	**86,931**	**18.60**	**45,776**	**52.66**

- **Gross operating revenue** – Gross operating revenue increased R$77,829 thousand, or 14.93%, reaching R$599,233 thousand in 1Q09, against R$521,404 thousand in the same prior-year period. Of such increase, R$53,151 thousand refers to water supply services and R$24,678 thousand, to sanitary waterwaste services.

07.01 – COMMENTS ON COMPANY PERFORMANCE IN THE QUARTER

The variation of gross operation revenue for water and sanitary waterwaste, as shown in the tables below:

Company

1st quarter	2009	%	2008	%	Variation	%
Gross operating revenue						
Water supply services	448,487	74.84	395,336	75.82	53,151	13.44
Sanitary waterwaste services	150,746	25.16	126,068	24.18	24,678	19.58
Total	**599,233**	**100.00**	**521,404**	**100.0**	**77,829**	**14.93**

Major variations and causes:

- **Water supply** – Revenue from water supply increased 13.44% arriving at R$448,487 thousand in 1Q09, compared to R$395,336 thousand in the same prior-year period. Such rise was basically due to the tariff increase at an average rate of 9.47% as of March 2008, and to the rise in billed consumption in the period of 1,722,695m3, from 146,541,242m3 at March 31, 2008 to 148,263,937m3 in 1Q09.

- **Sanitary waterwaste** – Revenue from sanitary waterwaste services increased 19.58%, reaching R$150,746 thousand in 1Q09, against R$126,068 thousand in 1Q08. This increase is mainly due to tariff increase at an average rate of 9.47% as of March 2008, and to the rise in billed consumption in the period of 4,683,859m3, from 79,374.779m3 at March 31, 2008 to 84,058,638m3 in 1Q09.

- **Deductions from gross operating revenue** – These increased R$8,559 thousand, or 15.82%, recording R$62,660 thousand in 1Q09 against R$54,101 thousand the same prior-year period. The increase was due to rise in payment of PIS/PASEP and COFINS, resulting directly from increase in gross operating revenue, which is the calculation base for the mentioned taxes.

  Unconditional discounts are granted to large consumers and to non-profit philanthropic entities. In the first quarter of 2009, the discounts added up to R$8,297 thousand, against R$6,469 thousand in the same quarter of 2008.

07.01 – COMMENTS ON COMPANY PERFORMANCE IN THE QUARTER

The table below shows the deductions from operating revenue, indicating the PIS/PASEP and COFINS payments in the periods:

Company						
1st quarter	**2009**		**2008**		**Variation**	
Deductions from operating revenue		**%**		**%**		**%**
PIS/PASEP	9,697	15.48	8,496	15.70	1,201	14.14
COFINS	44,665	71.28	39,135	72.34	5,530	14.13
Unconditional discounts	8,297	13.24	6,469	11.96	1,828	28.26
Total	**62,659**	**100.00**	**54,100**	**100.00**	**8,559**	**15.82**

- **Net operating revenue** – Net operating revenue totaled R$536,573 thousand in 1Q09, against R$467,303 thousand in 1Q08, rising 14.82% due to tariff adjustment in March 2008.

- **Operating costs and expenses** – As part of the Company's strategic policy, an annual expense budget is prepared, and the realizations are closely monitored. As such, operating expenses may be evaluated and equated throughout the year, as shown below:

❖ **Cost of services** – Cost of services, which includes expenses with operation, maintenance and upkeep of water and sanitary waterwaste systems, increased R$9,540 thousand, equivalent to 4.13% in 1Q09, in comparison with the same period in 2008, as follows:

Company				
1st quarter	**2009**	**2008**	**Variation**	
				%
Cost of services	**240,611**	**231,071**	**9,540**	**4.13**
Personnel	84,609	79,060	5,549	7.02
Material	22,786	18,508	4,278	23.11
Electric energy	46,348	55,240	(8,892)	-16.10
Third-party services	25,945	22,166	3,779	17.05
Tariff transfer to municipalities	12,561	11,594	967	8.34
General expenses	2,751	1,757	994	56.57
Depreciation and amortization	56,300	52,900	3,400	6.43
Credit recovery *(PIS-PASEP/COFINS)*	(10,689)	(10,154)	(535)	5.27

Major variations and causes:

- **Personnel** – Increase in expenses with personnel of R$5.549 thousand, equivalent to 7,02%, is primarily due to a 5.9% salary adjustment, corresponding to the INPC (National Consumer Price Index), increase of 1% calculated on salaries already adjusted, as determined by the 2008/2010 collective bargaining agreement. We also observed the following variations:

Description	3/31/2009	3/31/2008	Variation	
	R$	R$	R$	%
Regular hourly wage	34,695,738	32,929,689	1,766,049	5.36
Overtime hourly wage	3,248,610	2,727,435	521,175	19.11
Bonus according to position	387,070	301,996	85,074	28.17
Vacation pay	7,534,866	7,007,976	526,890	7.52
13th monthly salary	3,826,242	2,951,796	874,446	29.62
Health exposure premium	920,107	785,856	134,251	17.08
Sickness benefit supplementation	0	2,657	(2,657)	-100.00
Corporate performance bonus	4,435,311	4,006,570	428,741	10.70
Social security	13,469,581	12,072,401	1,397,180	11.57
Employee Dismissal Indemnity Fund - FGTS	4,297,570	3,780,905	516,665	13.67
Workers' Compensation Insurance	1,281,236	1,597,597	(316,361)	-19.80
Severance pay and 30-day resignation notice	106,319	228,496	(122,177)	-53.47
Professional education	1,586	2160	(574)	-26.58
Subsidized snack	224,910	199,007	25,903	13.02
Subsidized transportation ticket	1,315,872	1,258,911	56,961	4.52
Supplementary programs – COPASS	1,218,275	1,072,725	145,550	13.57
Health program	357,393	1,230,389	(872,996)	-70.95
Workers' Meal Program	11,985,946	10,162,162	1,823,784	17.95
Social security and health program	3,593,109	2,517,442	1,075,667	42.73
Other welfare programs	589,729	124,338	465,391	n.m.
Management performance bonus	188,990	186,431	2,559	1.37
Expansion costs	(6,831,433)	(4,476,971)	(2,354,462)	52.59
Natural increase – own labor	(2,238,602)	(1,610,276)	(628,326)	39.02
*** Personnel expenses**	**84,608,425**	**79,059,692**	**5,548,733**	**7.02**

The major variations occurred in the Workers' Meal Program, which increased R$1,824 thousand due to 11.8% adjustment arising from the 2008/2010 collective bargaining agreement and the provision of the 2008 Christmas gift basket in 1Q09; in social security and health program, which presented a variation of R$1,076 thousand relating to the collective bargaining agreement of 6.95 and which was adjusted by 20.84% in November 2008, leading to an average impact of 29% in the employer contribution; in other welfare programs, which varied R$465 thousand due to change in the payment date of the education allowance benefit from December to January 2009; and in 13th monthly salary, in view of error in the parameters of the variable portion of the provision program, which was corrected in 2008, and now adequately reflects the accrued amount.

- **Material** – Expenses with materials increased R$4,278 thousand, corresponding to 23.11%, in 1Q09, when compared to the same prior-year quarter. The major changes were of R$1,391 thousand with treatment materials, due to the relative increase in product consumption, caused by a higher volume of rain in 1Q09, in relation to 1Q08, and to ±10% increase in the price of the chlorinated ferrous sulfate, the most significant consumption material in water treatment; of R$942 thousand with vehicle parts, accessories and components in view of the occurrence of fleet maintenance services, which was renewed in 2003 and 2004; of R$502 thousand with vehicle fuel and lubricants, due to non-recognition of part of the expense in the 1st quarter of 2008, accrued cumulatively in September 2008; and of R$248 thousand with system upkeep and maintenance materials, due to corrective maintenance in water and waterwaste treatment station equipment, acquisition of polyethylene tanks for transportation of chemical products, construction of new truck bodies due to renewal of the truck fleet, requiring engine overhauling, complete hydraulic systems and placement of hoisting cables and material for maintenance services in large-sized motor pumps belonging to the treated water booster station.

- **Electric energy** – The negative variation in 1Q09 in relation to the previous year reflects the decrease in the electric energy tariff, determined by ANEEL (National Electric Energy Agency), as of April 2008, leading to an impact of -10.38% in electric energy costs, offset against the adjustment of R$2,552 thousand in March 2009, referring to the period from October to December 2008, in view of delay in electronic files that should have been sent to the Company.

- **Third-party services** – Expenses with third-party services increased 17.05%, corresponding to R$3,779 thousand, in 1Q09, in relation to the same prior-year period. The increase in maintenance and upkeep services of R$1,167 thousand is primarily due to recording of R$709 thousand relating to 1Q08 in 2Q08; and variations in the 1Q09 referring to engagement of asphalt renewal, building renovation, electric and maintenance services in Company units. Other significant variations included R$1,018 thousand related to telephone bills referring to March/08 that were recorded in April/08; R$535 thousand relating to collection services and R$ 370 thousand connected to vehicle maintenance and upkeep services.

- **Tariff transfer** – The increase of 8.34%, or R$967 thousand, observed in 1Q09 in relation to the same 2008 quarter, is a result of the increase in net operating revenue, determined in the municipalities of Belo Horizonte, Divinópolis and Andradas, the concession agreements of which provide for transfer of amounts collected in such locations.

- **Depreciation and amortization** – The increase of R$3,400 thousand corresponding to 6.43% relates to acquisition of assets and development of new works in 1Q09 in relation to 1Q08.

❖ **Commercial expenses** – The Company's commercial system expenses increased 1.66% or R$626 thousand in 1Q09 in relation to the same prior-year quarter. Such expenses include the following items:

Company

1st quarter	2009	2008	Variation	
				%
Commercial expenses	**38,266**	**37,640**	**626**	**1.66**
Personnel	20,262	18,383	1,879	10.22
Material	636	637	(1)	-0.16
Third-party services	3,950	3,047	903	29.64
General expenses	256	155	101	65.16
Depreciation and amortization	1,475	2116	(641)	-30.29
Allowance for doubtful accounts	11,687	13,302	(1,615)	-12.14

Major variations and causes:

- **Personnel** – Increase in personnel expenses of R$1,879 thousand, equivalent to 10.22%, was a result of the impact of a 5.9% salary adjustment, determined by the 2008/2010 collective bargaining agreement, corresponding to INPC and actual gain of 1% calculated on salaries already adjusted, signed in July 2008, and growth due to training, with salary increases during 2008. We also observed other variations as follows:

Description	3/31/2009	3/31/2008	Variation	
	R$	R$	R$	%
Wages and salaries/Regular hours	7,724,855	7,226,192	498,663	6.90
Wages and salaries/Overtime	494,567	316,559	178,008	56.23
Bonus according to position	28,951	26,020	2,931	11.26
Vacation pay	1,672,225	1,579,558	92,667	5.87
13th salary	825,644	673,512	152,132	22.59
Health exposure premium	3,859	3,677	182	4.95
Corporate performance bonus – GDI	1,028,415	960,976	67,439	7.02
Social security	2,872,305	2,635,967	236,338	8.97
FGTS	941,115	821,115	120,000	14.61
Workers' compensation insurance	215,086	296,590	(81,504)	-27.48
Severance pay/30-day resignation notice	18,801	13,630	5,171	37.94
Professional education	473	2,229	(1,756)	-78.78
Subsidized snack	181,054	140,124	40,930	29.21
Subsidized transportation ticket	292,185	207,035	85,150	41.13
Supplementary programs – COPASS	269,090	247,878	21,212	8.56
Health insurance	54,571	254,354	(199,783)	-78.55
Workers' meal program	2,776,073	2,414,885	361,188	14.96
Social security and health program	675,799	500,406	175,393	35.05
Other welfare programs	168,807	46,349	122,458	n.m.
Management performance bonus – GDG	18,573	17,744	829	4.67
*** Personnel expenses**	**20,261,975**	**18,382,571**	**1,879,404**	**10.22**

The other variations occurred in the Workers' Meal Program, which increased R$361 thousand due to 11.8% adjustment arising from the 2008/2010 collective bargaining agreement and the provision of the 2008 Christmas gift basket in 1Q09; in social security and health program, which presented a variation of R$175 thousand relating to the collective bargaining agreement of 6.95 and which was adjusted by 20.84% in November 2008, leading to an average impact of 29% in the employer contribution; in other welfare programs, which varied R$122 thousand due to change in the payment date of the education allowance benefit from December to January 2009; and in 13th monthly salary, in view of error in the parameters of the variable portion of the provision program, which was corrected in 2008, and now adequately reflects the accrued amount.

- **Third-party services** – Expenses with third-party services varied 29.64%, corresponding to R$903 thousand, mainly relating to telephone bills of R$303 thousand, in view of the distribution of the expense in 1Q09, which did not occur in 1Q08, R$247 thousand referring to surveillance, messenger and receptionist services, and R$199 thousand connected to hydrometer reading and delivery of bills.

- **Allowance for doubtful accounts** – The decrease of R$1,615 thousand, or 12.14%, is due to the volume of negotiations for installment payment of debts with local governments in 1Q08, written down from P&L and subsequently recovered and included in such negotiations.

❖ **Administrative expenses** – Expenses with the Company management structure, which includes the Board of Directors and Supervisory Board, executive board and related supervisory officers, increased R$1,994 thousand or 3.09%, as shown below:

Company

1st quarter	2009	2008	Variation	
				%
Administrative expenses	**66,551**	**64,557**	**1,994**	**3.09**
Personnel	46,917	41,747	5,170	12.38
Material	1,464	1,313	151	11.5
Third-party services	13,913	15,406	(1,493)	-9.69
General expenses	1,392	2,043	(651)	-31.86
Depreciation and amortization	2,865	4,048	(1,183)	-29.22

Major variations and causes:

- **Personnel** – Increase in personnel expenses of R$5.170 thousand, or 12,38%, was primarily due to impact of salary adjustment of 5.9%, determined by the 2008/2010 collective bargaining agreement, corresponding to the INPC and actual gain of 1% on salaries already adjusted, signed in July 2008, and growth due to training, with salary increases during 2008. Among the variations in this group of accounts, we point out the following: workers' meal program of R$1,097 thousand, due to 11.8% adjustment arising from the 2008/2010 collective bargaining agreement and the provision of the 2008 Christmas gift basket in 1Q09; R$622 thousand in social security and health program, which increased relating to the collective bargaining agreement of 6.95 and which was adjusted by 20.84% in November 2008, leading to an average impact of 29% in the employer contribution; in other welfare programs, which varied R$190 thousand due to change in the payment date of the education allowance benefit from December to January 2009; and in 13th monthly salary, in view of error in the parameters of the variable portion of the provision program, which was corrected in 2008, and now adequately reflects the accrued amount. We also observed other variations as follows:

Description	3/31/2009	3/31/2008	Variation	
	R$	R$	R$	%
Wages and salaries/Regular hours	17,196,772	15,614,828	1,581,944	10.13
Wages and salaries/Overtime	148,094	159,821	(11,727)	-7.34
Bonus according to position	798,388	695,329	103,059	14.82
Executive board/board of director fees	474,775	653,053	(178,278)	-27.30
Vacation pay	4,006,341	3,992,679	13,662	0.34
13th salary	1,917,723	1,583,838	333,885	21.08
Health exposure premium	23,831	24,868	(1,037)	-4.17
Sickness benefit supplementation	1,748	2,029	(281)	-13.85
Corporate performance bonus – GDI	2,328,644	2,097,755	230,889	11.01
Social security	6,678,812	6,152,650	526,162	8.55
FGTS	2,170,453	2,007,228	163,225	8.13
Workers' compensation insurance	503,462	685,059	(181,597)	-26.51
Severance pay/30-day resignation notice	62,384	1,154,605	(1,092,221)	-94.60
Professional education	108,593	146,619	(38,026)	-25.94

07.01 – COMMENTS ON COMPANY PERFORMANCE IN THE QUARTER

Description	3/31/2009	3/31/2008	Variation	
	R$	R$	R$	%
Subsidized snack	172,119	178,211	(6,092)	-3.42
Subsidized transportation ticket	486,947	908,257	(421,310)	-46.39
Supplementary programs – COPASS	601,790	1,598,762	(996,972)	-62.36
Health insurance	4,150,621	1,004,359	3,146,262	n.m.
Workers' meal program	3,692,900	2,595,400	1,097,500	42.29
Social security and health program	2,489,743	1,867,999	621,744	33.28
Other welfare programs	433,233	243,285	189,948	78.08
Refund to employee for purposes of agreement	(1,968,197)	(2,012,609)	44,412	-2.21
Management performance bonus – GDG	438,072	393,427	44,645	11.35
*** Personnel expenses**	**46,917,246**	**41,747,452**	**5,169,794**	**12.38**

- **Third-party services** – Expenses with third-party services fell by R$1,493 thousand or 9.69% in 1Q09 when compared to the same prior-year quarter. The variation occurred due to decrease in expenses relating to lease of chattels of R$695 thousand, surveillance, messenger and receptionist services of R$563 thousand and social security tax on third-party services of R$434 thousand.

- **Depreciation and amortization** – Depreciation and amortization expenses in the administrative area decreased R$1,183 thousand, corresponding to 29.22%, in 1Q09 in relation to the same prior-year quarter. The negative variation is due to decrease of R$545 thousand relating to depreciation of vehicles, which were 100% depreciated, and to reversal of depreciation of donated items, of R$492 thousand.

- **Other operating income/expenses** – In view of their same nature, the items are being analyzed under one same comment, with description of performance of both operating income and expenses, as shown below:

Company

1st quarter	2009	2008	Variation	
Other operating income				%
Income from technical services	776	975	(199)	-20.41
Reversal of nondeductible provision	5,631	1,339	4,292	n.m.
Recovery of accounts written down	2,079	5,031	(2,952)	-58.68
Other	3,738	1,206	2,532	n.m.
Total other operating income	**12,224**	**8,551**	**3,673**	**42.95**
Other operating expenses				
Adventitious or extraordinary losses	(5,639)	(5,262)	(377)	7.16
Other	(3,759)	(4,695)	936	-19.94
Equity pickup – Copanor	(615)	(644)	29	-4.50
Equity pickup – Águas Minerais	(3,922)	-	(3,922)	100.00
Equity pickup – Copasa Serv. Irrigação	(116)	-	(116)	100.00
Total other operating expenses	**(14,051)**	**(10,601)**	**(3,450)**	**32.54**
Other operating income (expenses)	**(1,827)**	**(2,050)**	**223**	**-10.88**

Major variations and causes:

- **Other operating income** – The variation of R$3,673 thousand, or 42.95%, in this group of accounts is particularly due to reversal of actuarial liabilities of R$4,081 thousand, and to increase of R$2,089 thousand referring to recognition of part of the grant for works relating to the Water Basin Depollution Program (PRODES/ANA), offset against the decrease of R$2,952 thousand relating to recovery of accounts written down.

- **Other operating expenses** – The increase of R$3,450 thousand, or 32.54%, in other operating expenses is primarily due to absorption of equity loss in the subsidiaries Copasa Águas Minerais de Minas S/A, of R$3,922 thousand, and Copasa Serviços de Irrigação, of R$116 thousand. Other variations were as follows: reduction in nondeductible provisions of R$1,069 thousand, offset against the increase of R$1,195 thousand in adventitious losses, of which R$1,178 thousand refers to emergency works for recovery of the Fechos system dam, an expense that did not occur in 1Q08, and increase of R$116 thousand relating to severance pay, of which R$97 thousand refers to IRRF on lawsuits.

- **Financial income and expenses** – These reflect the results from short-term investments, amounts receivable, loans, financing operations and debentures. The analysis of the variations is made based on net result from financial income and expenses of the same nature, as follows:

	Company			
1st quarter	**2009**	**2008**	**Variation**	
				%
Financial income				
Monetary and exchange variations	5,743	4,586	1,157	25.23
Interest	17,755	9,794	7,961	81.28
Yield from short-term investments	23,282	23,172	110	0.47
Other	9	4	5	n.m.
Total financial income	**46,789**	**37,556**	**9,233**	**24.58**
Financial expenses				
Monetary and exchange variations	(12,924)	(14,734)	1,810	-12.28
Interest on financing operations	(28,883)	(16,672)	(12,211)	73.24
Other	(2,857)	(2,592)	(265)	10.22
Total financial expenses	**(44,665)**	**(33,998)**	**(10,667)**	**31.38**
Financial income (expenses)	**2,125**	**3,558**	**(1,433)**	**-40.28**

Major variations and causes:

- **Monetary and exchange variations** – Monetary and exchange variations of R$2.967 thousand in 1Q09, when compared to 1Q08, are basically due to: a) increase of R$499 thousand in income from restatement of intercompany loans signed with subsidiaries; b) decrease of R$3.370 thousand in expenses relating to restatement of debts with CEMIG and Previminas, due to negative variation of the IGP-M (General Market Price Index) in 1Q09 (- R$0.92), whereas the 1st quarter of 2008 recorded a positive variation (R$2.36); c) increase of R$1,468 thousand in local currency financing expenses, restated by the TR (reference rate), which presented a 0.3729 variation in this quarter, against 0.1662 in the same prior-year quarter, particularly CEF, which varied R$1,624 thousand.

- **Interest** – This item records interest expenses on financing operations, income from collateral in foreign currency, and interest on installment payment of debts relating to local governments. Interest receivable increased R$7,961 thousand in 1Q09, when compared to 1Q08, particularly compensatory interest relating to BNDES of R$8,677 thousand. Interest payable increased R$12,211 thousand, due to rise by R$9,758 thousand relating to interest on debentures and R$2,868 thousand, to CEF interest, as a result of disbursements in 1Q09, R$75,000 thousand of which referring to debentures and R$36,348 thousand, to CEF.

- **Interest on equity** – Management opted to accrue for interest on equity in the amount of R$37,229 thousand, relating to 1Q09, which did not occur in 1Q08.

- **Income before income and social contribution taxes** – Income before income and social contribution taxes increased R$18,671 thousand, or 13.77%, R$154,214 thousand of which in 1Q09, against R$135,543 thousand in the same prior-year period.

- **Provision for income and social contribution taxes** – Taxation on income in 1Q09 was of R$50,545 thousand compared to R$48,612 thousand in 1Q08. Taxation in 2008 was influenced by the credit of interest on equity, in the 1st quarter o 2009 of R$37,229 thousand. Pursuant to specific legislation, income tax is calculated at the rate of 25% and social contribution tax, at 9% on adjusted taxable profit.

- **Employee profit sharing** – In 1Q09, the amount of R$8,191 thousand was accrued for purposes of employee profit sharing, as per the 2008/2010 collective bargaining agreement, which did not occur in the same prior-year period.

- **Net income for the year** – Net income for the year increased R$45,776 thousand, R$132,707 thousand of which in 1Q09 and R$86,931 thousand in the same quarter of the previous period. In 1Q09, net income represented 24.73% of net revenue, compared to 18.60% in the same period of 2008.

- **Generation of funds or EBITDA** – Funds in the amount of R$249,958 thousand were generated in 1Q09, against R$191,049 in the same quarter of 2008, representing an increase of R$58,909 thousand or 30.83%. Adjusted EBITDA margin was of 45.55% in 1Q09, compared to 40.15% 2008, corresponding to an increase of 5.40 p.p.

The EBITDA calculations are shown hereunder:

	Company			
1st quarter	2009	2008	Variation	
				%
Net income	**132,707**	**86,931**	**45,776**	**52.66**
Provision for IR and CS	50,545	48,612	1,933	3.98
Amortization and depreciation	60,640	59,064	1,576	2.67
Employee profit sharing	8,191	-	8,191	100.00
Financial expenses	(2,125)	(3,558)	1,433	-40.28
(=) EBITDA (1)	**249,958**	**191,049**	**58,909**	**30.83**
EBITDA margin (2)	**45.55**	**40.15**	**-**	**5.40 p.p.**

(1) EBITDA is equal to net income (loss) before income and social contribution taxes, net financial expenses, depreciation and amortization expenses. As the EBITDA calculation does not consider interest income and expenses (financial), income and social contribution taxes, depreciation and amortization, it serves as an indicator of our general economic performance, which is not affected by interest rate fluctuations, income and social contribution tax burden changes, or depreciation and amortization levels. Consequently, we believe that EBITDA is a significant tool for periodic comparison of our operating performance, in addition to serving as a basis for certain administrative decisions. In our opinion, the EBITDA enables a better understanding of our financial performance and of our ability to honor payables and obtain funds for our capital expenditures and working capital. EBITDA, however, has limitations that impair its use as a measure of profitability, since it does not consider certain costs arising from our business that could significantly impact our profit, such as financial expenses, taxes, depreciation, capital expenditures, among other related expenses.

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

1 – Analysis and Discussion on the Financial Position

The financial position analysis and discussion below is based on the information resulting from the Financial Statements prepared in accordance with the accounting practices adopted in Brazil.

In the discussion below, references to increases or decreases in each of the years are made in comparison with the corresponding previous year, except when stated otherwise.

This analysis and discussion considered the accounts that, in the Company's understanding, are materially significant to adequately justify the changes in the financial position on the indicated dates, whether due to the their balance or the variation observed between such dates.

- **Balance sheet**

	Consolidated			
Financial year – in thousands of R$	**3/31/09**	**12/31/09**	**Variation**	
			R$	**%**
Current assets	1,395,601	1,251,166	144,435	11.54
Noncurrent assets	5,136,135	5,007,329	128,806	2.57
Total assets	**6,531,736**	**6,258,495**	**273,241**	**4.37**
Current liabilities	625,382	559,300	66,082	11.82
Noncurrent liabilities	2,006,777	1,895,894	110,883	5.85
Shareholders' equity	3,899,577	3,803,301	96,276	2.53
Total liabilities and shareholders' equity	**6,531,736**	**6,258,495**	**273,241**	**4.37**

- **Current assets**

	Consolidated			
Financial year – in thousands of R$	**3/31/09**	**12/31/09**	**Variation**	
			R$	**%**
Cash and cash equivalents	926,816	791,036	135,780	17.16
Trade accounts receivable	382,614	371,670	10,944	2.94
Inventories	28,874	27,489	1,385	5.04
Taxes recoverable	10,215	7,889	2,326	29.48
Deferred income and social contribution taxes	1,320	1,320	0	0.00
Sundry credits	45,762	51,762	(6,000)	(11.59)
Total current assets	**1,395,601**	**1,251,166**	**144,435**	**11.54**

- **Cash and cash equivalents** – This account increased R$135,780 thousand at March 31, 2009, corresponding to 17.16%. At December 31, 2008, the balance amounted to R$791 thousand, increasing to R$926,816 thousand at March 31, 2009. The main reason for such increase was the release of funds by BNDES (National Economic and Social Development Bank) for works, in the approximate amount of R$83,000 thousand in the end of March, invested in April only, in addition to investment income, in the amount of R$23,282 in 1Q09.

- **Taxes recoverable** – The taxes recoverable account increased R$2,326 thousand at March 31, 2008, corresponding to 29.48%. At December 31, 2008 this account totaled R$7,889 thousand, increasing to R$10,215 thousand at March 31, 2009. The change is due to the fact that offset of IRPJ and CSLL is no longer permitted, as provided for in Provisional Executive Order No. 449 of December 4, 2008.

- **Sundry credits** – This line consolidates the following accounts: health program, advances to employees, salaries, vacation pay, 13th monthly salary and travel expenses, in addition to escrow deposits relating to lawsuits and advances to suppliers. The decrease amounted to 11.59%, that is, R$6,000 thousand. In March 2009, the balance was of R$45,762 thousand, against R$51,762 thousand in December 2008, resulting from decrease in vacation pay to employees in the period.

• Noncurrent assets

	Consolidated			
Financial year – in thousands of R$	**3/31/09**	**12/31/09**	**Variation**	
			R$	**%**
Noncurrent assets	**392,801**	**394,268**	(1,467)	(0.37)
Trade accounts receivable	196,597	201,966	(5,369)	(2.66)
Deferred income and social contribution taxes	57,695	57,221	474	0.83
Judicial deposits	8,891	8,912	(21)	(0.24)
Collateral for financing operations	84,302	82,085	2,217	2.70
Sundry credits	45,316	44,084	1,232	2.79
Permanent assets	**4,743,334**	**4,613,061**	130,273	2.82
Investments	260	260	0	0.00
Property, plant and equipment	4,743,074	4,612,801	130,273	2.82
Total noncurrent assets	**5,136,135**	**5,007,329**	**128,806**	**2.57**

❖ Permanent assets

➢ **Property, plant and equipment** – Property, plant and equipment increased 2.82%, equivalent to R$130,273 thousand, reaching R$4,743.074 thousand in March 31, 2009, against R$4,612,801 thousand in December 31, 2008. This increase is primarily explained by the new undertakings to expand and create water and sanitary drainage systems and installations for own use.

• Current liabilities

	Consolidated			
Financial year – in thousands of R$	**3/31/09**	**12/31/09**	**Variation**	
			R$	**%**
Loans and financing	127,320	122,546	4,774	3.90
Debentures	59,974	55,327	4,647	8.40
Contractors and suppliers	95,967	74,190	21,777	29.35
Taxes, charges and contributions	34,543	35,156	(613)	(1.74)
Tax provisions	8,062	150	7,912	n.m.
Vacation accrual and for 13th monthly salary	61,118	58,076	3,042	5.24
Employee profit sharing	32,803	24,612	8,191	33.28
Interest on equity	145,290	111,008	34,282	30.88
Technical cooperation agreement	4,586	13,970	(9,384)	(67.17)
Pension plan	11,588	15,922	(4,334)	(27.22)
Electric power	27,754	33,165	(5,411)	(16.32)
Other liabilities	16,377	15,178	1,199	7.90
Total current liabilities	**625,382**	**559,300**	**66,082**	**11.82**

➢ **Debentures** – At March 31, 2009, short-term debentures totaled R$59,974 thousand, representing an increase on the R$55,327 thousand recorded at December 31, 2008. The 8.4% variation, corresponding to R$4,647 thousand, was due to amortization of R$11,590 thousand and conversion of debentures into shares, in the amount of R$798 thousand, offset against the provision for interest on nonconvertible debentures relating to new disbursements, totaling R$4,620 thousand, and transfer from noncurrent amounting to R$12,383 thousand.

➢ **Suppliers** – Suppliers records the balance of R$74,190 thousand at December 31, 2008, against R$95,967 thousand at December 31, 2007. The rise of R$21,777 thousand, equivalent to 29.35%, is mainly due to beginning of works financed by BNDES, the funds of which were made available at the end of 2008.

- **Employee profit sharing** - At December 31, 2008, this account balance was of R$24,612 thousand, increasing by R$8,191 and recording a total of R$32,803 thousand at March 31, 2009, corresponding to a growth of 33.28% in the period. Such increase is a consequence of Management recording the employee profit sharing on a quarterly basis, which, in 2008, was recorded only in December.

- **Interest on equity** – This account increased R$34,282 thousand, totaling R$145,290 thousand at March 31, 2009, against R$111,008 thousand at December 31, 2008. The variation of 30.88% is due to recording of interest on equity on profit for 1Q09, in the amount of R$37,229 thousand, offset against the payment of income tax of R$2,947 thousand.

- **Technical cooperation agreement** – The fall of R$9,384 thousand in this account arises from the fact that at the Parent Company, net balance payable of R$2,115 thousand recorded at December 31, 2008 became a receivable of R$7,520 at March 31, 2009, now representing receivable from federal agencies with which the Company entered into agreements in the quarter.

- **Pension plan** - At December 31, 2008 and March 31, 2009, this account recorded the balance of R$15,922 thousand and R$11,588 thousand, respectively. The variation of R$4,334 thousand, corresponding to a fall of R$27.22% in the period, refers to contributions relating to the increase that took place in November 2007, discounted from payroll in February 2008, which did not occur in 1Q09.

Other liabilities

	Consolidated			
Financial year – in thousands of R$	**3/31/09**	**12/31/09**	**Variation**	
			R$	**%**
Local governments	10,935	11,203	(268)	(2.39)
Tariff increase	3	125	(122)	(97.60)
Concession debits	10,932	11,078	(146)	(1.32)
Other	5,442	3,975	1,467	36.91
Total other liabilities	**16,377**	**15,178**	**1,199**	**7.90**

Other liabilities currently comprise payroll deduction loans payable, matching of accounts and renewal of concessions.

The balance of this group of accounts at December 31, 2008 was R$15,178 thousand, increasing to R$16,377 thousand at March 31, 2009, representing a variation of R$1,199 thousand, or 7.9%. The variation was particularly due to expenses with accredited parties (Authorization for Expenses with Accredited Parties – ADCs) of R$658 thousand, and payroll deduction loans receivable, relating to the Low Risk health plan.

- **Noncurrent liabilities**

	Consolidated			
Financial year – in thousands of R$	**3/31/09**	**12/31/09**	**Variation**	
			R$	**%**
Noncurrent liabilities	**2,006,777**	**1,895,894**	110,883	5.85
Loans and financing	**1,587,590**	**1,465,603**	121,987	8.32
In local currency	**838,453**	**778,439**	60,014	7.71
Federal Savings and Loans Bank	619,734	601,531	18,203	3.03
State Government / BDMG	19,875	21,435	(1,560)	(7.28)
National Treasury	134,780	142,126	(7,346)	(5.17)
BNDES/BNE	64,064	13,347	50,717	n.m.
In foreign currency	**81,310**	**82,543**	(1,233)	(1.49)
Federal Government - bonus	81,310	82,543	(1,233)	(1.49)
Debentures	**667,827**	**604,621**	63,206	10.45
Nonconvertible debentures	526,973	463,053	63,920	13.80
Convertible debentures	140,854	141,569	(715)	(0.51)
Provision for contingencies	27,413	30,351	(2,938)	(9.68)
Tax provisions	113,144	111,455	1,689	1.52
Pension plan	**174,357**	**178,826**	(4,469)	(2.50)
Electric energy	**46,732**	**51,109**	(4,377)	(8.56)
Advance for future capital increase	**8,797**	**8,797**	0	0.00
Deferred income and social contribution taxes	**6,274**	**6,427**	(153)	(2.38)
Other liabilities	**42,470**	**43,326**	(856)	(1.98)
Total noncurrent liabilities	**2,006,777**	**1,895,894**	**110,883**	**5.85**

- **Noncurrent loans and financing** – This account increased 6.83% between December 31, 2008 and March 31, 2009, recording a difference of R$58,781 thousand. At December 31, 2008, the balance amounted to R$860,982 thousand, increasing to R$919,763 thousand at March 31, 2009. The major reason for such increase are the disbursements made by the Federal Savings and Loans Bank ("Caixa Econômica Federal") and BNDE, in the respective amounts of R$36,000 thousand and R$51,000 thousand, offset against amortizations and transfers to the short-term in the period, of approximately R$28,800 thousand.

- **Debentures** – Noncurrent debentures increased R$63,206 thousand, or 10.45%, recording the amount of R$604,621 thousand at December 31, 2008, against R$667,827 thousand at March 31, 2009. This variation was due to approval by BNDES of new series of nonconvertible debentures, in the amount of R$75,000 thousand, and monetary restatement of R$588 thousand, offset against transfers to the short-term of R$12,383 thousand.

- **Provision for contingencies** – This account totaled R$30,351 thousand at December 31, 2008, decreasing to R$27,413 thousand at March 31, 2009. Such fall of R$2,938 thousand, or 9.68%, is substantially due to dismissal of the suit filed against the Federal Government, for which the Company paid lawyers' fees equivalent to R$2,156 thousand.

- **Pension plan** – This account totaled R$178,826 thousand at December 31, 2008, decreasing to R$174,357 thousand at March 31, 2009. Such fall of R$4,469 thousand, or 2.5% occurred basically due to reversal of actuarial liabilities amounting to R$4,081 thousand.

- **Electric energy** – The noncurrent electric energy balance totaled R$51,109 thousand at December 31, 2008, having decreased R$4,377 thousand at March 31, 2009, with a balance of R$46,732 thousand. The variation of 8.56% is primarily due to debt amortization installments recorded in the referred to period.

- **Shareholders' equity**

	Consolidated			
Financial year – in thousands of R$	**3/31/09**	**12/31/09**	**Variation**	
			R$	**%**
Opening balance	**3,803,301**	**3,511,358**	291,943	8.31
Interest on equity	(37,229)	(115,861)	78,632	(67.87)
Capital increase	798	23	775	n.m.
Retained earnings	132,707	407,781	(275,074)	(67.46)
Ending balance	**3,899,577**	**3,803,301**	**96,276**	**2.53**

Shareholders' equity increased 2.53%, amounting to R$3,899,577 thousand at March 31, 2009, against R$3,803,301 thousand at December 31, 2008. Such increase refers substantially to generation of profit in the period. Capital increased as a result of conversion of 6,369 debentures into 25,476 common shares.

2 – Financial Performance

Income for the first quarter of 2009, when compared to the first quarter of 2008, recorded a growth, as shown in the tables below:

	Consolidated					
1st quarter	**2009**		**2008**		**Variation**	
Statement of income for the quarter		%		%	R$	**%**
Revenue from water supply services	450,217		395,336		54,851	13.87
Revenue from waterwaste services	150,746		126,068		24,678	19.58
Revenue from finished products	356		0		356	100.00
Gross operating revenue	**601,319**		**521,434**		**79,885**	**15.32**
Deductions from gross operating revenue	(63,413)		(54,104)		(9,309)	17.21
Net operating revenue	**537,906**	**100.00**	**467,330**	**100.00**	**70,576**	**15.10**
Cost of services	(241,158)	-44.84	(231,074)	-49.45	(10,084)	4.36
Gross profit	**296,748**	**55.17**	**236,256**	**50.55**	**60,492**	**25.60**
Commercial expenses	(38,435)	-7.15	(37,640)	-8.05	(795)	2.11
Administrative expenses	(70,877)	-13.18	(65,225)	-13.96	(5,652)	8.67
Other operating income/expenses	2,515	0.47	(1,406)	-0.30	3,921	n.m.
Financial income/expenses, net	1,613	0.30	3,558	0.76	(1,945)	-54.67
Interest on equity	(37,229)	-6.92	0	0.00	(37,229)	100.00
Income before income and social contribution taxes	**154,335**	**28.69**	**135,543**	**29.00**	**18,792**	**13.86**
Income and social contribution taxes	(50,666)	-9.42	(48,612)	-10.40	(2,054)	4.23
Employee profit sharing	(8,191)	-1.52	0	0.00	(8,191)	100.00
Reversal of interest on equity	37,229	6.92	0	0.00	37,229	100.00
Net income for the year	**132,707**	**24.67**	**86,931**	**18.60**	**45,776**	**52.66**

- **Gross operating revenue** – Gross operating revenue increased R$79,885 thousand, or 15.32%, reaching R$601,319 thousand in 1Q09, against R$521,434 thousand in the same prior-year period. Of such increase, R$54,851 thousand refers to water supply services and R$24,678 thousand, to sanitary waterwaste services.

  The table below shows the changes in gross operating revenue arising from water supply and sanitary waterwaste services, in the indicated periods:

Consolidated

1st quarter	2009		2008		Variation	
		%		%	R$	%
Gross operating revenue						
Water supply services	450,217	74.87	395,336	75.82	54,851	13.87
Sanitary waterwaste services	150,746	25.07	126,068	24.18	24,678	19.58
Revenue from finished products	356	0.06	0	0.00	356	100.00
Total	**601,319**	**100.00**	**521,434**	**100.0**	**79,885**	**15.32**

Major variations and causes:

- **Water supply** – Revenue from water supply increased 13.87%, arriving at R$450,217 thousand in 1Q09, compared to R$395,336 thousand in the same prior-year period. Such rise was basically due to the tariff increase at an average rate of 9.47% as of March 2008.

- **Sanitary waterwaste** – Revenue from sanitary waterwaste services of R$150,746 thousand grew 19.58% in 1Q09, against R$126,068 thousand recorded in 1Q09. This increase is mainly due to tariff increase at an average rate of 9.47% as of March 2008.

- **Deductions from gross operating revenue** – These increased 17.21%, recording R$63,413 thousand in 1Q09, against R$54,104 thousand in the same prior-year period. The increase was due to rise in payment of PIS/PASEP and COFINS, resulting directly from increase in gross operating revenue, which is the calculation base for the mentioned taxes.

- **Net operating revenue** – Net operating revenue totaled R$537,906 thousand in 1Q09, against R$467,330 thousand in 1Q08, rising 15.10% due to tariff adjustment in March 2008.

- **Operating costs and expenses** – As part of the Company's strategic policy, an annual expense budget is prepared, and the realizations are closely monitored. As such, operating expenses may be evaluated and equated throughout the year, as shown below:

- **Cost of services** – Cost of services, which includes expenses with operation, maintenance and upkeep of water and sanitary waterwaste systems, increased R$10,084 thousand, equivalent to 4.36% in 1Q09, in comparison with the same period in 2008, as follows:

Consolidated

1st quarter	2009	2008	Variation	
			R$	%
Cost of services	**241.158**	**231.074**	**10.084**	**4.36**
Personnel	85,154	79,060	6,094	7.71
Material	22,786	18,508	4,278	23.11
Electric energy	46,348	55,240	(8,892)	-16.10
Third-party services	25,945	22,166	3,779	17.05
Tariff transfer to municipalities	12,561	11,594	967	8.34
General expenses	2,751	1,757	994	56.57
Depreciation and amortization	56,302	52,900	3,402	6.43
Credit recovery *(PIS-PASEP/COFINS)*	(10,689)	(10,151)	(538)	5.30

Major variations and causes:

- **Personnel** – Increase in expenses with personnel of R$6,094 thousand, equivalent to 7.71%, is primarily due to a 5.9% salary adjustment, corresponding to the INPC (National Consumer Price Index), increase of 1% calculated on salaries already adjusted, as determined by the 2008/2010 collective bargaining agreement:

Description	03/31/2009	03/31/2008	Variation	
	R$	R$	R$	%
Regular hourly wage	35,242,783	32,929,689	2,313,094	7.02
Overtime hourly wage	3,248,610	2,727,435	521,175	19.11
Bonus according to position	387,070	301,996	85,074	28.17
Vacation pay	7,534,866	7,007,976	526,890	7.52
13th monthly salary	3,826,242	2,951,796	874,446	29.62
Health exposure premium	920,107	785,856	134,251	17.08
Sickness benefit supplementation	0	2,657	(2,657)	-100.00
Corporate performance bonus	4,435,311	4,006,570	428,741	10.70
Social security	13,469,581	12,072,401	1,397,180	11.57
Employee Dismissal Indemnity Fund - FGTS	4,297,570	3,780,905	516,665	13.67
Workers' Compensation Insurance	1,281,236	1,597,597	(316,361)	-19.80

Description	03/31/2009	03/31/2008	Variation	
	R$	R$	R$	%
Severance pay and 30-day resignation notice	106,319	228,496	(122,177)	-53.47
Professional education	1,586	2160	(574)	-26.57
Subsidized snack	224,910	199,007	25,903	13.02
Subsidized transportation ticket	1,315,872	1,258,911	56,961	4.52
Supplementary programs – COPASS	1,218,275	1,072,725	145,550	13.57
Health program	357,393	1,230,389	(872,996)	-70.95
Workers' Meal Program	11,985,946	10,162,162	1,823,784	17.95
Social security and health program	3,593,109	2,517,442	1,075,667	42.73
Other welfare programs	589,729	124,338	465,391	n.m.
Management performance bonus	188,990	186,431	2,559	1.37
Expansion costs	(6,831,433)	(4,476,971)	(2,354,462)	52.59
Natural increase – own labor	(2,238,602)	(1,610,276)	(628,326)	39.02
*** Personnel expenses**	**85,155,470**	**79,059,692**	**6,724,104**	**7.71**

The major variations occurred in the Workers' Meal Program, which increased R$1,824 thousand due to 11.8% adjustment arising from the 2008/2010 collective bargaining agreement and the provision of the 2008 Christmas gift basket in 1Q09; in social security and health program, which presented a variation of R$1,076 thousand relating to the collective bargaining agreement of 6.95 and which was adjusted by 20.84% in November 2008, leading to an average impact of 29% in the employer contribution; in other welfare programs, which varied R$465 thousand due to change in the payment date of the education allowance benefit from December to January 2009; and in 13th monthly salary, in view of error in the parameters of the variable portion of the provision program, which was corrected in 2008, and now adequately reflects the accrued amount.

- **Material** – Expenses with materials increased R$4,278 thousand, corresponding to 23.11%, in 1Q09, when compared to the same prior-year quarter. The major changes were of R$1,391 thousand with treatment materials, due to the relative increase in product consumption, caused by a higher volume of rain in 1Q09, in relation to 1Q08, and to ±10% increase in the price of the chlorinated ferrous sulfate, the most significant consumption material in water treatment; of R$942 thousand with vehicle parts, accessories and components in view of the occurrence of fleet maintenance services, which was renewed in 2003 and 2004; of R$502 thousand with vehicle fuel and lubricants, due to non-recognition of part of the expense in the 1st quarter of 2008, accrued cumulatively in September 2008; and of R$248 thousand with system upkeep and maintenance materials, due to corrective maintenance in water and waterwaste treatment station equipment, acquisition of polyethylene tanks for transportation of chemical products, construction of new truck bodies due to renewal of the truck fleet, requiring engine overhauling, complete hydraulic systems and placement of hoisting cables and material for maintenance services in large-sized motor pumps belonging to the treated water booster station.

- **Electric energy** – The negative variation in 1Q09 in relation to the previous year reflects the decrease in the electric energy tariff, determined by ANEEL (National Electric Energy Agency), as of April 2008, leading to an impact of -10.38% in electric energy costs, offset against the adjustment of R$2,552 thousand in March 2009, referring to the period from October to December 2008, in view of delay in electronic files that should have been sent to the Company.

- **Third-party services** – Expenses with third-party services increased 17.05%, corresponding to R$3,779 thousand, in 1Q09, in relation to the same prior-year period. The increase in maintenance and upkeep services of R$1,167 thousand is primarily due to recording of R$709 thousand relating to 1Q08 in 2Q08; and variations in the 1Q09 referring to engagement of asphalt renewal, building renovation, electric and maintenance services in Company units. Other significant variations included R$1,018 thousand related to telephone bills referring to March/08 that were recorded in April/08; R$535 thousand relating to collection services and R$ 370 thousand connected to vehicle maintenance and upkeep services.

- **Tariff transfer** – The increase of 8.34%, or R$967 thousand, observed in 1Q09 in relation to the same 2008 quarter, is a result of the increase in net operating revenue, determined in the municipalities of Belo Horizonte, Divinópolis and Andradas, the concession agreements of which provide for transfer of amounts collected in such locations.

- **Depreciation and amortization** – The increase of R$3,402 thousand, corresponding to 6.43%, relates to acquisition of assets and development of new works in 1Q09 in relation to 1Q08.

❖ **Commercial expenses** – The Company's commercial system expenses increased 2.11%, or R$795 thousand, in 1Q09 in relation to the same prior-year quarter. Such expenses include the following items:

	Consolidated			
1st quarter	**2009**	**2008**	**Variation**	
			R$	%
Commercial expenses	**38,435**	**37,640**	**795**	**2.11**
Personnel	20,262	18,383	1,879	10.22
Material	636	637	(1)	-0.16
Third-party services	3,950	3,047	903	29.64
General expenses	256	155	101	65.16
Depreciation and amortization	1,475	2116	(641)	-30.29
Allowance for doubtful accounts	11,856	13,302	(1,446)	-10.87

The major variations are as follows:

- **Personnel** – Increase in personnel expenses of R$1,879 thousand, equivalent to 10.22%, was a result of the impact of a 5.9% salary adjustment, determined by the 2008/2010 collective bargaining agreement, corresponding to INPC and actual gain of 1% calculated on salaries already adjusted, signed in July 2008, and growth due to training, with salary increases during 2008. We also observed other variations as follows:

Description	03/31/2009 R$	03/31/2008 R$	Variation R$	Variation %
Wages and salaries/Regular hours	7,724,855	7,226,192	498,663	6.90
Wages and salaries/Overtime	494,567	316,559	178,008	56.23
Bonus according to position	28,951	26,020	2,931	11.26
Vacation pay	1,672,225	1,579,558	92,667	5.87
13th salary	825,644	673,512	152,132	22.59
Health exposure premium	3,859	3,677	182	4.95
Corporate performance bonus – GDI	1,028,415	960,976	67,439	7.02
Social security	2,872,305	2,635,967	236,338	8.97
FGTS	941,115	821,115	120,000	14.61
Workers' compensation insurance	215,086	296,590	(81,504)	-27.48
Severance pay/30-day resignation notice	18,801	13,630	5,171	37.94
Professional education	473	2,229	(1,756)	-78.78
Subsidized snack	181,054	140,124	40,930	29.21
Subsidized transportation ticket	292,185	207,035	85,150	41.13
Supplementary programs – COPASS	269,090	247,878	21,212	8.56
Health insurance	54,571	254,354	(199,783)	-78.55
Workers' meal program	2,776,073	2,414,885	361,188	14.96
Social security and health program	675,799	500,406	175,393	35.05
Other welfare programs	168,807	46,349	122,458	n.m.
Management performance bonus – GDG	18,573	17,744	829	4.67
*** Personnel expenses**	**20,261,975**	**18,382,571**	**1,879,404**	**10.22**

The other variations occurred in the Workers' Meal Program, which increased R$361 thousand due to 11.8% adjustment arising from the 2008/2010 collective bargaining agreement and the provision of the 2008 Christmas gift basket in 1Q09; in social security and health program, which presented a variation of R$175 thousand relating to the collective bargaining agreement of 6.95 and which was adjusted by 20.84% in November 2008, leading to an average impact of 29% in the employer contribution; in other welfare programs, which varied R$122 thousand due to change in the payment date of the education allowance benefit from December to January 2009; and in 13th monthly salary, in view of error in the parameters of the variable portion of the provision program, which was corrected in 2008, and now adequately reflects the accrued amount.

- **Third-party services** – Expenses with third-party services varied 29.64%, corresponding to R$903 thousand, mainly relating to telephone bills of R$303 thousand, in view of the distribution of the expense in 1Q09, which did not occur in 1Q08, R$247 thousand referring to surveillance, messenger and receptionist services, and R$199 thousand connected to hydrometer reading and delivery of bills.

- **Allowance for doubtful accounts** – The decrease of R$1,446 thousand, or 10.87%, is due to the volume of negotiations for installment payment of debts with local governments in 1Q08, written down from P&L and subsequently recovered and included in such negotiations.

❖ **Administrative expenses** – Expenses with the Company management structure, which includes the Board of Directors and Supervisory Board, executive board and related supervisory officers, increased R$1,994 thousand or 3.09%, as shown below:

Consolidated

1st quarter	2009	2008	Variation	
			R$	%
Administrative expenses	**70,877**	**65,225**	**5,652**	**8.67**
Personnel	48,547	41,749	6,798	16.28
Material	1,656	1,323	333	25.17
Third-party services	15,740	16,028	(288)	-1.80
General expenses	1,947	2,065	(118)	-5.71
Depreciation and amortization	2,987	4,060	(1,073)	-26.43

Major variations and causes:

- **Personnel** – Increase in personnel expenses of R$5,652 thousand, or 8.67%, was primarily due to impact of salary adjustment of 5.9%, determined by the 2008/2010 collective bargaining agreement, corresponding to the INPC and actual gain of 1% on salaries already adjusted, signed in July 2008, and growth due to training, with salary increases during 2008. Among the variations in this group of accounts, we point out the following: workers' meal program of R$1,097 thousand, due to 11.8% adjustment arising from the 2008/2010 collective bargaining agreement and the provision of the 2008 Christmas gift basket in 1Q09; R$636 thousand in social security and health program, which increased relating to the collective bargaining agreement of 6.95 and which was adjusted by 20.84% in November 2008, leading to an average impact of 29% in the employer contribution; in other welfare programs, which varied R$190 thousand due to change in the payment date of the education allowance benefit from December to January 2009; and in 13th monthly salary, in view of error in the parameters of the variable portion of the provision program, which was corrected in 2008, and now adequately reflects the accrued amount. We also observed other variations as follows:

Description	03/31/2009	03/31/2008	Variation	
	R$	R$	R$	%
Wages and salaries/Regular hours	17,773,344	15,615,478	2,157,866	13.82
Wages and salaries/Overtime	158,180	159,821	(1,641)	-1.03
Bonus according to position	798,388	695,329	103,059	14.82
Executive board/board of director fees	474,775	653,053	(178,278)	-27.30
Vacation pay	4,129,128	3,992,679	136,449	3.42
13th salary	1,928,520	1,583,838	344,682	21.76
Health exposure premium	23,831	24,868	(1,037)	-4.17
Sickness benefit supplementation	1,853	2,029	(176)	-8.68
Corporate performance bonus – GDI	2,328,644	2,097,755	230,889	11.01
Social security	6,789,258	6,152,650	636,608	10.35
FGTS	2,212,984	2,007,228	205,756	10.25
Workers' compensation insurance	503,462	685,059	(181,597)	-26.51
Severance pay/30-day resignation notice	69,021	1,154,605	(1,085,584)	-94.02
Professional education	122,975	146,619	(23,644)	-16.13
Subsidized snack	179,219	178,211	1,008	0.57
Subsidized transportation ticket	492,343	908,257	(415,914)	-45.79
Supplementary programs – COPASS	601,790	1,598,762	(996,972)	-62.36
Health insurance	4,177,553	1,004,359	3,173,194	n.m.
Workers' meal program	3,740,789	2,595,400	1,145,389	44.13
Social security and health program	2,503,788	1,867,999	635,789	34.04
Other welfare programs	433,233	243,285	189,948	78.08
Refund to employee for purposes of agreement	(1,377,374)	(2,012,609)	635,235	-31.56
Management performance bonus – GDG	438,072	393,427	44,645	11.35
Partners' draw	43,326	-	43,326	100.00
*** Personnel expenses**	**48,547,104**	**41,748,102**	**6,799,002**	**16.29**

- **Depreciation and amortization** – Depreciation and amortization expenses in the administrative area decreased R$1,073 thousand, corresponding to 26.43%, in 1Q09 in relation to the same prior-year quarter. The negative variation is due to decrease of R$545 thousand relating to depreciation of vehicles, which were 100% depreciated, and to reversal of depreciation of donated items, of R$492 thousand.

- **Other operating income/expenses** – In view of their same nature, the items are being analyzed under one same comment, with description of performance of both operating income and expenses, as shown below:

	Consolidated			
1st quarter	**2009**	**2008**	**Variation**	
Other operating income			R$	%
Income from technical services	1,530	975	555	56.92
Reversal of nondeductible provision	5,631	1,339	4,292	n.m.
Recovery of accounts written down	2,079	5,031	(2,952)	-58.68
Other	3,738	1,206	2,532	n.m.
Total other operating income	**12,978**	**8,551**	**4,427**	**51.77**
Other operating expenses				
Adventitious or extraordinary losses	(5,639)	(5,262)	(377)	7.16
Other	(4,824)	(4,695)	(129)	2.75
Total other operating expenses	**(10,463)**	**(9,957)**	**(506)**	**5.08**
Other operating income (expenses)	**2,515**	**(1,406)**	**3,921**	**n.m.**

Variations and causes:

- **Other operating income** – The variation of R$4,427 thousand, or 51.77%, in this group of accounts is particularly due to reversal of actuarial liabilities of R$4,081 thousand, and to increase of R$2,089 thousand referring to recognition of part of the grant for works relating to the Water Basin Depollution Program (PRODES/ANA), offset against the decrease of R$2,952 thousand relating to recovery of accounts written down.

- **Other operating expenses** – The increase of R$506 thousand, or 5.08%, in other operating expenses is primarily due to reduction in nondeductible provisions of R$1,069 thousand, offset against the increase of R$1,195 thousand in adventitious losses, of which R$1,178 thousand refers to emergency works for recovery of the Fechos system dam, an expense that did not occur in 1Q08, and increase of R$116 thousand relating to severance pay, of which R$97 thousand refers to IRRF on lawsuits.

- **Financial income and expenses** – These reflect the results from short-term investments, amounts receivable, loans, financing operations and debentures. The analysis of the variations is made based on net result from financial income and expenses of the same nature, as follows:

	Consolidated			
1st quarter	**2009**	**2008**	**Variation**	
			R$	%
Financial income				
Monetary and exchange variations	5,743	4,586	1,157	25.23
Interest	17,767	9,794	7,973	81.41
Yield from short-term investments	23,294	23,172	122	0.53
Other	9	4	5	n.m.
Total financial income	**46,813**	**37,556**	**9,257**	**24.65**
Financial expenses				
Monetary and exchange variations	(12,924)	(14,734)	1,810	-12.28
Interest on financing operations	(28,933)	(16,672)	(12,261)	73.54
Other	(3,343)	(2,592)	(751)	28.97
Total financial expenses	**(45,200)**	**(33,998)**	**(11,202)**	**32.95**
Financial income (expenses)	**1,613**	**3,558**	**(1,945)**	**-54.67**

Major variations and causes:

- **Monetary and exchange variations** – Monetary and exchange variations of R$2,468 thousand in 1Q09, when compared to 1Q08, are basically due to decrease of R$3,370 thousand in expenses relating to restatement of debts with CEMIG and Previminas, due to negative variation of the IGP-M (General Market Price Index) in 1Q09 (- R$0.92), whereas the 1st quarter of 2008 recorded a positive variation (R$2.36), offset against the increase of R$1,468 thousand in local currency financing expenses, restated by the TR (reference rate), which presented a 0.3729 variation in this quarter, against 0.1662 in the same prior-year quarter, particularly CEF, which varied R$1,624 thousand.

- **Interest** – This item records interest expenses on financing operations, income from collateral in foreign currency, and interest on installment payment of debts relating to local governments. Interest receivable increased R$7,963 thousand in 1Q09, when compared to 1Q08, particularly compensatory interest relating to BNDES of R$8,677 thousand. Interest payable increased R$12,212 thousand, due to rise by R$9,758 thousand relating to interest on debentures and R$2,868 thousand, to CEF interest, as a result of disbursements in 1Q09, R$75,000 thousand of which referring to debentures and R$36,348 thousand, to CEF.

- **Interest on equity** – Management opted to accrue for interest on equity in the amount of R$37,229 thousand relating to 1Q09, which did not occur in 1Q08.

- **Income before income and social contribution taxes** – Income before income and social contribution taxes increased R$18,792 thousand, or 13.86%, R$154,335 thousand of which in 1Q09, against R$135,543 thousand in the same prior-year period.

- **Provision for income and social contribution taxes** – Taxation on income in 1Q09 was of R$50,666 thousand, compared to R$48,612 thousand in 1Q08. Taxation in 2008 was influenced by the credit of interest on equity, in the 1st quarter of 2009 of R$37,229 thousand. Pursuant to specific legislation, income tax is calculated at the rate of 25% and social contribution tax, at 9% on adjusted taxable profit.

- **Employee profit sharing** – In 1Q09, the amount of R$8,191 thousand was accrued for purposes of employee profit sharing, to be paid in April 2009, as per the 2008/2010 collective bargaining agreement, which did not occur in the same prior-year period.

- **Net income for the year** – Net income for the year increased R$45,776 thousand, R$132,707 thousand of which in 1Q09 and R$86,931 thousand in the same quarter of the previous period. In 1Q09, net income represented 24.67% of net revenue, compared to 18.60% in the same period of 2008.

- **Generation of funds or EBITDA** – Funds in the amount of R$250,714 thousand were generated in 1Q09, against R$191,061 thousand in the same quarter of 2008, representing an increase of R$59,653 thousand, or 31.22%. Adjusted EBITDA margin was of 45.51% in 1Q09, compared to 40.15% in 2008, corresponding to an increase of 5.36 p.p.

The EBITDA calculations are shown hereunder:

	Consolidated			
1st quarter	**2009**	**2008**	**Variation**	
				%
Net income	**132,707**	**86,931**	**45,776**	**52.66**
Provision for IR and CS	50,666	48,612	2,054	4.23
Amortization and depreciation	60,763	59,076	1,687	2.86
Employee profit sharing	8,191	0	8,191	100.00
Financial expenses	(1,613)	(3,558)	1,945	(54.67)
(=) EBITDA (1)	**250,714**	**191,061**	**59,653**	**31.22**
EBITDA margin (2)	**45.51**	**40.15**		**5.36 p.p.**

(1) EBITDA is equal to net income (loss) before income and social contribution taxes, net financial expenses, depreciation and amortization expenses. As the EBITDA calculation does not consider interest income and expenses (financial), income and social contribution taxes, depreciation and amortization, it serves as an indicator of our general economic performance, which is not affected by interest rate fluctuations, income and social contribution tax burden changes, or depreciation and amortization levels. Consequently, we believe that EBITDA is a significant tool for periodic comparison of our operating performance, in addition to serving as a basis for certain administrative decisions. In our opinion, the EBITDA enables a better understanding of our financial performance and of our ability to honor payables and obtain funds for our capital expenditures and working capital. EBITDA, however, has limitations that impair its use as a measure of profitability, since it does not consider certain costs arising from our business that could significantly impact our profit, such as financial expenses, taxes, depreciation, capital expenditures, among other related expenses.

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

In compliance with the New Market Regulations, we present below the Additional Requirements for Quarterly Financial Information (ITR) as of March 31, 2009.

1) Shareholders holding more than 5% of shares of each type and class - ITR

Position of shareholders holding more than 5% of Company shares of each type and class, up to the individual level

Company: Companhia de Saneamento de Minas Gerais - COPASA MG	**Position as of 3/31/2009 (in units)**	
Shareholder	**Common shares**	
	Number	**%**
State of Minas Gerais	61,188,867	53.12
Mackenzie Financial Corporation*	5,778,000	5.02
Management	34,630	0.03
Treasury stock	370,176	0.32
Other	47,819,503	41.51
Total	**115,191,176**	**100.00**

* Foreign capital company. Number of shares informed by Mackenzie Financial Corporation to the Company, in the capacity of administrator, advisor and/or sub-advisor of mutual funds, as per Communication received by the Company on May 5, 2008 and disclosed through Statement to the Market on May 6, 2008.

Position of shareholders holding more than 5% of Company shares of each type and class, up to the individual level

Company: Companhia de Saneamento de Minas Gerais - COPASA MG	**Position as of 3/31/2008 (in units)**	
Shareholder	**Common shares**	
	Number	**%**
State of Minas Gerais	61,188,867	53.13
Municipality of Belo Horizonte	11,134,984	9.67
Companhia de Desenvolvimento de Minas Gerais - Codemig	7,641,537	6.64
Management	720	-
Treasury stock	370,176	0.32
Other	34,828,664	30.24
Total	**115,164,948**	**100.00**

2) Position of controlling entities, management and outstanding shares

Consolidated shareholding position of Controlling Entities, Management and outstanding shares As of 3/31/2009 (in units)

Shareholder	Common shares	
	Number	%
Controlling Entity – State of Minas Gerais	61,188,867	53.12
Management		
Board of Directors	34,049	0.03
Executive Board	581	-
Supervisory Board	8	-
Treasury stock	370,176	0.32
Other shareholders	53,597,495	46.53
Total	**115,191,176**	**100.00**
Outstanding shares	**53,597,503**	46.53

Consolidated shareholding position of Controlling Entities, Management and outstanding shares As of 3/31/2008 (in units)

Shareholder	Common shares	
	Number	%
Controlling Entity – State of Minas Gerais	61,188,867	53.13
Municipality of Belo Horizonte	11,134,984	9.67
Companhia de Desenvolvimento de Minas Gerais - Codemig	7,641,537	6.64
Management		
Board of Directors	139	-
Executive Board	581	-
Supervisory Board	177	-
Treasury stock	370,176	0.32
Other shareholders	34,828,487	30.24
Total	**115,164,948**	**100.00**
Outstanding shares	**34,828,664**	**30.24**

3) Arbitration Clause

Companhia de Saneamento de Minas Gerais - COPASA MG is bound to arbitration by the Market Arbitration Chamber, pursuant to Arbitration Clause provided for in the Company's Articles of Incorporation.