(A free translation of the original in Portuguese)

Companhia de Saneamento de Minas Gerais - COPASA MG

Quarterly Information (ITR) at
June 30, 2016
and report on review of
quarterly information

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Report on review of quarterly information

To the Board of Directors and Stockholders
Companhia de Saneamento de Minas Gerais - COPASA MG

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia de Saneamento de Minas Gerais - COPASA MG, included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2016, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and six-month periods then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21 - Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Basis for qualified conclusion

As mentioned in Note 11, the non-current liabilities of Companhia de Saneamento de Minas Gerais - COPASA MG are comprised of debentures and other borrowings, with a covenant requiring the compliance with certain periodical financial ratios, according to which the creditor is entitled to claim the early maturity of these payable, in case of non-compliance. In 2016, prior to the approval of the financial statements for December 31, 2015, the creditors waived their legal rights arising from the non-compliance with some of those ratios as at December 31, 2015.

PricewaterhouseCoopers, Rua dos Inconfidentes 911, 17º e 18º, Belo Horizonte, MG, Brasil 30140-128, Caixa Postal 289
T: (31) 3269-1500, F: (31) 3261-6950, www.pwc.com/br

The accounting practices adopted in Brazil and the IFRS require that this waiver be recognized prospectively in the financial statements. Accordingly, the balance of these debentures and other borrowings as of December 31, 2015, of R$ 2,897,018 thousand, should have been reclassified to current liabilities at that date and reclassified to the long-term in the following quarter. Due to the non-reclassification of the referred balance to the short term at December 31, 2015, the comparability of the balance sheet at June 30, 2016 is affected.

Conclusion on the interim information

Based on our review, except for the effect of the matter described in the "Basis for qualified conclusion" paragraph, referring to the comparison of this Quarterly Information (ITR) with the balance sheet at December 31, 2015, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34, applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2016. These statements are the responsibility of the Company's management and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR), and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, August 11, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 “F” MG

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1 "S" MG

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1. General Information

Corporate name	COMPANHIA DE SANEAMENTO DE MINAS GERAIS
Date of adoption of the corporate name	11/14/1974
Type	Publicly traded corporation
Previous corporate name	COMPANHIA MINEIRA DE ÁGUA E ESGOTO - COMAG
Date of establishment	7/5/1963
Federal Corporate Taxpayers' Registration Number (CNPJ)	17.281.106/0001-03
Brazilian Securities Commission (CVM) code	1944-5
CVM registration date	9/17/2003
CVM registration status	Active
Date of effectiveness of status	9/17/2003
Home country	Brazil
Country in which the securities are held in custody	Brazil

Other countries in which the securities can be traded

Country	Date of admission

Activity sector	Sanitation, water and gas services
Description of activities	Provision of sanitation services
Issuer category	Category A
Date of registration in the current category	1/1/2010
Issuer status	Operating phase
Date of effectiveness of status	9/17/2003
Type of ownership control	State-owned
Date of last change in ownership control	7/5/1963
Date of last change of the fiscal year	7/5/1963
Month/day of the end of the fiscal year	12/31
Issuer's website on the Internet	www.copasa.com.br

Newspapers in which the issuer discloses its information

Names of newspapers in which the issuer discloses its information	State
Diário do Comércio (Belo Horizonte)	MG
Diário Oficial de Minas Gerais (Minas Gerais Official Gazette)	MG

2. Address

Mail address	Rua Mar de Espanha, 525, Santo Antônio, Belo Horizonte, MG, Brasil, CEP 30330-900, Telephone (031) 32502015, Fax (31) 32501604, E-mail ri@copasa.com.br
Headquarters' address	Rua Mar de Espanha, 525, Santo Antonio, Belo Horizonte, MG, Brasil, CEP 30330-900, Telephone (031) 32502015, Fax (031) 32501604, E-mail ri@copasa.com.br

3. Auditor

Does the Issuer have an auditor?	YES
CVM code	287-9
Type of auditor	National
Name/Corporate name	PricewaterhouseCoopers Auditores Independentes
Individual Taxpayers' Registration Number (CPF)/ Federal Corporate Taxpayers' Registration Number (CNPJ)	61.562.112/0006-35
Period of services	3/15/2013

Partner responsible	Period of services	CPF
Carlos Augusto da Silva	3/15/2013	507.225.816-53
Guilherme Campos e Silva	7/4/2016	714.114.966-04

4. Share Registrar

Does the Company have a service provider?	YES
Corporate name	Itaú Unibanco S.A.
CNPJ	60.701.190/0001-04
Period of services	1/1/2013
Service address	Praça Alfredo Egydio de Souza Aranha, 100, Torre Olavo Setubal, São Paulo, SP, Brasil, CEP 04344-902, Telephone (11) 27974526, Fax (11) 27973150, E-mail escrituracaoacoes@itau-unibanco.com.br

5. Investor Relations Officer or Equivalent

Name	Edson Machado Monteiro Investor Relations Officer
CPF/CNPJ	102.027.571-53
Mail address	Rua Mar de Espanha, 525, Santo Antonio, Belo Horizonte, MG, Brasil, CEP 30330-900, Telephone (031) 32502015, Fax (031) 32501604, E-mail ri@copasa.com.br
Date when the person assumed the position	2/25/2015
Date when the person left the position	

6. Stockholders' Department

CONTACT	**Edson Machado Monteiro**
Date when the person assumed the position	**2/25/2015**
Date when the person left the position	
Mail address	Rua Mar de Espanha, 525, Santo Antônio, Belo Horizonte, MG, Brasil, CEP 30330-900, Telephone (031) 32502015, Fax (31) 32501604, E-mail ri@copasa.com.br

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Company information/Capital composition

Number of shares (in thousands)	Current quarter 6/30/2016
Paid-up capital	
Common shares	119,684
Preferred shares	0
Total	119,684
Treasury shares	
Common shares	357
Preferred shares	0
Total	357

Company information/cash dividends

Event	Date approved	Description	Start date of payment	Type of share	Class of share	Amount per share (reais/share)
Board of Directors' Meeting	8/11/2016	Interest on capital		Common shares		0.22473

Parent company financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2016	Prior year 12/31/2015
1	Total assets	10,734,068	10,938,168
1.01	Current assets	1,420,344	1,479,974
1.01.01	Cash and cash equivalents	404,218	557,085
1.01.03	Accounts receivable	957,113	862,657
1.01.03.01	Trade receivables	851,583	753,805
1.01.03.02	Other receivables	105,530	108,852
1.01.03.02.01	Taxes to be offset	32,186	39,674
1.01.03.02.02	Technical cooperation agreements	39,333	41,736
1.01.03.02.03	Banks and investments in connection with agreements	34,011	27,442
1.01.04	Inventories	46,159	46,038
1.01.08	Other current assets	12,854	14,194
1.01.08.03	Other	12,854	14,194
1.01.08.03.01	Advances to employees	11,251	11,234
1.01.08.03.02	Sundry	1,603	2,960
1.02	Non-current assets	9,313,724	9,458,194
1.02.01	Long-term receivables	1,228,658	1,292,176
1.02.01.03	Accounts receivable	464,591	498,603
1.02.01.03.01	Trade receivables	155,888	178,807
1.02.01.03.02	Other receivables	308,703	319,796
1.02.01.06	Deferred taxes	147,458	154,248
1.02.01.06.01	Deferred income tax and social contribution	147,458	154,248
1.02.01.08	Intercompany receivables	6,141	23,568
1.02.01.08.02	Receivables from subsidiaries	6,141	23,568
1.02.01.09	Other non-current assets	610,468	615,757
1.02.01.09.03	Financial assets - concession agreements	569,384	574,673
1.02.01.09.04	Available-for-sale financial assets	41,084	41,084
1.02.02	Investments	26,594	18,068
1.02.02.01	Corporate investments	26,594	18,068
1.02.02.01.02	Investments in subsidiaries	26,334	17,808
1.02.02.01.04	Investments in other companies	260	260
1.02.03	Property, plant and equipment	148,098	165,019
1.02.03.01	Property, plant and equipment in operation	148,098	165,019
1.02.04	Intangible assets	7,910,374	7,982,931
1.02.04.01	Intangible assets	7,910,374	7,982,931
1.02.04.01.01	Concession agreements	6,835,910	6,899,956
1.02.04.01.02	Intangible assets in progress	1,074,464	1,082,975

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Parent company financial statements/balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2016	Prior year 12/31/2015
2	Total liabilities and equity	10,734,068	10,938,168
2.01	Current liabilities	1,010,390	1,078,486
2.01.02	Trade payables	105,352	146,952
2.01.02.01	Domestic suppliers	105,352	146,952
2.01.03	Tax obligations	57,616	56,220
2.01.03.01	Federal tax obligations	55,979	54,279
2.01.03.01.02	Other federal obligations	55,979	54,279
2.01.03.03	Municipal tax obligations	1,637	1,941
2.01.04	Borrowings	485,084	489,411
2.01.04.01	Borrowings	146,866	188,634
2.01.04.01.01	In local currency	113,022	141,525
2.01.04.01.02	In foreign currency	33,844	47,109
2.01.04.02	Debentures	338,218	300,777
2.01.04.02.01	Non-convertible	338,218	300,777
2.01.05	Other obligations	160,732	217,036
2.01.05.02	Other	160,732	217,036
2.01.05.02.01	Dividends and interest on capital payable	51,352	7,590
2.01.05.02.04	Pension plan obligations	26,422	31,424
2.01.05.02.05	Electric power	3,238	12,200
2.01.05.02.07	Public-Private Partnership (PPP)	49,052	0
2.01.05.02.08	Sundry obligations	30,668	165,822
2.01.06	Provision	201,606	168,867
2.01.06.01	Provision for tax, social security, labor and civil contingencies	201,606	168,867
2.01.06.01.05	Taxes payable in installments	58,458	56,465
2.01.06.01.06	Provision for vacation pay and 13th-month salary	130,727	102,606
2.01.06.01.07	Employee profit-sharing	12,421	9,796
2.02	Non-current liabilities	3,945,191	4,212,832
2.02.01	Borrowings	2,934,410	3,100,503
2.02.01.01	Borrowings	1,269,521	1,338,238
2.02.01.01.01	In local currency	974,575	975,780
2.02.01.01.02	In foreign currency	294,946	362,458
2.02.01.02	Debentures	1,664,889	1,762,265
2.02.01.02.01	Non-convertible	1,664,889	1,762,265
2.02.02	Other obligations	738,191	836,676
2.02.02.01	Related-party liabilities	41	18,302
2.02.02.01.02	Liabilities with subsidiaries	41	18,302
2.02.02.02	Other	738,150	818,374
2.02.02.02.03	Pension plan obligations	104,096	104,895
2.02.02.02.05	Deposits for construction	67,369	68,531
2.02.02.02.06	Public-private partnership (PPP)	563,381	643,795
2.02.02.02.07	Sundry	3,304	1,153
2.02.04	Provision	272,590	275,653
2.02.04.01	Provision for tax, social security, labor, and civil contingencies	272,590	275,653
2.02.04.01.05	Taxes payable in installments	155,888	178,807
2.02.04.01.06	Provision for lawsuits	116,702	96,846
2.03	Equity	5,778,487	5,646,850
2.03.01	Paid-up capital	2,773,985	2,773,985
2.03.02	Capital reserves	119,824	119,824
2.03.02.05	Treasury shares	-8,576	-8,576
2.03.02.06	Advance for future capital increase	128,400	128,400
2.03.04	Revenue reserves	2,710,880	2,710,880
2.03.04.01	Legal reserve	231,352	231,352
2.03.04.05	Profit retention reserve	2,445,068	2,445,068
2.03.04.07	Tax benefit reserve	34,460	34,460
2.03.05	Retained earnings	141,334	0
2.03.06	Carrying value adjustments	32,464	42,161

Parent company financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current year 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
3.01	Revenue from sales and/or services	965,213	1,972,757	919,325	1,818,813
3.01.01	Water supply services	578,560	1,119,656	487,203	972,889
3.01.02	Sewage services	313,517	603,232	257,905	507,346
3.01.03	Construction revenue	73,136	249,869	174,217	338,578
3.02	Cost of sales and/or services	-648,217	-1,303,516	-663,374	-1,282,162
3.02.01	Cost of sales and/or services	-575,081	-1,053,647	-491,389	-948,312
3.02.02	Construction costs	-73,136	-249,869	-171,985	-333,850
3.03	Gross profit	316,996	669,241	255,951	536,651
3.04	Operating expenses	-137,794	-314,974	-193,074	-375,216
3.04.01	Selling expenses	-88,769	-171,644	-87,091	-154,860
3.04.02	General and administrative expenses	-30,125	-128,089	-116,625	-226,254
3.04.04	Other operating income	29,591	66,339	33,069	59,776
3.04.05	Other operating expenses	-44,688	-77,614	-24,933	-53,975
3.04.05.01	Other operating expenses	-34,801	-65,572	-24,294	-52,018
3.04.05.02	Employee profit-sharing	-9,887	-12,042	-639	-1,957
3.04.06	Equity in the results of subsidiaries	-3,803	-3,966	2,506	97
3.05	Profit before finance result and taxation	179,202	354,267	62,877	161,435
3.06	Finance result	-24,837	-91,604	-68,851	-150,165
3.06.01	Finance income	73,542	120,569	15,445	46,030
3.06.02	Finance costs	-98,379	-212,173	-84,296	-196,195
3.07	Profit before income tax and social contribution	154,365	262,663	-5,974	11,270
3.08	Income tax and social contribution	-51,422	-69,915	9,762	8,968
3.08.01	Current	-36,772	-59,010	10,715	-8,711
3.08.02	Deferred	-14,650	-10,905	-953	17,679
3.09	Profit for the period from continuing operations	102,943	192,748	3,788	20,238
3.11	Profit for the period	102,943	192,748	3,788	20,238
3.99	Earnings per share (R$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.86000	1.62000	0.03000	0.17000

Parent company financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current year 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
4.01	Profit for the period	102,943	192,748	3,788	20,238
4.02	Other comprehensive loss	-4,046	-7,988	-3,193	-6,777
4.02.01	Fair value of investment in Foz de Jeceaba	0	0	511	511
4.02.02	Actuarial loss on retirement benefits	-4,046	-7,988	-3,704	-7,288
4.03	Comprehensive income for the period	98,897	184,760	595	13,461

Parent company financial statements/statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2015 to 6/30/2015
6.01	Net cash provided by operating activities	232,280	279,832
6.01.01	Cash from operations	706,929	509,476
6.01.01.01	Profit for the period	192,748	20,238
6.01.01.02	Provision for impairment of trade receivables	76,437	55,803
6.01.01.03	Recovery of accounts written-off	-38,212	-25,948
6.01.01.04	Charges and monetary and foreign exchange rate variations, net	-23,344	47,422
6.01.01.05	Interest income and expenses	138,004	119,125
6.01.01.06	Deferred income tax and social contribution	10,905	-17,679
6.01.01.07	Equity in the results of subsidiaries	3,966	-97
6.01.01.08	Disposals of intangible assets and property, plant and equipment	13,785	188
6.01.01.09	Depreciation and amortization	293,059	269,086
6.01.01.10	Constitution of provision	25,247	21,095
6.01.01.11	Provision for retirement benefits	16,817	24,971
6.01.01.13	Deferred income	-2,483	0
6.01.01.14	Net margin of construction revenue	0	-4,728
6.01.02	Changes in assets and liabilities	-474,649	-229,644
6.01.02.01	Trade receivables	-101,124	-24,401
6.01.02.02	Inventories	-121	-1,085
6.01.02.03	Taxes recoverable	6,688	-20,972
6.01.02.04	Banks and investments in connection with agreements	-6,569	471
6.01.02.05	Collateral for borrowings	11,250	-17,136
6.01.02.06	Redemption of marketable securities	5,294	3,541
6.01.02.07	Receivables from subsidiaries	-1,901	-1,866
6.01.02.08	Other financial assets	-7,951	-6,947
6.01.02.09	Acquisition of investments and others	-4,187	12,161
6.01.02.10	Trade payables	-41,601	-6,974
6.01.02.11	Taxes and contributions	1,396	2,528
6.01.02.12	Provision for vacation pay and 13th-month salary	28,121	29,952
6.01.02.13	Employee profit-sharing	2,625	-17,772
6.01.02.14	Technical cooperation agreements	2,403	-6,454
6.01.02.15	Contingencies	-5,391	-4,427
6.01.02.16	Pension plan obligations	-22,618	-24,408
6.01.02.17	Electric power and other	-144,816	9,595
6.01.02.18	Interest paid	-155,395	-120,333
6.01.02.19	Payment of actuarial liability	-12,104	-11,041
6.01.02.20	Taxes paid in installments	-28,648	-24,076
6.02	Net cash used in investing activities	-231,623	-229,038
6.02.05	Purchases of intangible assets and property, plant and equipment	-187,615	-229,038
6.02.08	Payment to the Public-Private Partnership (PPP)	-35,508	0
6.02.09	Investments in subsidiaries	-8,500	0
6.03	Net cash used in financing activities	-153,524	-66,235
6.03.01	New borrowings and debentures	96,371	103,570
6.03.02	Repayment of borrowings and debentures	-241,334	-223,967
6.03.04	Interest on capital paid	-8,561	-1,538
6.03.11	Advance for future capital increase	0	55,700
6.05	Decrease in cash and cash equivalents	-152,867	-15,441
6.05.01	Cash and cash equivalents at the beginning of the period	557,085	329,068
6.05.02	Cash and cash equivalents at the end of the period	404,218	313,627

Parent company financial statements/statement of changes in equity - 1/1/2016 to 6/30/2016

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	2,773,985	119,824	2,710,880	0	42,161	5,646,850
5.03	Adjusted opening balances	2,773,985	119,824	2,710,880	0	42,161	5,646,850
5.04	Capital transactions with stockholders	0	0	0	-53,123	0	-53,123
5.04.07	Interest on capital	0	0	0	-53,123	0	-53,123
5.05	Total comprehensive income (loss)	0	0	0	192,748	-7,988	184,760
5.05.01	Profit for the period	0	0	0	192,748	0	192,748
5.05.02	Other comprehensive income (loss)	0	0	0	0	-7,988	-7,988
5.05.05.09	Actuarial loss on retirement benefits	0	0	0	0	-12,104	-12,104
5.05.02.11	Income tax and social contribution on actuarial loss on retirement benefits	0	0	0	0	4,116	4,116
5.06	Changes in equity	0	0	0	1,709	-1,709	0
5.06.08	Amortization of monetary restatement of adjusted assets – 96/97	0	0	0	2,588	-2,588	0
5.06.09	Deferred income tax and social contribution on adjusted assets – 96/97	0	0	0	-879	879	0
5.07	Closing balances	2,773,985	119,824	2,710,880	141,334	32,464	5,778,487

Parent company financial statements/statement of changes in equity - 1/1/2015 to 6/30/2015

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity
5.01	Opening balances	2,773,985	-8,576	2,726,965	0	44,190	5,536,564
5.03	Adjusted opening balances	2,773,985	-8,576	2,726,965	0	44,190	5,536,564
5.04	Capital transactions with stockholders	0	55,700	0	-5,654	0	50,046
5.04.07	Interest on capital	0	0	0	-5,654	0	-5,654
5.04.08	Funds for capital increase	0	55,700	0	0	0	55,700
5.05	Total comprehensive income (loss)	0	0	0	20,238	-6,777	13,461
5.05.01	Profit for the period	0	0	0	20,238	0	20,238
5.05.02	Other comprehensive income (loss)	0	0	0	0	-6,777	-6,777
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-11,042	-11,042
5.05.02.10	Fair value of financial assets available for sale	0	0	0	0	511	511
5.05.02.11	Income tax and social contribution on actuarial loss on retirement benefits	0	0	0	0	3,754	3,754
5.06	Changes in equity	0	0	0	1,847	-1,847	0
5.06.08	Amortization of monetary restatement of adjusted assets - 96/97	0	0	0	2,799	-2,799	0
5.06.09	Deferred income tax and social contribution on adjusted assets - 96/97	0	0	0	-952	952	0
5.07	Closing balances	2,773,985	47,124	2,726,965	16,431	35,566	5,600,071

Parent company financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2015 to 6/30/2015
7.01	Revenue	2,138,270	1,965,730
7.01.01	Sales of products and services	1,898,499	1,631,377
7.01.02	Other revenue	28,127	25,630
7.01.03	Revenue from construction of Company assets	249,869	338,578
7.01.04	Provision for impairment of trade receivables	-38,225	-29,855
7.02	Inputs acquired from third parties	-774,900	-821,401
7.02.01	Cost of sales and services	-678,427	-716,610
7.02.02	Materials, energy, outsourced services and other	-56,539	-69,770
7.02.03	Impairment/recovery of assets	-39,934	-35,021
7.03	Gross value added	1,363,370	1,144,329
7.04	Retentions	-293,059	-269,086
7.04.01	Depreciation, amortization and depletion	-293,059	-269,086
7.05	Net value added generated	1,070,311	875,243
7.06	Value added received through transfers	119,203	46,127
7.06.01	Equity in the results of subsidiaries	-3,966	97
7.06.02	Finance income	123,169	46,030
7.07	Total value added to distribute	1,189,514	921,370
7.08	Distribution of value added	1,189,514	921,370
7.08.01	Personnel	469,997	500,424
7.08.01.01	Direct remuneration	299,944	325,480
7.08.01.02	Benefits	128,652	143,351
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	29,359	29,636
7.08.01.04	Other	12,042	1,957
7.08.01.04.01	Employee profit-sharing	12,042	1,957
7.08.02	Taxes and contributions	304,102	201,781
7.08.02.01	Federal	284,010	184,476
7.08.02.02	State	18,517	16,552
7.08.02.03	Municipal	1,575	753
7.08.03	Remuneration of third-party capital	222,667	198,927
7.08.03.01	Interest	211,628	195,668
7.08.03.02	Rentals	11,039	3,259
7.08.04	Remuneration of own capital	192,748	20,238
7.08.04.01	Interest on capital	53,123	5,654
7.08.04.03	Retained earnings for the period	139,625	14,584

Consolidated financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2016	Prior year 12/31/2015
1	Total assets	10,750,161	10,930,739
1.01	Current assets	1,468,430	1,513,416
1.01.01	Cash and cash equivalents	436,047	581,854
1.01.03	Accounts receivable	972,761	871,100
1.01.03.01	Trade receivables	856,410	758,243
1.01.03.02	Other receivables	116,351	112,857
1.01.03.02.01	Taxes to be offset	32,406	40,247
1.01.03.02.02	Technical cooperation agreements	49,687	40,389
1.01.03.02.03	Banks and investments in connection with agreements	34,258	32,221
1.01.04	Inventories	47,190	48,464
1.01.08	Other current assets	12,432	11,998
1.01.08.03	Other	12,432	11,998
1.01.08.03.01	Advances to employees	11,342	11,328
1.01.08.03.02	Sundry	1,090	670
1.02	Non-current assets	9,281,731	9,417,323
1.02.01	Long-term receivables	1,222,517	1,268,608
1.02.01.03	Accounts receivable	464,591	498,603
1.02.01.03.01	Trade receivables	155,888	178,807
1.02.01.03.02	Other receivables	308,703	319,796
1.02.01.06	Deferred taxes	147,458	154,248
1.02.01.06.01	Deferred income tax and social contribution	147,458	154,248
1.02.01.09	Other non-current assets	610,468	615,757
1.02.01.09.03	Financial assets - concession agreements	569,384	574,673
1.02.01.09.04	Available-for-sale assets	41,084	41,084
1.02.02	Investments	260	260
1.02.02.01	Investments in subsidiaries	260	260
1.02.02.01.04	Investments in other companies	260	260
1.02.03	Property, plant and equipment	148,580	165,524
1.02.03.01	Property, plant and equipment in operation	148,580	165,524
1.02.04	Intangible assets	7,910,374	7,982,931
1.02.04.01	Intangible assets	7,910,374	7,982,931
1.02.04.01.01	Concession agreements	6,835,910	6,899,956
1.02.04.01.02	Intangible assets in progress	1,074,464	1,082,975

Consolidated financial statements/balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 6/30/2016	Prior year 12/31/2015
2	Total liabilities and equity	10,750,161	10,930,739
2.01	Current liabilities	1,023,972	1,086,708
2.01.02	Trade payables	115,641	151,731
2.01.02.01	Domestic suppliers	115,641	151,731
2.01.03	Tax obligations	58,254	57,120
2.01.03.01	Federal tax obligations	56,617	55,179
2.01.03.01.02	Other federal obligations	56,617	55,179
2.01.03.03	Municipal tax obligations	1,637	1,941
2.01.04	Borrowings	485,741	490,140
2.01.04.01	Borrowings	147,523	189,363
2.01.04.01.01	In local currency	113,680	142,254
2.01.04.01.02	In foreign currency	33,843	47,109
2.01.04.02	Debentures	338,218	300,777
2.01.04.02.01	Non-convertible	338,218	300,777
2.01.05	Other obligations	161,538	217,883
2.01.05.02	Other	161,538	217,883
2.01.05.02.01	Dividends and interest on capital payable	51,352	7,590
2.01.05.02.04	Pension plan obligations	26,422	31,424
2.01.05.02.05	Electric power	3,906	12,948
2.01.05.02.07	Public-private partnership	49,052	0
2.01.05.02.08	Sundry obligations	30,806	165,921
2.01.06	Provision	202,798	169,834
2.01.06.01	Provision for tax, social security, labor and civil contingencies	202,798	169,834
2.01.06.01.05	Taxes payable in installments	58,458	56,465
2.01.06.01.06	Provision for vacation pay and 13th-month salary	131,919	103,573
2.01.06.01.07	Employee profit-sharing	12,421	9,796
2.02	Non-current liabilities	3,947,702	4,197,181
2.02.01	Borrowings	2,934,999	3,101,419
2.02.01.01	Borrowings	1,270,110	1,339,154
2.02.01.01.01	In local currency	975,164	976,696
2.02.01.01.02	In foreign currency	294,946	362,458
2.02.01.02	Debentures	1,664,889	1,762,265
2.02.01.02.01	Non-convertible	1,664,889	1,762,265
2.02.02	Other obligations	738,153	818,377
2.02.02.02	Other	738,153	818,377
2.02.02.02.03	Pension plan obligations	104,096	104,895
2.02.02.02.05	Deposits for construction	67,372	68,534
2.02.02.02.06	Public-private partnership	563,381	643,795
2.02.02.02.07	Sundry	3,304	1,153
2.02.04	Provision	274,550	277,385
2.02.04.01	Provision for tax, social security, labor and civil contingencies	274,550	277,385
2.02.04.01.05	Taxes payable in installments	155,888	178,807
2.02.04.01.06	Provision for lawsuits	118,662	98,578
2.03	Consolidated equity	5,778,487	5,646,850
2.03.01	Paid-up capital	2,773,985	2,773,985
2.03.02	Capital reserves	119,824	119,824
2.03.02.05	Treasury shares	-8,576	-8,576
2.03.02.06	Advance for future capital increase	128,400	128,400
2.03.04	Revenue reserves	2,710,880	2,710,880
2.03.04.01	Legal reserve	231,352	231,352
2.03.04.05	Profit retention reserve	2,445,068	2,445,068
2.03.04.07	Fiscal incentive reserve	34,460	34,460
2.03.05	Retained earnings	141,334	0
2.03.06	Carrying value adjustments	32,464	42,161

Consolidated financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current year 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
3.01	Revenue from sales and/or services	971,275	1,985,416	924,387	1,829,699
3.01.01	Water supply services	581,781	1,128,773	491,560	982,311
3.01.02	Sewage services	316,159	605,874	257,905	507,346
3.01.03	Construction revenue	73,136	249,869	174,217	338,578
3.01.04	Revenue from finished products	199	900	705	1,464
3.02	Cost of sales and/or services	-653,863	-1,315,477	-669,947	-1,294,480
3.02.01	Cost of sales and/or services	-580,727	-1,065,608	-497,962	-960,630
3.02.02	Construction cost	-73,136	-249,869	-171,985	-333,850
3.03	Gross profit	317,412	669,939	254,440	535,219
3.04	Operating expenses	-138,400	-315,489	-190,401	-372,236
3.04.01	Selling expenses	-89,771	-173,399	-88,372	-157,153
3.04.02	General and administrative expenses	-31,355	-130,364	-117,868	-228,540
3.04.04	Other operating income	30,507	69,703	58,321	85,964
3.04.05	Other operating expenses	-47,781	-81,429	-42,482	-72,507
3.04.05.01	Other operating expenses	-37,894	-69,387	-41,843	-70,550
3.04.05.02	Employee profit-sharing	-9,887	-12,042	-639	-1,957
3.05	Profit before finance result and taxation	179,012	354,450	64,039	162,983
3.06	Finance result	-24,512	-91,321	-69,255	-150,955
3.06.01	Finance income	73,942	121,012	15,114	45,391
3.06.02	Finance costs	-98,454	-212,333	-84,369	-196,346
3.07	Profit before income tax and social contribution	154,500	263,129	-5,216	12,028
3.08	Income tax and social contribution	-51,557	-70,381	9,004	8,210
3.08.01	Current	-36,907	-59,476	9,957	-9,469
3.08.02	Deferred	-14,650	-10,905	-953	17,679
3.09	Profit for the period from continuing operations	102,943	192,748	3,788	20,238
3.11	Consolidated profit for the period	102,943	192,748	3,788	20,238
3.11.01	Attributable to the owners of the parent company	102,943	192,748	3,788	20,238
3.99	Earnings per share (R$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.86000	1.62000	0.03000	0.17000

Consolidated financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 4/1/2016 to 6/30/2016	Accumulated - current year 1/1/2016 to 6/30/2016	Same quarter of prior year 4/1/2015 to 6/30/2015	Accumulated - prior year 1/1/2015 to 6/30/2015
4.01	Consolidated profit for the period	102,943	192,748	3,788	20,238
4.02	Other comprehensive loss	-4,046	-7,988	-3,193	-6,777
4.02.01	Fair value of investment in Foz de Jeceaba	0	0	511	511
4.02.02	Actuarial loss on retirement benefits	-4,046	-7,988	-3,704	-7,288
4.03	Consolidated comprehensive income for the period	98,897	184,760	595	13,461
4.03.02	Attributable to the owners of the parent company	98,897	184,760	595	13,461

Consolidated financial statements/statement of cash flows - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2015 to 6/30/2015
6.01	Net cash provided by operating activities	231,235	302,840
6.01.01	Cash from operations	705,222	529,682
6.01.01.01	Profit for the period	192,748	20,238
6.01.01.02	Provision for impairment of trade receivables	77,814	57,737
6.01.01.03	Recovery of accounts written-off	-39,169	-26,645
6.01.01.04	Interest and monetary and foreign exchange rate variations, net	-22,197	48,171
6.01.01.05	Interest income and expenses	138,077	119,251
6.01.01.06	Deferred income tax and social contribution	10,905	-17,679
6.01.01.08	Disposals of intangible assets and property, plant and equipment	13,785	16,413
6.01.01.09	Depreciation and amortization	293,083	270,177
6.01.01.10	Constitution of provision	25,842	21,776
6.01.01.11	Provision for retirement benefits	16,817	24,971
6.01.01.13	Deferred income	-2,483	0
6.01.01.14	Net margin of construction revenue	0	-4,728
6.01.02	Changes in assets and liabilities	-473,987	-226,842
6.01.02.01	Trade receivables	-101,931	-24,550
6.01.02.02	Inventories	1,273	-1,019
6.01.02.03	Taxes recoverable	7,042	-20,888
6.01.02.04	Banks and investments in connection with agreements	-2,037	-1,125
6.01.02.05	Collateral for borrowings	11,250	-17,136
6.01.02.06	Redemption of marketable securities	5,294	3,541
6.01.02.08	Other financial assets	-7,951	-6,947
6.01.02.09	Other	-4,184	12,411
6.01.02.10	Trade payables	-36,091	-16,577
6.01.02.11	Taxes and contributions	1,134	3,355
6.01.02.12	Provision for vacation pay and 13th-month salary	28,346	30,366
6.01.02.13	Employee profit-sharing	2,625	-17,772
6.01.02.14	Technical cooperation agreements	-9,299	4,274
6.01.02.15	Contingencies	-5,757	-4,444
6.01.02.16	Pension plan obligations	-22,618	-24,408
6.01.02.17	Electric power and other	-144,858	9,651
6.01.02.18	Interest paid	-155,473	-120,457
6.01.02.19	Payment of actuarial liabilities	-12,104	-11,041
6.01.02.20	Taxes paid in installments	-28,648	-24,076
6.02	Net cash used in investing activities	-223,123	-229,303
6.02.06	Purchase of intangible assets and property, plant and equipment	-187,615	-229,303
6.02.08	Payment to the Public-Private Partnership (PPP)	-35,508	0
6.03	Net cash used in financing activities	-153,919	-66,562
6.03.01	New borrowings and debentures	96,371	103,570
6.03.02	Repayment of borrowings and debentures	-241,729	-224,294
6.03.04	Interest on capital paid	-8,561	-1,538
6.03.10	Amortization of public-private partnership	0	55,700
6.05	Decrease in cash and cash equivalents	-145,807	6,975
6.05.01	Cash and cash equivalents at the beginning of the period	581,854	331,039
6.05.02	Cash and cash equivalents at the end of the period	436,047	338,014

Consolidated financial statements/statement of changes in equity - 1/1/2016 to 6/30/2016

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	2,773,985	119,824	2,710,880	0	42,161	5,646,850	0	5,646,850
5.03	Adjusted opening balances	2,773,985	119,824	2,710,880	0	42,161	5,646,850	0	5,646,850
5.04	Capital transactions with stockholders	0	0	0	-53,123	0	-53,123	0	-53,123
5.04.07	Interest on capital	0	0	0	-53,123	0	0	0	-53,123
5.05	Total comprehensive income (loss)	0	0	0	192,748	-7,988	184,760	0	184,760
5.05.01	Profit for the period	0	0	0	192,748	0	192,748	0	192,748
5.05.02	Other comprehensive income (loss)	0	0	0	0	-7,988	-7,988	0	-7,988
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-12,104	0	0	0
5.05.02.11	Income tax and social contribution on actuarial loss on retirement benefits	0	0	0	0	4,116	0	0	0
5.06	Changes in equity	0	0	0	1,709	-1,709	0	0	0
5.06.08	Amortization of monetary restatement on adjusted assets – 96/97	0	0	0	2,588	-2,588	0	0	0
5.06.09	Deferred income tax and social contribution on adjusted assets – 96/97	0	0	0	-879	879	0	0	0
5.07	Closing balances	2,773,985	119,824	2,710,880	141,334	32,464	5,778,487	0	5,778,487

Consolidated financial statements/statement of changes in equity - 1/1/2015 to 6/30/2015

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves and treasury shares	Revenue reserves	Retained earnings	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	2,773,985	-8,576	2,726,965	0	44,190	5,536,564	0	5,536,564
5.03	Adjusted opening balances	2,773,985	-8,576	2,726,965	0	44,190	5,536,564	0	5,536,564
5.04	Capital transactions with stockholders	0	55,700	0	-5,654	0	50,046	0	50,046
5.04.07	Interest on capital	0	0	0	-5,654	0	-5,654	0	-5,654
5.04.08	Funds for capital increase	0	55,700	0	0	0	55,700	0	55,700
5.05	Total comprehensive income (loss)	0	0	0	20,238	-6,777	13,461	0	13,461
5.05.01	Profit for the period	0	0	0	20,238	0	20,238	0	20,238
5.05.02	Other comprehensive income (loss)	0	0	0	0	-6,777	-6,777	0	-6,777
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-11,042	-11,042	0	-11,042
5.05.02.10	Fair value of financial assets available for sale	0	0	0	0	511	511	0	511
5.05.02.11	Income tax and social contribution on actuarial loss on retirement benefits	0	0	0	0	3,754	3,754	0	3,754
5.06	Changes in equity	0	0	0	1,847	-1,847	0	0	0
05.06.08	Amortization of monetary restatement of adjusted assets – 96/97	0	0	0	2,799	-2,799	0	0	0
05.06.09	Deferred income tax and social contribution on adjusted assets – 96/97	0	0	0	-952	952	0	0	0
5.07	Closing balances	2,773,985	47,124	2,726,965	16,431	35,566	5,600,071	0	5,600,071

Consolidated financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2016 to 6/30/2016	Accumulated - prior year 1/1/2015 to 6/30/2015
7.01	Revenue	2,154,162	2,002,143
7.01.01	Sales of products and services	1,912,514	1,643,535
7.01.02	Other revenue	30,424	51,122
7.01.03	Revenue from the construction of Company assets	249,869	338,578
7.01.04	Provision for impairment of trade receivables	-38,645	-31,092
7.02	Inputs acquired from third parties	-786,769	-847,521
7.02.01	Cost of sales and services	-685,269	-723,078
7.02.02	Materials, energy, outsourced services and other	-58,297	-71,217
7.02.03	Impairment/recovery of assets	-43,203	-53,226
7.03	Gross value added	1,367,393	1,154,622
7.04	Retentions	-293,083	-270,177
7.04.01	Depreciation, amortization and depletion	-293,083	-270,177
7.05	Net value added generated	1,074,310	884,445
7.06	Value added received through transfers	123,690	45,391
7.06.02	Finance income	123,690	45,391
7.07	Total value added to distribute	1,198,000	929,836
7.08	Distribution of value added	1,198,000	929,836
7.08.01	Personnel	475,268	505,656
7.08.01.01	Direct remuneration	304,001	329,529
7.08.01.02	Benefits	129,462	144,248
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	29,763	29,922
7.08.01.04	Other	12,042	1,957
7.08.01.04.01	Employee profit-sharing	12,042	1,957
7.08.02	Taxes and contributions	307,189	204,846
7.08.02.01	Federal	286,392	186,969
7.08.02.02	State	19,212	17,085
7.08.02.03	Municipal	1,585	792
7.08.03	Remuneration of third-party capital	222,795	199,096
7.08.03.01	Interest	211,705	195,796
7.08.03.02	Rentals	11,090	3,300
7.08.04	Remuneration of own capital	192,748	20,238
7.08.04.01	Interest on capital	53,123	5,654
7.08.04.03	Retained earnings	139,625	14,584

Comments on Company performance



Belo Horizonte, August 11, 2016 - COPASA MG - Companhia de Saneamento de Minas Gerais - (BM&FBOVESPA: CSMG3) hereby announces its results for the second quarter of 2016 (2Q16). The following financial and operating information, except where otherwise indicated, is presented in Brazilian reais (R$) and comparisons refer to the second quarter of 2015 (2Q15) and the second quarter of 2014 (2Q14). The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and refer to the parent company.

Tables containing results are available for download at www.copasa.com.br/ir.

Conference Call With Simultaneous Translation
Date: August 12, 2016
8:00 AM (Brasília time)
7:00 AM (New York time)

Phone numbers:
Brazil: +55 (11) 3193-1001
USA: +1 (786) 924-6977
Code: COPASA

Participants:
Sinara Inácio Meireles Chenna
CEO
Edson Machado Monteiro
CFO and IRO

IR Contacts:
Phone: +55 (31) 3250-2015
ir@copasa.com.br
www.copasa.com.br/ir

Financial Highlights (R$ thousands)

2 Quarters	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Adjusted EBITDA	325,984	197,451	65.1%	268,712	-26.5%
Adjusted EBITDA Margin	35.1%	24.4%		33.6%	
Net Revenue from Water and Sewage	892,077	745,108	19.7%	768,590	-3.1%
Costs and Expenses[1]	693,975	695,105	-0.2%	608,257	14.3%
Net Financial Result	(24,837)	(68,851)	-63.9%	(43,611)	57.9%
Other Operating Revenue (Net)	(5,210)	8,775	-	(4,963)	-
Net Income	102,943	3,788	-	81,923	-95.4%
Net Debt	3,114,792	3,184,378	-2.2%	3,109,543	2.4%

1 Halves	1H16	1H15	1H16 X 1H15	1H14	1H15 X 1H14
Adjusted EBITDA	647,533	428,431	51.1%	574,259	-25.4%
Adjusted EBITDA Margin	35.9%	27.2%		35.6%	
Net Revenue from Water and Sewage	1,722,888	1,480,235	16.4%	1,557,849	-5.0%
Costs and Expenses[1]	1,353,380	1,329,426	1.8%	1,191,438	11.6%
Net Financial Result	(91,604)	(150,165)	-39.0%	(87,776)	71.1%
Other Operating Revenue (Net)	767	7,758	-90.1%	(11,225)	-
Net Income	192,748	20,238	-	198,536	-89.8%

(1) Cost of Services Rendered + Selling Expenses + Administrative Expenses.

EBITDA - Earnings before Interest, Taxes, Depreciation and Amortization

Operational Highlights (consolidated figures)

WATER	SEWAGE
Connections: **4.2 million**	Connections: **2.6 million**
Units: **5.0 million**	Units: **3.3 million**
Measured volume: **148.8 million m³**	Measured volume: **98.6 million m³**
Distribution network: **51,300 km**	Distribution network: **24,700 km**

Comments on Company performance

Highlights

Anticipation of payment of Interest on capital (IOE) declared in 2016 for the same fiscal year:

- **1 and 2 Quarters:** payment until October 11, 2016
- **3 Quarter:** payment up to 60 days from declaration by the Board of Directors.

Operational Highlights – 1H16

- **Water Concessions:**
  - Six renewals
- **Sewage Concessions:**
  - One renewal
  - Four new concessions
- **Improvement in the Reservoir Levels of the Belo Horizonte Metropolitan Area**
- **Conclusion of the First Stage of the Tariff Revision:**
  - 13.9% tariff adjustment
  - Change in tariff structure: fixed tariff and variable tariff.

Financial Highlights – 2Q16

- **Water and Sewage Net Revenue:** from R$745.1 million to R$892.1 million (+19.7%)
- **Costs and Expenses:** from R$695.1 million to R$694.0 million (-0.2%)
- **Financial Result:** from (R$68.9 million) to (R$24.8 million)
- **Adjusted EBITDA:** from R$197.5 million to R$326.0 million (+65.1%)
- **Adjusted EBITDA Margin:** from 24.4% to 35.1%
- **Net Debt:** reduction from R$69.6 million (-2.2%).

Comments on Company performance

Material Facts

Dividend Policy

1. Shareholders' Remuneration: 2016

The IOE declared in 1Q16 and 2Q16, payment of which is expected for 2017, on a date to be set at the Annual Shareholders' Meeting (ASM) that approves the 2016 financial statements, will be anticipated for payment until October 11, 2016. For 3Q16, the payment will also be anticipated, occurring up to 60 days from the declaration by the Board of Directors.

In order formalize this change in the dividend policy, the Company's Board of Directors, in a meeting held on August 11, 2016, recommended for deliberation by the Extraordinary Shareholders' Meeting the change of the payment dates of the IOE for fiscal year 2016. The proposal goes as follows: (i) the limit date for payment of IOE relating to 1Q16 and 2Q16 is Oct 11, 2016; (ii) IOE relating to 3Q16 shall be paid up to 60 days from its declaration by the Board of Directors; and (iii) the payment date of IOE relating to 4Q16 will be defined at the Annual Shareholders' Meeting (ASM) that approves the 2016 financial statements.

Two IOE declarations had been made in 2016 until this document was released, with the respective credit dates shown in the table below:

Reference	Board of Directors meeting date	Credit date	Gross amount (R$ million)	Gross amount per share (R$)
1Q16	May 5, 2016	May 11, 2016	24.7	0.20715
2Q16	Aug 11, 2016	Aug 22, 2016	28.4	0.22473
Accumulated 2016			**53.1**	**0.43188**

The consolidation of the Company's dividend policy was also approved by the Board of Directors, effective from 2017, which, in short, provides:

2. Shareholders' Remuneration: From 2017 on

- The Board of Directors will define, until the end of 1Q of each year, the percentage of the adjusted net income to be distributed in that year, observing the minimum mandatory percentage and the maximum of 50%.
- The declaration of dividends/IOE will be made quarterly.
- The payment of dividends/IOE will be made in up to 60 days from the declaration by the Board of Directors, except for 4Q, the payment date of which will be set at the ASM that resolves on that year's financial statements.

Tariff revision

As announced in the Material Facts from April 12, 2016, the Minas Gerais State Water and Sewage Services Regulatory Agency (ARSAE-MG) published on that same date Resolution 82/2016, in which it authorized the first stage of the Company's tariff revision, which included inflation restatement, market adjustments, an analysis of the efficiency of operating costs, and the alteration of the tariff structure. This latter alteration consisted in the replacement of minimum consumption billing by billing with two components: a fixed tariff and a variable tariff, which takes as its basis the actual volume measured.

The average tariff impact on the users is an increase of 13.9%, applied to consumption registered from May 13, 2016.

The second stage is scheduled for May 2017 and will cover, in addition to a reassessment of the adjustments carried out in the first stage, the return on investments, with the definition of the regulatory asset base and its cost of capital (regulatory weighted average cost of capital).

The result of the tariff revision for subsidiary Copasa Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S.A. ("COPANOR") was published on August 6, 2016. The average tariff impact on consumers will be an increase of 10.49%, to be applied from September 5, 2016, as defined in Resolution 84/2016 of ARSAE-MG.

Comments on Company performance

Capital Increase

The Board of Directors homologated the Company's capital increase at the meeting held on August 11, 2016, issuing 7,066,593 shares, totaling an amount of R$ 128,399,994.81. These shares entitle their holders to rights identical to those of the previously existing shares and will fully participate in any remuneration declared from this date.

As a result of this operation, the Company's total capital stock is R$ 2,902,385,609.47 (two billion, nine hundred and two million, three hundred and eighty-five thousand, six hundred nine reais and forty-seven centavos), represented by 126,751,023 (one hundred and twenty-six million, seven hundred and fifty-one thousand and twenty-three) ordinary common shares, all without par value.

In addition, the Board of Directors has recommended for the approval of the Shareholders' Meeting, to be convened in due time, the increase of the limit of the authorized capital stock from R$ 3,000,000,000 (three billion reais) to R$ 4,000,000,000 (four billion reais) and the transfer of R$ 500,000,000 (five hundred million reais) from the profit reserve to the capital stock, without issuing new shares, in order to comply with the limits in Art. 199 of Law 6,404/76 and in item "c" of Art. 36 of the Company's bylaws.

Operational Information

Concessions and operations

As disclosed in the Notice to the Market from July 4, 2016, Program Agreements were signed and/or renewed with six municipalities of the State of Minas Gerais through 2Q16, the combined urban population of which is approximately 120,000 inhabitants, as listed below:

- Abaeté and Pirajuba: renewal of water supply concessions and signature of sewage concessions.
- Conquista and Alpinópolis: early renewal of water supply concessions and signature of sewage concessions.
- Januária: renewal of water and sewage concessions.
- Pompéu: renewal of the water concession.

On June 30, 2016, the Company owned 634 water concessions and 298 sewage concessions, as shown in the table below:

Concessions and Operations	Jun/16			Jun/15		
	Total	Parent Co.	COPANOR	Total	Parent Co.	COPANOR
Water						
Concessions[1]	634	585	49	634	585	49
Operations[2]	624	577	47	619	574	45
Sewage						
Concessions[1]	298	243	55	287	238	49
Operations[2]	241	205	36	233	204	29

1 - All the municipalities where the Company holds a concession: towns, villages or others
2 - All the municipalities where the Company operates a concession: towns, villages or others.
3 - Takes into account only municipalities the concession of which is owned by COPANOR.

Comments on Company performance

The table below shows the main operating figures and the evolution through the comparative periods. Due to the change in the tariff structure, in which the billing by minimum consumption has been replaced by a fixed tariff and a variable tariff, the table now shows the measured volume instead of the billed volume. From this change in the tariff structure, the billed volume is equal to the measured volume. In previous periods, the measured volume was less than the billed volume due to revenue from the minimum consumption tariff.

Breakdown – COPASA MG	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Water					
Connections (1,000 units)	4,068.6	3,981.1	2.2%	3,887.3	2.4%
Units (1,000 units)	4,932.7	4,825.0	2.2%	4,712.7	2.4%
Population Served (1,000 inhabitants)	11,263.1	11,200.0	0.6%	11,150.0	0.4%
Volume Produced (1,000 m³/quarter)	231,962.4	220,922.0	5.0%	240,926.0	-8.3%
Volume Measured (1,000 m³/quarter)	146,643.5	136,662.4	7.3%	158,223.8	-13.6%
Network Extension (km)	49,158.6	47,369.0	3.8%	46,019.0	2.9%
Water Metering Index (%)	99.7	99.9	-0.2%	99.9	-
Water not Converted into Revenue [1] (l/conn./day)	216.0	224.5	-3.8%	234.6	-4.3%
Sewage					
Connections (1,000 units)	2,588.3	2,508.8	3.2%	2,421.2	3.6%
Units (1,000 units)	3,291.7	3,198.7	2.9%	3,091.2	3.5%
Population Served (1,000 inhabitants)	7,629.6	7,533.0	1.3%	7,385.0	2.0%
Volume Measured (1,000 m³/quarter)	97,635.9	89,531.5	9.1%	102,994.4	-13.1%
Volume Treated (1,000 m³/quarter)	61,174.9	60,184.0	1.6%	62,061.0	-3.0%
Network Extension (km)	23,257.9	22,258.0	4.5%	21,599.0	3.1%

(1) Average in the last 12 months

Breakdown – COPANOR	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Water					
Connections (1,000 units)	96.1	90.0	6.7%	84.8	6.2%
Units (1,000 units)	99.9	92.0	8.7%	86.7	6.1%
Population Served (1,000 inhabitants)	222.5	213.4	4.3%	159.2	34.0%
Volume Produced (1,000 m³/quarter)	2,166.0	2,576.0	-15.9%	2,608.0	-1.2%
Volume Measured (1,000 m³/quarter)	2,165.8	1,914.9	13.1%	2,103.3	-9.0%
Network Extension (km)	2,110.0	1,496.0	41.0%	1,455.0	2.8%
Sewage					
Connections (1,000 units)	43.2	36.9	16.9%	36.2	2.0%
Units (1,000 units)	45.3	38.0	19.3%	37.3	1.8%
Population Served (1,000 inhabitants)	102.8	89.0	15.5%	71.9	23.8%
Volume Measured (1,000 m³/quarter)	944.4	773.4	22.1%	897.5	-13.8%
Network Extension (km)	1,411.0	1,218.0	15.8%	1,172.0	3.9%

Comments on Company performance

Breakdown – Consolidated (COPASA MG + COPANOR)	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Water					
Connections (1,000 units)	4,164.7	4,071.1	2.3%	3,972.1	2.5%
Units (1,000 units)	5,032.7	4,917.0	2.4%	4,799.4	2.5%
Population Served (1,000 inhabitants)	11,485.6	11,413.4	0.6%	11,309.2	0.9%
Volume Produced (1,000 m³/quarter)	234,128.4	223,498.0	4.8%	243,534.0	-8.2%
Volume Measured (1,000 m³/quarter)	148,809.2	138,577.3	7.4%	160,327.2	-13.6%
Network Extension (km)	51,268.6	48,865.0	4.9%	47,474.0	2.9%
Sewage					
Connections (1,000 units)	2,631.5	2,545.8	3.4%	2,457.4	3.6%
Units (1,000 units)	3,336.9	3,236.6	3.1%	3,128.5	3.5%
Population Served (1,000 inhabitants)	7,732.4	7,622.0	1.4%	7,456.9	2.2%
Volume Measured (1,000 m³/quarter)	98,580.3	90,304.9	9.2%	103,892.0	-13.1%
Network Extension (km)	24,668.9	23,476.0	5.1%	22,771.0	3.1%

Employees and Employees/Connection

The number of employees of the parent company, which stood at 12,272 in June 2015, dropped to 11,239 in June 2016, a reduction of 8.4%. This decrease reflects the effects of the termination programs held from January 2015 in order to optimize the cost curve and to seek operational efficiency. Of the total of employees who joined the programs, 1,307 were terminated before July 2016, and four are yet to be terminated, as they are licensed for health treatment.

The table below shows the number of employees and the employees/connection ratio in the comparative periods:

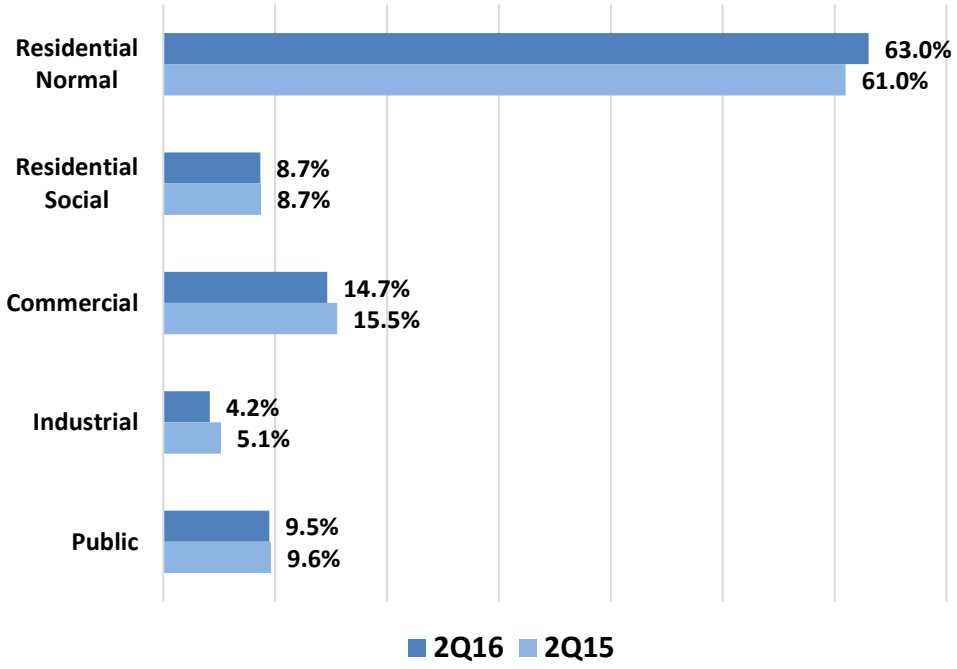
Breakdown	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
COPASA MG					
Number of Employees	11,239	12,272	-8.4%	11,920	3.0%
Employees/Connections[1]	1.68	1.89	-11.3%	1.89	0.1%
COPANOR					
Number of Employees	367	342	7.3%	307	11.4%
Employees/Connection[1]	2.64	2.69	-2.2%	2.54	6.2%
Consolidated (COPASA MG + COPANOR)					
Number of Employees	11,606	12,614	-8.0%	12,227	3.2%
Employees/Connections[1]	1.70	1.91	-10.8%	1.90	0.2%

(1) Number of employees/1,000 connections of water and sewage

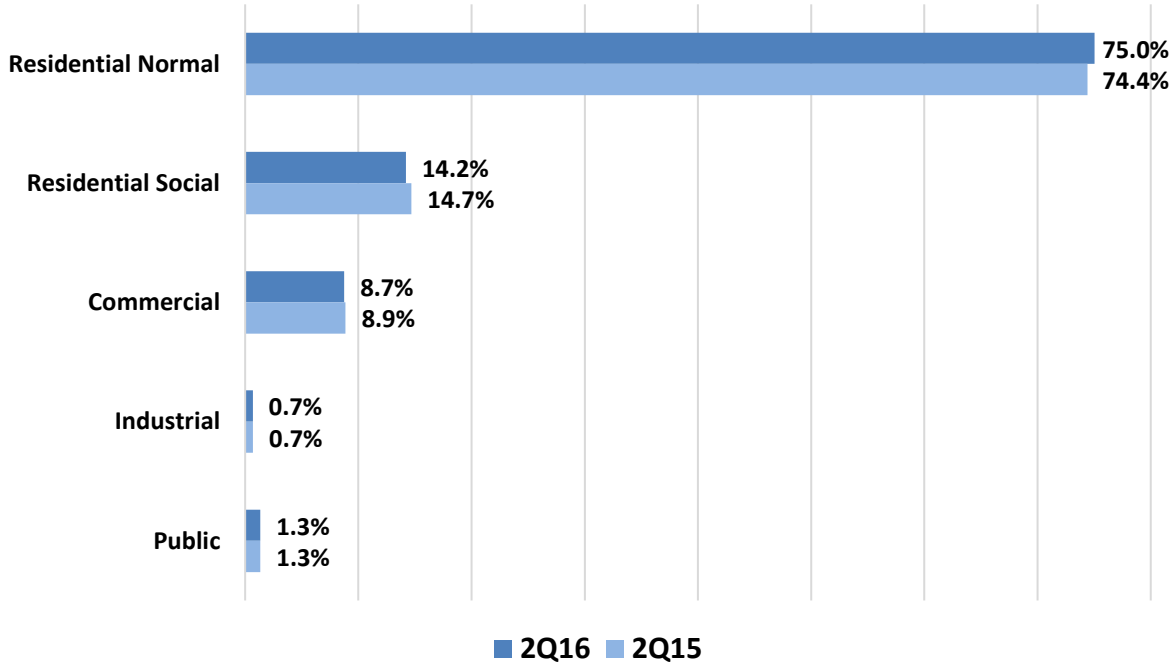
Comments on Company performance

Customer Base

Revenueper consumer category in 2Q16 versus 2Q15:



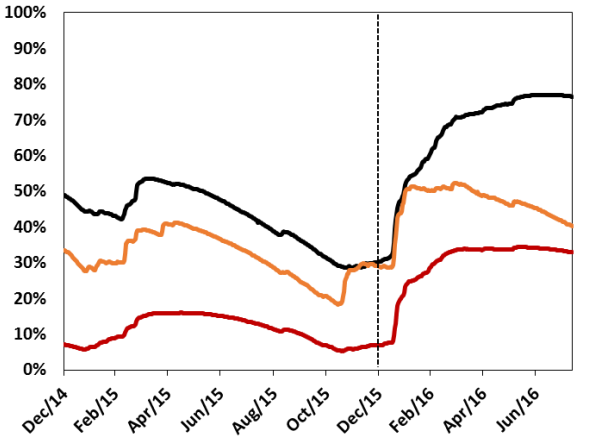
In the same period, considering the consumer units, the distribution is shown below:



Comments on Company performance

Water Situation

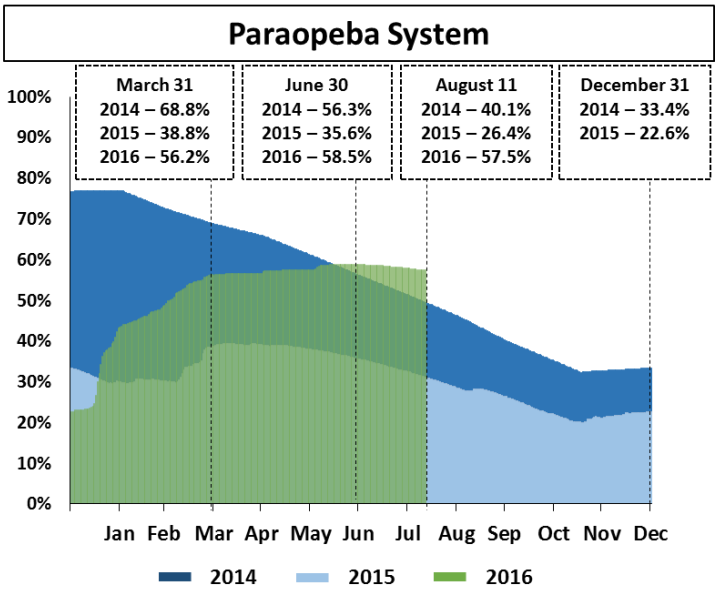
The Paraopeba System consists of three reservoirs: Rio Manso, Vargem das Flores and Serra Azul, and supplies approximately 42% of the Belo Horizonte Metropolitan Area. The graph below shows the levels of each reservoir through 2015 and 2016, until August 11, 2016:



Reservoir	Jan/2015	Aug/2015	Dec/2015	Aug/2016
Rio Manso	48.9%	41.9%	30.2%	76.5%
Vargem das Flores	33.5%	31.4%	28.9%	40.2%
Serra Azul	7.1%	12.8%	6.9%	32.9%

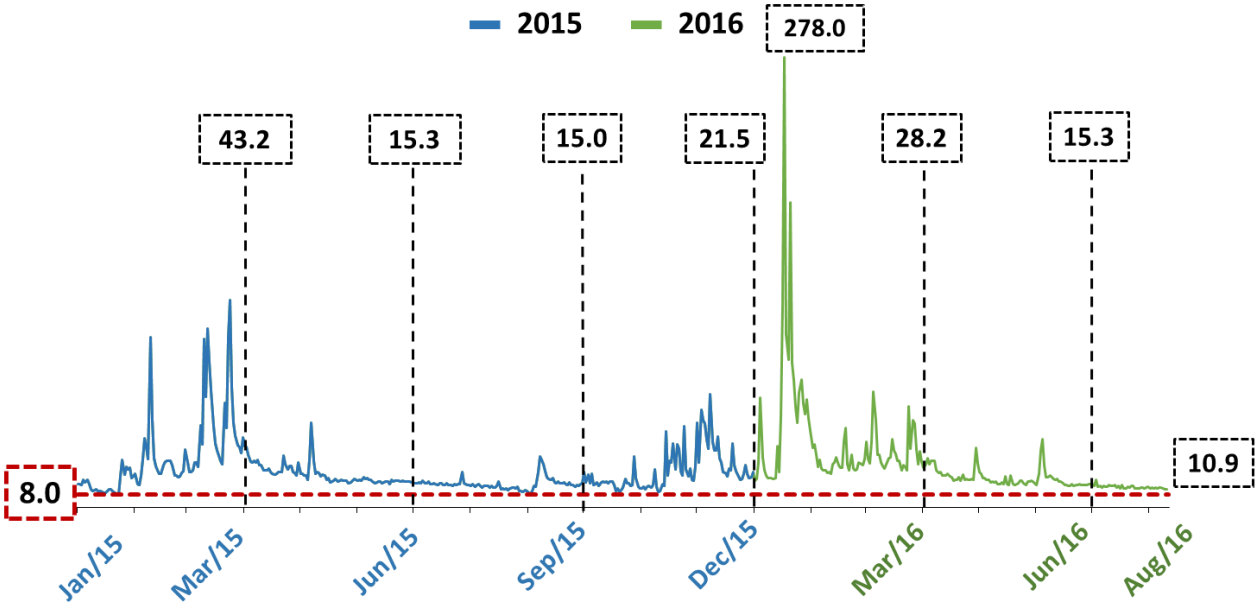
The water volume stored in the Paraopeba System showed improvement through 2016, reflecting the start, in December 2015, of the withdrawal of raw water from the Paraopeba River for treatment at the Rio Manso Water Treatment Station. This caused a reduction in the volume pumped from the reservoir and thus an increase in volumes stored.

Volumes stored in the Paraopeba System reservoirs reached approximately 58% of total capacity on August 11, 2016. This is higher than the volumes registered in the same period of 2015 and 2014, as seen below:



Comments on Company performance

The flow of the Das Velhas River, at the point of capture of the production system that supplies approximately 50% of the Belo Horizonte Metropolitan Area, is heavily influenced by rainfall, given its location in the upper water basin. The characteristics of this basin provide sudden flow peaks when there is rainfall in the headwaters and rapid return to normal flow. The average flow rate recorded in recent days was 12 m³/s and the water collection grant at that facility is 8 m³/s.



In view of the increased hydric security in the Belo Horizonte Metropolitan Area, with the alternative water source at the Paraopeba River and the volumes registered in the reservoirs, the possibility of restricting supply or applying water rationing for the population of that region remains ruled out for the moment.

In the state's interior, the situation of water supply in nearly every municipality supplied by COPASA MG shows improvement, when compared with the same period of last year. The reservoirs in some municipalities in the east and north regions of the state show lower levels than in the same period of 2015. Any shortages in the interior have mostly received ready and punctual solutions, considering that the operation is scattered, covering hundreds of localities.

Comments on Company performance

Operating Cash Flow

The EBITDA, which represents the Company's operational result, is a non-accounting measure adopted by the Company, calculated in accordance with CVM Instruction 527/2012, consisting of net income plus taxes on income, financial result, depreciation and amortization and subsidiaries' non-operating result.

Adjusted EBITDA for 2Q16 was R$ 326.0 million, 65.1% higher than 2Q15. This is a result of the 19.7% increase in water and sewage net revenue, the reduction in personnel expenditure arising from the savings provided by the termination programs carried out by the Company, the downturn in electricity expenses, and the improvement in management with stricter controls over service and input contracting.

The adjusted EBITDA margin, which is calculated by dividing the adjusted EBITDA by the sum of the net revenue of water and sewage, the other operating revenue and the revenue of the subsidiaries, reached 35.1% in 2Q16, versus 24.4% in 2Q15.

Until June 2015, adjusted EBITDA was calculated by subtracting the construction result. From 3Q15, construction margin was set at zero, following a regulatory decision, therefore not impacting EBITDA.

Breakdown (R$ '000)	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Net income for the period	**102,943**	**3,788**	**-**	**81,923**	**-95.4%**
(+) Taxes on income	51,422	(9,762)	-	27,388	-
(+) Financial result	24,837	68,851	-63.9%	43,611	57.9%
(+) Depreciation and amortization	146,960	135,206	8.7%	119,009	13.6%
(+) Non-operating result of subsidiaries	(178)	1,600	-	966	65.6%
(=) EBITDA	**325,984**	**199,683**	**63.3%**	**272,897**	**-26.8%**
(-) Construction result	-	2,232	-	4,185	-46.7%
(=) Adjusted EBITDA	**325,984**	**197,451**	**65.1%**	**268,712**	**-26.5%**
EBITDA margin	**35.1%**	**20.3%**		**27.3%**	
Adjusted EBITDA margin	**35.1%**	**24.4%**		**33.6%**	

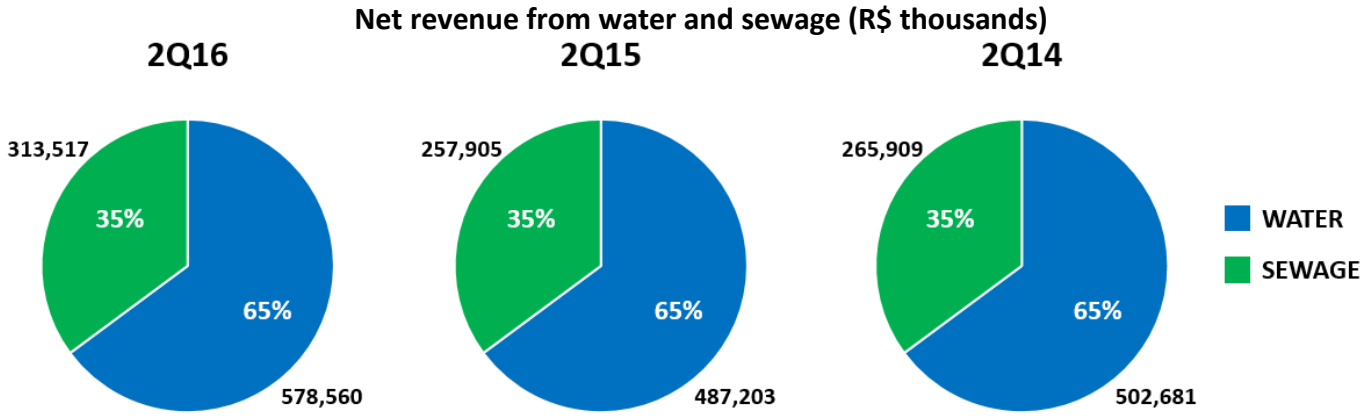
Comments on Company performance

Revenue

Water and sewage revenue grew 19.7% in 2Q16 versus 2Q15, mainly due to:

- the increase in volumes measured per unit of water (+5.1%) and sewage (+6.2%);
- the 15.04% average tariff adjustment applied from May 2015 and of 13.9% from May 2016;
- the increase in water (+2.2%) and sewage (+2.9%) units; and
- resumption of sewage billing in Lavras from January 2016, following an injunction by the Court of Justice of Minas Gerais (TJMG). That billing had been suspended after a court decision from January 2015.

Water and sewage net revenue totaled R$ 892.1 million in 2Q16, against R$ 745.1 million in 2Q15 and R$ 768.6 million in 2Q14. The proportion of water and sewage net revenue in relation to the total net revenue was 65% and 35%, respectively, keeping constant in the comparative periods, as shown below:



Costs and Expenses

The following chart shows the cost of services rendered and selling and administrative expenses arising from the operation of water and sewage services in the comparative periods:

Breakdown (R$ '000)	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Personnel	286,290	304,359	-5.9%	268,693	13.3%
Electricity	87,013	97,654	-10.9%	63,451	53.9%
Outsourced services	88,205	91,456	-3.6%	95,816	-4.6%
Rio Manso PPP	15,655	-	-	-	-
Materials	32,834	30,662	7.1%	30,429	0.8%
Sundry operating costs	7,761	8,187	-5.2%	11,564	-29.2%
Tariff transfers to municipalities	17,501	15,200	15.1%	18,361	-17.2%
Provision for doubtful accounts	43,339	41,479	4.5%	25,237	64.4%
Tax credits	(31,583)	(29,098)	8.5%	(24,303)	19.7%
Cost of Services Rendered + Selling Expenses + Administrative Expenses (excl. dep./amort.)	**547,015**	**559,899**	**-2.3%**	**489,248**	**14.4%**
Depreciation and amortization	146,960	135,206	8.7%	119,009	13.6%
Cost of Services Rendered + Selling Expenses + Administrative Expenses	**693,975**	**695,105**	**-0.2%**	**608,257**	**14.3%**

Comments on Company performance

The variation analysis of each item of the cost of services rendered and selling and administrative expenses is highlighted below:

Personnel

The personnel costs in 2Q16 dropped by 5.9% compared with 2Q15, mainly due to the decrease in staff resulting from the voluntary termination programs carried out through 2015, especially the Incentivized Voluntary Termination Program (PDVI), even considering the effects of the wage adjustment applied from May 2016, which is based on the National Consumer Price Index (INPC).

Electricity

Electricity expenses decreased by 10.9% in 2Q16 versus 2Q15, as a result of the changes in the application of tariff flags, moving from the red flag to the yellow flag in March 2016, and then from the yellow flag to the green flag, with zero costs from the flag, from April 2016. The electricity tariff adjustments below inflation also influenced this decrease.

Electricity consumption in 2Q16 was 2.2% higher than in 2Q15.

Outsourced Services

The 3.6% decrease in outsourced services is directly related to the improvement in management with stricter control processes in contracting, as detailed below:

- 93% reduction in publicity and advertising expenses;
- 24.8% reduction in technical and computer services expenses, resulting from the renegotiation of contracts carried out by the Company with the suppliers;
- 6.0% reduction in conservation and maintenance of goods and assets services expenses, associated with the termination of contract terms and renegotiation with suppliers.

Transportation services expenses showed the highest increases among the various items, due to the hiring of water trucks for some municipalities in the state's interior and the leasing of movable property resulting from the outsourcing of the vehicle fleet.

Rio Manso PPP

This amount relates to the payment of the installments pertaining to the operational expenditure (OPEX) provided by the Special Purpose Entity (SPE) Odebrecht Ambiental Manso under the Public-Private Partnership (PPP) of the Rio Manso System. In December 2015, expansion works at this production system, the object of the aforementioned PPP, were completed, resulting in the beginning of payment of the installments.

Materials

There was a 7.1% increase in 2Q16 over 2Q15, lower than the inflation observed in the last 12 months, reflecting stricter cost management. There was an increase in treatment materials expenses arising from the higher amount of chemicals used in water treatment, with the start, in December 2015, of the system for water withdrawal from the Paraopeba River for treatment at the Rio Manso Water Treatment Station, in addition to the increase in the prices of some of the chemical products.

Comments on Company performance

Sundry Operating Costs

The 5.2% drop in this item in 2Q16 versus 2Q15 was mainly due to the decrease in exhibition, conference, campaign and related expenses, as well as transport, travel and stays.

Tariff Transfers to Municipalities

The 15.1% increase in this item in 2Q16 over 2Q15 is due to the recovery of the revenue from the Municipality of Belo Horizonte, which is the most representative basis for the calculation of the transfers made, reflecting the normalization of the water supply for the Belo Horizonte Metropolitan Area.

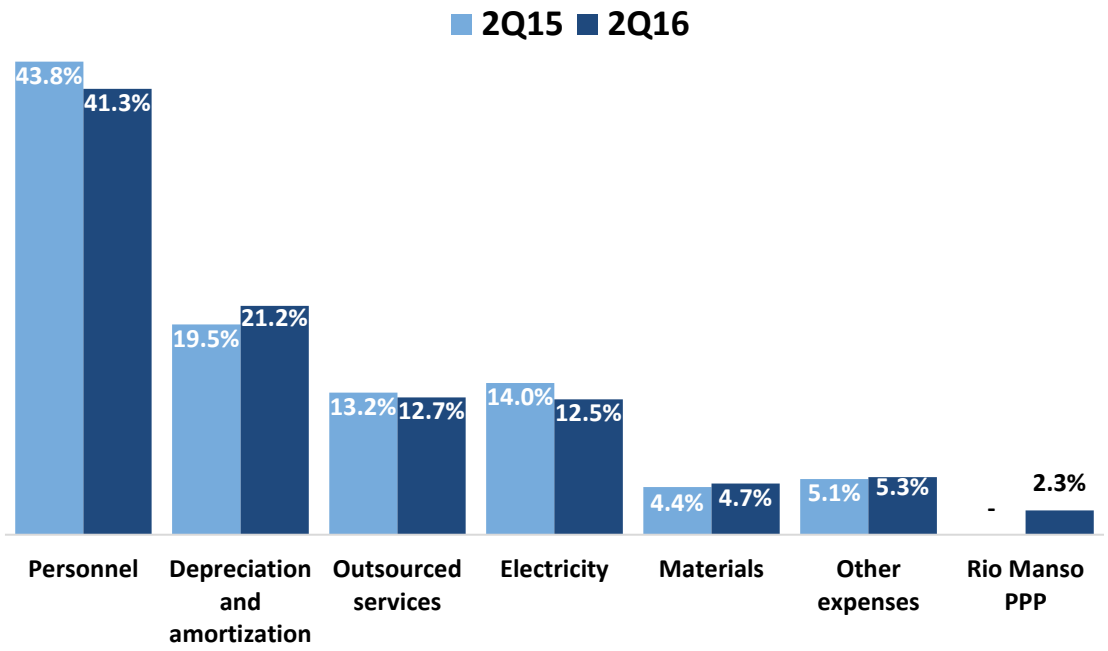
Tax Credits

Tax credits moved up by 8.5% in 2Q16 over 2Q15, mainly due to the receipt of credits based on the depreciation of machinery, equipment and other goods arising from their incorporation into the Company's assets.

Depreciation and Amortization

Depreciation and amortization expenses increased by 8.7% in relation to 2Q15, due to the incorporation of new systems into the Company's assets, reflecting the conclusion of construction works for the expansion of the Ribeirão Arrudas Sewage Treatment Station, the Rio Manso PPP, the implementation of collection networks in Ibirité and Contagem, and the construction of the Ibirité Sewage Treatment Station , among others.

The following graph shows the evolution of the Company's costs and expenses in 2Q16 and 2Q15.



Comments on Company performance

Other Operating Revenue and Expenses

Other operating revenue decreased by 10.5% in 2Q16 over 2Q15, mainly due to the non-recurrence in 2Q16 of the reversal of non-deductible provision relating to doubtful credits. This was offset by the higher recovery of written-off accounts as a result of the implementation of new procedures introduced by Law 13,097/2015 from May 2015, which altered the system for the constitution of provision for losses, and also due to the renegotiation of debts with municipal governments.

There was a 43.2% upturn in other operating expenses in 2Q16, chiefly due the increase in provision for tax-related lawsuits, mainly reflecting the reassessment of risk from "possible" to "probable" in a lawsuit related to the usage, in 2004, of premium tax credits from IPI (tax on industrialized products. This reassessment was carried out by the forum for the review and validation of amounts indicated by the Legal Department in lawsuits against the Company.

Breakdown (R$ '000)	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Other operating revenue	**29,591**	**33,069**	**-10.5%**	**24,690**	**33.9%**
Revenue from technical services	53	16	-	306	-94.8%
Reversal of non-deductible provision	5,789	15,545	-62.8%	5,110	-
Recovery of written-off accounts	20,410	14,465	41.1%	13,345	8.4%
Other revenue	3,339	3,043	9.7%	5,929	-48.7%
Other operating expenses	**(34,801)**	**(24,294)**	**43.2%**	**(29,653)**	**-18.1%**
Non-deductible provision	(20,399)	(10,908)	87.0%	(11,160)	-2.3%
Non-recurring losses	(3,622)	(1,997)	81.4%	(8,215)	-75.7%
Other expenses	(10,780)	(11,389)	-5.3%	(10,278)	10.8%
Total	**(5,210)**	**8,775**	**-**	**(4,963)**	**-**

Equity Income

The table below shows the subsidiaries' results in 2Q16, compared to 2Q15 and 2Q14.

Summarized Statement of Subsidiaries (R$ '000)	Copasa Águas Minerais de Minas S.A. (AGMM) (in liquidation)			COPANOR			TOTAL		
	2Q16	2Q15	2Q14	2Q16	2Q15	2Q14	2Q16	2Q15*	2Q14*
Net Revenue from Sales and/or Services	199	705	533	5,864	4,357	4,399	6,063	5,062	4,932
Other Operating Revenue	810	24,511	595	107	684	379	917	25,252	987
Operating Costs and Expenses	(772)	(2,360)	(1,814)	(7,107)	(6,738)	(4,276)	(7,879)	(9,099)	(6,123)
Other Operating Expenses	(2,801)	(17,248)	(895)	(292)	(277)	(212)	(3,093)	(17,548)	(1,280)
Net Financial Income (Expenses)	778	-	(15)	(454)	(404)	(346)	325	(404)	(383)
Income Tax and Social Contribution	(135)	(757)	-	-	-	-	(135)	(757)	-
Net Income (Loss)	**(1,921)**	**4,851**	**(1,596)**	**(1,882)**	**(2,378)**	**(56)**	**(3,803)**	**2,506**	**(1,867)**

* Also includes the results of the extinct subsidiary COPASA Serviços de Irrigação (Serviços de Irrigação), the liquidation of which was decided at the Extraordinary Shareholders' Meeting held on December 15, 2015.

Comments on Company performance

Financial Result

The net financial result was negative R$24.8 million in 2Q16, against negative R$68.9 million in 2Q15, most heavily affected by the favorable net foreign exchange variations of R$37.4 million in the quarter, due to the devaluation of the USD and the euro against the real through 2Q16, with no cash effect.

Breakdown (R$ '000)	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Financial Revenue	**73,542**	**15,445**	**-**	**24,846**	**-37.8%**
Monetary variation	4,267	3,602	18.5%	3,912	-7.9%
Foreign exchange variation	44,845	(2,689)	-	5,508	-
Interest	9,223	228	-	1,363	-83.3%
Real gains from financial investments	12,693	9,518	33.4%	7,901	20.5%
Capitalization of financial assets/other	2,514	4,786	-47.5%	6,162	-22.3%
Financial Expenses	**(98,379)**	**(84,296)**	**16.7%**	**(68,457)**	**23.1%**
Monetary variation	(18,660)	(21,194)	-12.0%	(14,282)	48.4%
Foreign exchange variation	(7,401)	1,716	-	(1,352)	-
Interest on financing	(71,843)	(64,387)	11.6%	(52,720)	22.1%
Other	(475)	(431)	10.2%	(103)	-
Net Financial Result	**(24,837)**	**(68,851)**	**-63.9%**	**(43,611)**	**57.9%**

Net Income

The Company registered net income of R$102.9 million in 2Q16, versus R$3.8 million in 2Q15. This is a result of the 19.7% increase in water and sewage revenue and the 0.2% drop in costs and expenses arising from the optimization of expenses, especially personnel expenses, and stricter management and controls in contracting processes. The result was also influenced by the positive effects of the foreign exchange variations, as mentioned in the Financial Result section.

Breakdown (R$ '000)	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
Operating Result (a)	**179,203**	**62,877**	**185.0%**	**152,922**	**-58.9%**
Non-Operating Result (b)	**(76,259)**	**(59,089)**	**29.1%**	**(70,999)**	**-16.8%**
Net financial result	(24,837)	(68,851)	**-63.9%**	(43,611)	57.9%
Taxes on income	(51,422)	9,762	-	(27,388)	-
Net Income (a) + (b)	**102,943**	**3,788**	**-**	**81,923**	**-95.4%**
Earnings per Share (R$)	**0.86**	**0.03**	**-**	**0.69**	**-95.4%**

Comments on Company performance

Investments

The table below shows the distribution of the amounts invested in 2014, 2015, and 1H16. The allocated amounts are for endeavors in progress or starting. The realized amount relates to measurements in the period, payment of which has been made or will be made in the month following the end of the quarter.

Breakdown (R$ million)	2014	2015	2016	1H16	
			Annual Limit	Allocated	Realized
Water	280	201		171	72
Sewage	556	229		224	105
Paraopeba Withdrawal – Rio Manso PPP		115		6	6
Others [1]	29	5		14	1
TOTAL	**865**	**550**	**600**	415	184
Rio Manso PPP	280	364			

(1) Corporate and operational development programs.

Investments in water supply systems in 1H16 included:

- expansion of water production capacity of the Rio das Velhas Production System, in the Belo Horizonte Metropolitan Area, including optimization of the water treatment station, recovery of the pipeline, deployment of the automatization system, and improvements in the electrical system;
- expansion of water production capacity in the cities of Montes Claros and Mato Verde;
- expansion of water supply capacity in the cities of Igarapé and Vespasiano; and
- expansion of distribution networks and water connections throughout the Statestate.

Investments in sewage systems in 1H16 included the following works:

- expansion of the service capacity of sewage systems in Ribeirão das Neves, Coronel Fabriciano and Montes Claros, and of the sewage treatment stations in Caratinga and Conselheiro Lafaiete; and
- expansion of collection networks and sewage connections throughout the state.

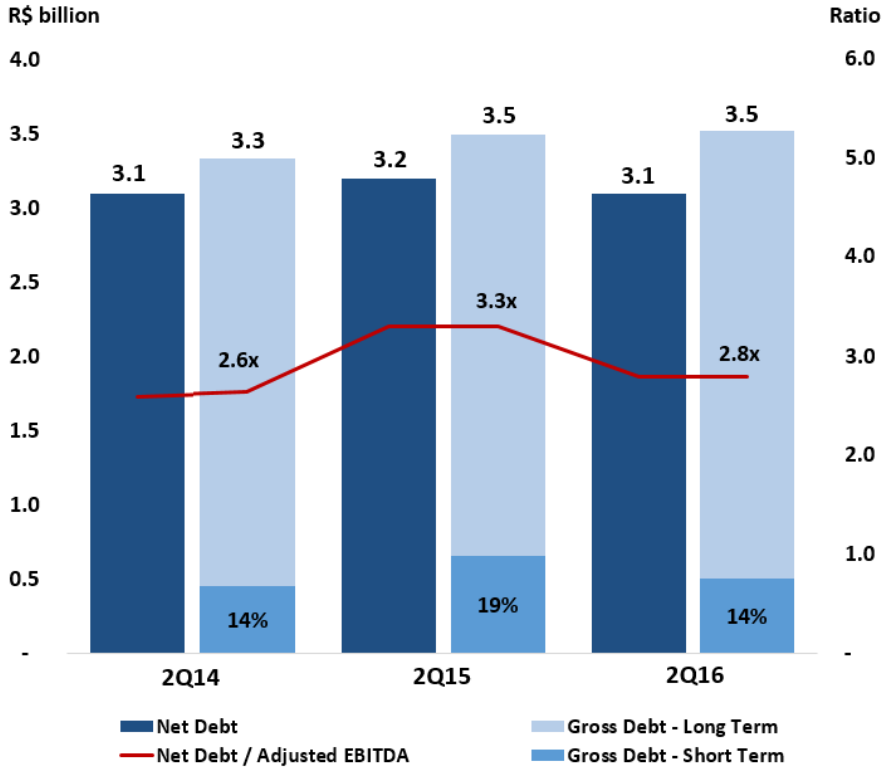
The Annual and Extraordinary Shareholders' Meeting held on April 13, 2016 decided on the Investment Program for COPASA MG and its subsidiary COPANOR for the fiscal year 2016, in the amount of R$ 660 million, R$ 600 million of which is destined for COPASA MG investments and R$ 60 million for COPANOR investments; the latter's funds being provided by the state's Health Fund.

Comments on Company performance

Debt

As a result of the stricter controls adopted in the Company's cash management, net debt decreased from R$ 3.18 billion in June 2015 to R$ 3.11 billion in June 2016.

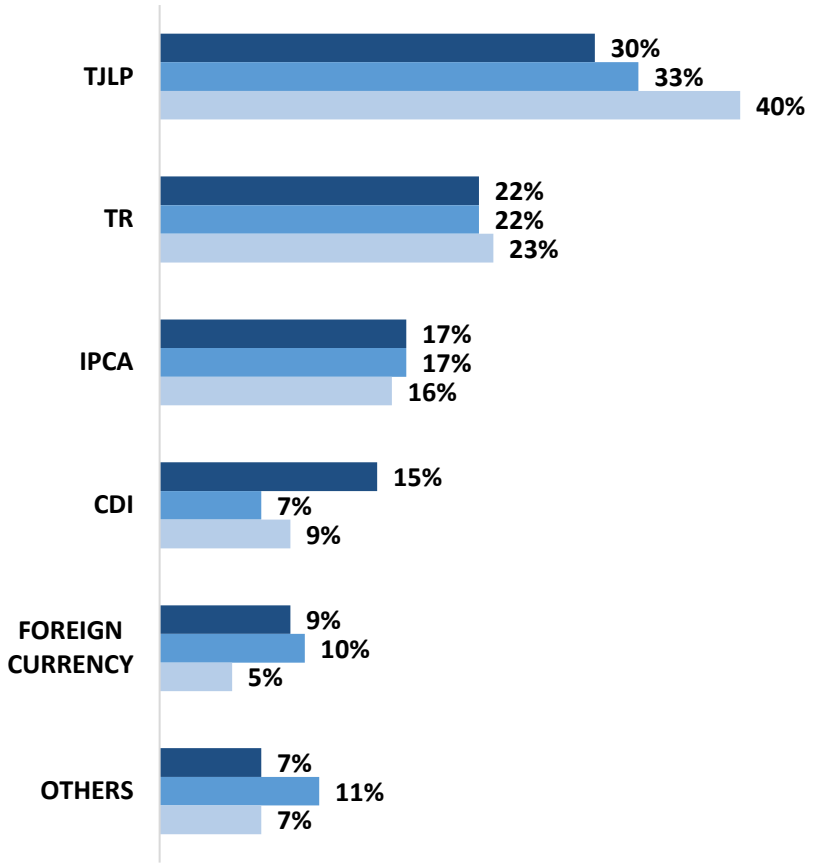
The following graph shows the evolution of the Company's gross debt, the proportions between the short-term and long-term debts, and the leverage ratio (net debt/adjusted EBITDA):



The Company does not contract hedge operations for its debt denominated in foreign currency, which represented 9.3% of gross debt as at June 30, 2016, given that it has a long-term profile. However, for the debt with the federal government in the form of bonds, COPASA MG holds a deposit in reais with Banco do Brasil, which will be restated by the average price of US Treasury zero-coupon bonds up to 2024 and which will settle the last installment due in 2024 (US$25 million). On June 30, 2016, this deposit totaled R$ 71.6 million.
The average coupon for these loans was 9.2% p.a. on June 30, 2016 (8.1% p.a. on June 30, 2015). Some financing lines also have their respective balances tied to specific indices, such as FGTS funds and CEF Fifth Debenture Issue (TR); National Bank for Economic and Social Development (BNDES) Second Series of the Fourth and Eighth Debenture Issues, Second Series of the Sixth, Seventh and Ninth Issues of Market Debentures (IPCA); First Series of the Sixth, Seventh and Ninth Issues of Market Debentures (CDI); the Federal Government (USD); and KfW (euro).

Comments on Company performance

The chart below shows the evolution of the average coupon and the relative weight of the debt by contractual index in 2Q16, 2Q15 and 2Q14.



Average Coupon (p.a.)	
2Q16	9.2%
2Q15	8.1%
2Q14	7.5%

It is also worth noting that, on June 30, 2016, COPASA MG had a total of R$ 447.9 million in contracted financing from the BNDES and Caixa Econômica Federal, and from KfW in the amount of € 13.6 million, which will be disbursed and recorded as and when it is utilized within the Company's Investment Program.

The Extraordinary Shareholders' Meeting held on July 7, 2016 approved the Tenth debenture issue by the Company, in the amount of R$140 million, in the form of simple debentures, non-convertible into shares, which will be put into public distribution with limited placement efforts in the local capital market. Further details are stated in the minutes of the aforementioned meeting and in the minutes of the Board of Directors meeting held on July 14, 2016.

Comments on Company performance

The main funding lines, interest rates and remaining balances on June 30, 2016, are shown below.

FUNDING	FIXED RATE (ANNUAL)	VARIABLE RATE (ANNUAL)	MATURITY	OUTSTANDING BALANCE (R$ million)	%
IN NATIONAL CURRENCY:					
FGTS FUNDS*	7.80%	TR	02/16/2038	493.2	14.0%
FINAME	3.82%	-	01/15/2025	114.6	3.3%
BNDES LOAN	9.06%	TJLP	05/15/2025	479.8	13.6%
BNDES/3rd DEBENTURE ISSUE	2.30%	TJLP	12/16/2019	168.8	4.8%
BNDES/4th DEBENTURE ISSUE					
1st SERIES	1.55%	TJLP	07/15/2022	152.3	4.3%
2nd SERIES	9.05%	IPCA	08/15/2022	279.9	8.0%
3rd SERIES	1.55%	TJLP	07/15/2022	201.6	5.7%
CAIXA/DEBENTURES – 5th ISSUE	9.00%	TR	09/01/2031	268.6	7.6%
MARKET DEBENTURES – 6th ISSUE					
1st SERIES	0.94%	100% of CDI	02/15/2017	58.1	1.7%
2nd SERIES	6.02%	IPCA	02/15/2019	139.7	4.0%
MARKET DEBENTURES – 7th ISSUE					
1st SERIES	-	108.5% of CDI	04/15/2019	133.9	3.8%
2nd SERIES	7.39%	IPCA	04/15/2021	146.1	4.2%
BNDES/8th DEBENTURE ISSUE					
1st SERIES	1.87%	TJLP	06/15/2028	66.4	1.9%
2nd SERIES	8.18%	IPCA	06/15/2028	29.5	0.8%
MARKET DEBENTURES – 9th ISSUE					
1st SERIES	-	118.9% of CDI	08/15/2020	338.6	9.6%
2nd SERIES	8.68%	IPCA	08/15/2021	19.6	0.6%
OTHER LIABILITIES:					
LIBERTAS (PRIVATE PENSION PLAN)	6.00%	INPC	11/08/2021	99.5	2.8%
IN FOREIGN CURRENCY:					
FEDERAL GOVERNMENT- BONDS**	4.27%	USD	04/10/2024	81.6	2.3%
KfW	2.07%	Euro	12/20/2023	247.2	7.0%
TOTAL SHORT- AND LONG-TERM DEBT				**3,519.0**	**100.0%**
CASH AND CASH EQUIVALENTS				404.2	
NET DEBT				**3,114.8**	

* FGTS funds: CEF, Bradesco, Itaú and Unibanco;
** Average rate (LIBOR + spread) of various bonds.

Comments on Company performance

QUARTERLY INCOME STATEMENT

PARENT COMPANY (R$ '000)	2Q16	2Q15	2Q16 X 2Q15	2Q14	2Q15 X 2Q14
OPERATING REVENUE FROM SERVICES					
Water services	578,560	487,203	18.8%	502,681	-3.1%
Sewage services	313,517	257,905	21.6%	265,909	-3.0%
Construction revenue	73,136	174,217	-58.0%	200,305	-13.0%
NET OPERATING REVENUE FROM SERVICES	**965,213**	**919,325**	**5.0%**	**968,895**	**-5.1%**
Cost of services rendered	(575,081)	(491,389)	17.0%	(429,549)	14.4%
Construction costs	(73,136)	(171,985)	-57.5%	(196,120)	-12.3%
COST OF SERVICES RENDERED	**(648,217)**	**(663,374)**	**-2.3%**	**(625,669)**	**6.0%**
GROSS PROFIT	**316,996**	**255,951**	**23.9%**	**343,226**	**-25.4%**
Selling expenses	(88,769)	(87,091)	1.9%	(67,927)	28.2%
General and administrative expenses	(30,125)	(116,625)	-74.2%	(110,781)	5.3%
Other operating revenue	29,591	33,069	-10.5%	24,690	33.9%
Other operating expenses	(34,801)	(24,294)	43.2%	(29,653)	-18.1%
Employees' profit-sharing	(9,887)	(639)	-	(4,766)	-86.6%
Equity income	(3,803)	2,506	-	(1,867)	-
OPERATING EXPENSES/REVENUE	**(137,794)**	**(193,074)**	**-28.6%**	**(190,304)**	**1.5%**
EARNINGS BEFORE FINANCIAL RESULT AND TAXES	**179,202**	**62,877**	**-**	**152,922**	**-58.9%**
Financial revenue	73,542	15,445	-	24,846	-37.8%
Financial expenses	(98,379)	(84,296)	16.7%	(68,457)	23.1%
FINANCIAL RESULT	**(24,837)**	**(68,851)**	**-63.9%**	**(43,611)**	**57.9%**
EARNINGS BEFORE TAXES ON INCOME	**154,365**	**(5,974)**	**-**	**109,311**	**-**
Provision for income tax	(37,587)	7,142	-	(19,618)	-
Provision for social contribution on net income	(13,835)	2,620	-	(7,770)	-
NET INCOME FOR THE PERIOD	**102,943**	**3,788**	**-**	**81,923**	**-95.4%**
Number of outstanding shares at the close of the period	119,327,217	119,327,217	0.0%	119,327,217	0.0%
EARNINGS PER SHARE (R$)	**0.86**	**0.03**	**-**	**0.69**	**-95.4%**

Comments on Company performance

BALANCE SHEET - ASSETS

PARENT COMPANY (R$ '000)	6/30/2016	6/30/2015	6/30/2016 X 6/30/2015	6/30/2014	6/30/2015 X 6/30/2014
CURRENT					
Cash and cash equivalents	404,218	313,627	28.9%	234,414	33.8%
Trade accounts receivable	851,583	706,831	20.5%	696,141	1.5%
Inventories	46,159	42,336	9.0%	36,915	14.7%
Taxes to offset	32,186	40,801	-21.1%	23,283	75.2%
Technical cooperation agreement	39,333	43,848	-10.3%	11275	288.9%
Banks and agreement investments	34,011	24,022	41.6%	41,775	-42.5%
Sundry receivables	12,854	33,806	-62.0%	31,299	8.0%
Total current assets	**1,420,344**	**1,205,271**	**17.8%**	**1,075,102**	**12.1%**
NON-CURRENT					
Long-term assets:					
Trade accounts receivable	155,888	180,410	-13.6%	199,898	-9.7%
Financing guarantee deposits	188,144	168,490	11.7%	117,711	43.1%
Restricted investments	64,487	97,973	-34.2%	96,643	1.4%
Assets available for sale	41,084	41,522	-1.1%	49,761	-16.6%
Receivables from subsidiaries	6,141	17,590	-65.1%	15,630	12.5%
Deferred income and social contribution taxes	147,458	155,755	-5.3%	131,364	18.6%
Financial assets	569,384	556,752	2.3%	556,161	0.1%
Sundry receivables	56,072	51,689	8.5%	55,576	-7.0%
	1,228,658	**1,270,181**	**-3.3%**	**1,222,744**	**3.9%**
Permanent assets					
Investments	26,594	17,161	55.0%	18621	-7.8%
Intangible assets	7,910,374	7,745,496	2.1%	7,115,625	8.9%
Property, plant and equipment	148,098	181,686	-18.5%	202,011	-10.1%
	8,085,066	**7,944,343**	**1.8%**	**7,336,257**	**8.3%**
Total non-current assets	**9,313,724**	**9,214,524**	**1.1%**	**8,559,001**	**7.7%**
TOTAL ASSETS	**10,734,068**	**10,419,795**	**3.0%**	**9,634,103**	**8.2%**

Comments on Company performance

BALANCE SHEET – LIABILITIES

PARENT COMPANY (R$ '000)	6/30/2016	6/30/2015	6/30/2016 X 6/30/2015	6/30/2014	6/30/2015 X 6/30/2014
CURRENT					
Contractors and suppliers	105,352	107,459	-2.0%	148,980	-27.9%
Taxes, charges and contributions	57,616	52,817	9.1%	55,065	-4.1%
Loans and financing	146,866	347,859	-57.8%	166,181	109.3%
Debentures	338,218	292,948	15.5%	272,212	7.6%
Public-Private Partnership	49,052	-	-	-	-
Employees' profit-sharing	12,421	2,096	-	27,410	-92.4%
Provision for vacations and 13th-month salary bonus	130,727	128,388	1.8%	118,479	8.4%
Tax installments	58,458	49,203	18.8%	42,835	14.9%
Retirement benefit liabilities	26,422	24,181	9.3%	21,806	10.9%
Interest on equity	51,352	6,632	-	33,431	-80.2%
Electricity	3,238	9,691	-66.6%	16,428	-41.0%
Sundry liabilities	30,668	46,835	-34.5%	35,959	30.2%
Total current liabilities	**1,010,390**	**1,068,109**	**-5.4%**	**938,786**	**13.8%**
NON-CURRENT					
Long-term liabilities:					
Loans and financing	1,269,521	1,286,639	-1.3%	1,141,900	12.7%
Debentures	1,664,889	1,462,927	13.8%	1,640,333	-10.8%
Public-private partnership	563,381	481,572	17.0%	-	-
Provision for litigation	116,702	130,426	-10.5%	90,685	43.8%
Tax installments	155,888	180,410	-13.6%	199,898	-9.7%
Provision for investment losses	41	16,397	-99.7%	12,898	27.1%
Retirement benefit liabilities	104,096	126,695	-17.8%	107,895	17.4%
Sundry liabilities	70,673	66,549	6.2%	40,145	65.8%
Total non-current liabilities	**3,945,191**	**3,751,615**	**5.2%**	**3,233,754**	**16.0%**
SHAREHOLDERS' EQUITY					
Paid-up capital stock	2,773,985	2,773,985	-	2,773,985	-
Treasury shares	(8,576)	(8,576)	-	(8,576)	-
Profit reserve	2,710,880	2,726,965	-0.6%	2,508,330	8.7%
Equity valuation adjustments	32,464	35,566	-8.7%	55,477	-35.9%
Accrued profits	141,334	16,431	-	132,347	-87.6%
Funds for capital increase	128,400	55,700	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**5,778,487**	**5,600,071**	**3.2%**	**5,461,563**	**2.5%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,734,068**	**10,419,795**	**3.0%**	**9,634,103**	**8.2%**

Comments on Company performance

CASH FLOW STATEMENT

PARENT COMPANY (R$ '000)	6/30/2016	6/30/2015	6/30/2014
Cash flow from operating activities:			
Net income for the period	**102,943**	**3,788**	**81,923**
Adjustments to reconcile net income and net cash			
Provision for doubtful accounts	43,339	33,281	25,237
Recovery of written-off accounts	(20,411)	(14,465)	(13,345)
Charges and monetary/exchange variation, net	(28,372)	14,878	1,709
Interest income and expenses	71,406	61,585	49,760
Deferred income tax and social contribution	14,649	953	(6,658)
Equity income	3,803	(2,506)	1,867
Net write-offs of intangible and fixed assets	13,723	109	24,222
Depreciation and amortization	146,960	135,206	119,009
Constitution (reversal) of provision	20,410	6,693	8,898
Provision for retirement benefits	8,396	13,260	10,123
Deferred revenue	(1,216)	-	(1,758)
Net construction revenue margin	-	(2,232)	(4,185)
Adjusted profit	**375,630**	**250,550**	**296,802**
Reduction (increase) in operating assets			
Accounts receivable from clients	(67,857)	(52,233)	17,015
Inventories	(436)	(348)	(2,588)
Taxes to offset	2,831	(15,577)	185
Banks and agreement investments	1,369	(502)	(8,971)
Financing guarantee deposits	6,556	(3,541)	16,639
Redemption of securities/restricted investments	2,182	2,142	2,000
Investment acquisitions	-	-	-
Receivables from subsidiaries	(602)	(1,041)	(760)
Other financial assets	(3,641)	(3,964)	(3,333)
Other	(4,323)	14,570	(16,805)
Increase (reduction) in operating liabilities			
Suppliers	(15,363)	15,820	18,791
Taxes, charges and contributions	9,748	11,574	(3,572)
Provision for vacations and 13th–month salary	33,070	19,779	19,046
Employees' profit-sharing	7,704	(19,090)	(11,982)
Technical cooperation agreement	(9,267)	(3,781)	(10,646)
Contingencies	(2,508)	(897)	(1,587)
Private pension plan	(7,617)	(9,558)	(8,737)
Electricity/others	(24,998)	14,545	29,467
Interest paid	(84,545)	(61,056)	(47,441)
Payment of actuarial liabilities	(6,131)	(5,610)	(5,426)
Payment of tax installments	(14,449)	(12,150)	(10,568)
Net cash in operating activities	**197,353**	**139,632**	**267,529**
Cash flow from investing activities:			
Advancement for future capital increase	-	55,700	-
PPP payments	(35,508)	-	-
Purchase of fixed and intangible assets	(94,496)	(95,934)	(272,702)
Investments in subsidiaries	(8,500)	-	-
Net cash in investing activities	**(138,504)**	**(40,234)**	**(272,702)**
Cash flow from financing activities:			
Loans, financing and debentures	35,861	26,072	310,138
Amortization of loans, financing and debentures	(95,165)	(89,036)	(200,737)
PPP amortization	18,833	-	-
Interest on equity paid	(8,561)	-	(66,340)
Net cash in financing activities	**(49,032)**	**(62,964)**	**43,061**
Increase (reduction) in cash and cash equivalents	**9,817**	**36,434**	**37,888**
Cash and cash equivalents at the beginning of the period	**394,401**	**277,193**	**196,526**
Cash and cash equivalents at the end of the period	**404,218**	**313,627**	**234,414**

Comments on Company performance

About COPASA MG

The main activities of COPASA MG include the planning, preparation and execution of projects and the expansion and provision of sanitation services. It also provides technical support services to several municipalities in the State of Minas Gerais, including municipalities where it has not been granted water or sewage concessions. COPASA MG focuses its activities on the State of Minas Gerais, which is Brazil's third-largest economy. COPASA MG stock has been traded on the Novo Mercado, the highest corporate governance segment of the BM&F Bovespa – Securities, Commodities and Futures Exchange, under the ticker CSMG3 since February 2006.

Contact

Companhia de Saneamento de Minas Gerais - COPASA MG
Rua Mar de Espanha, 525
Belo Horizonte - MG
30330-900
Phone: +55 (31) 3250-2015.

Edson Machado Monteiro
Chief Financial and Investor Relations Officer
E-mail: ir@copasa.com.br

This document may contain forward-looking statements on the business prospects of COPASA MG. These are mere projections and, therefore, are based entirely on the expectations of COPASA MG's management regarding the future of the business. Such forward-looking statements are subject to risks and uncertainties and depend on factors including economic, political, financial and commercial conditions in the markets where the Company operates. Investors are hereby advised that these forecasts are no guarantee of future performance.

01. Operations

Companhia de Saneamento de Minas Gerais ("COPASA MG", "COPASA", "Parent company" or the "Company") is a publicly traded, mixed-capital (public/private) company, controlled by the Government of the State of Minas Gerais, headquartered in the city of Belo Horizonte at Rua Mar de Espanha 525, Bairro Santo Antônio. The activities of the Company comprise planning, designing, executing, expanding, remodeling, managing and providing public services relating to water supply and sewage, and it is permitted to operate in Brazil and abroad.

On August 08, 2016, the Company's Executive Board authorized the issue of the parent company and consolidated interim financial statements at June 30, 2016.

At June 30, 2016, COPASA MG had the following wholly owned subsidiaries:

Copasa Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S.A. ("COPANOR") - established by State Law 16,698 of April 17, 2007, with activities comprising planning, designing, executing, expanding, remodeling, exploring and providing public services including water supply and sewage treatment, the collection, recycling, treatment and final disposal of urban, domestic and industrial waste, the draining and management of rainwater in urban areas in cities of the north of Minas Gerais and the water basins of the Jequitinhonha, Mucuri, São Mateus, Buranhém, Itanhém and Jucuruçu rivers.

Copasa Águas Minerais de Minas S.A. ("Águas Minerais") - established by State Law 16,693 of January 11, 2007, with activities comprising the production, bottling, distribution and sale of mineral water from the springs it owns or has licenses to explore, and managing and exploring the water and spring parks of Caxambu, Araxá, Cambuquira and Lambari. On May 29, 2015, Companhia de Desenvolvimento Econômico de Minas Gerais - CODEMIG and Copasa Águas Minerais de Minas S.A. - AGMM canceled the lease agreement relating to mining rights and agreed on the rendering of services by AGMM for the period of 1 one year, as from June 1, 2015. The winding-up of this subsidiary was approved on February 8, 2016.

COPASA Serviços de Irrigação S.A. ("Serviços de Irrigação") - at the Extraordinary General Meeting held on December 15, 2015, the stockholders of this subsidiary approved its winding-up and extinction. On July 18, 2016, the of its CNPJ with the Brazilian Federal Revenue Service was cancelled and, on July 22, 2016, its registration with the State Finance Secretariat was cancelled.

02. Basis of preparation and presentation of the financial statements

The parent company and consolidated quarterly information is presented in thousands of Brazilian reais (R$ 000), unless otherwise stated.

2.1 Basis of preparation

The Company's interim financial information includes the parent company and consolidated interim information, identified as "parent company" and "consolidated" respectively, which has been prepared and presented in accordance with the IFRS issued by the IASB and with the accounting practices adopted in Brazil.

The accounting practices adopted in Brazil comprise those included in the Brazilian Corporation Law and in the Pronouncements, Guidance and Interpretations issued by the CPC and approved by the CVM.

The parent company ITR discloses investments in subsidiaries under the equity method of accounting, in accordance with prevailing legislation and in compliance with IFRS.

This ITR should be read in conjunction with the financial statements of the Company for the year ended December 31, 2015.

Considering that there were no significant changes in relation to the composition and nature of the balances presented in the financial statements at December 31, 2015, the following Explanatory Notes are presented in a concise manner for the period ended June 30, 2016:

04. Public service concession agreements;
06. Trade receivables;
08. Intangible assets;
09. Property, plant and equipment;
11. Borrowings and debentures;
12. Provision for contingencies;
16. Pension plan;
17. Equity and dividends.

Additionally, the Company has complied with the guidance arising from the Technical Guidance (OCPC) 07, issued by the CPC in November 2014, in the preparation of its ITR. Therefore, significant information is being presented and corresponds to that utilized by Management in its activities.

The parent company and consolidated ITR has been prepared and is being presented in accordance with accounting standard CPC 21(R1) - Interim Financial Reporting, issued by the CPC, and IAS 34 - Interim Financial Reporting, as well as with the standards issued by the CVM.

03. Summary of significant accounting policies

The main accounting policies applied in the preparation of this ITR are consistent with the policies described in Note 3 to the financial statements of the Company for the year ended December 31, 2015, filed with the CVM. These policies have been consistently applied in the periods presented, unless otherwise stated.

04. Public service concession agreements

At June 30, 2016, COPASA MG and COPANOR had 634 concessions for the rendering of water supply services and 298 for sewage treatment.

On April 12, 2016, ARSAE issued Normative Resolution 082/16, which authorized the first stage of the Company's tariff review. The average tariff impact on consumers was an increase of 13.9%, as applied to consumption recorded as from May 13, 2016.

05. Cash and cash equivalents

	Parent company		Consolidated	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Cash and banks	40,724	62,851	40,932	63,156
Short-term bank deposit certificates	363,494	494,234	395,115	518,698
Total	**404,218**	**557,085**	**436,047**	**581,854**

At June 30, 2016 there had been no changes in the nature and conditions of cash and cash equivalents compared to the disclosures made in Note 6 to the financial statements for the year ended December 31, 2015. Accordingly, management decided not to repeat these disclosures as part of this ITR.

06. Trade and other receivables

Trade and other receivables are denominated only in Brazilian reais.

(a) Trade receivables

The aging of trade receivables is as follows:

	Parent company		Consolidated	
Amounts	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Overdue	260,615	218,670	263,951	221,263
Overdue for up to 30 days	110,880	97,171	112,124	98,171
Overdue from 31 to 60 days	50,146	46,918	50,792	47,484
Overdue from 61 to 90 days	31,305	24,256	31,780	24,633
Overdue from 91 to 180 days	55,415	39,599	56,380	40,245
Overdue for more than 180 days	12,869	10,726	12,875	10,730
Not yet due	214,777	178,102	218,083	181,589
Billed	475,392	396,772	482,034	402,852
Billable	400,430	378,715	400,821	379,300
Trade receivables	875,822	775,487	882,855	782,152
(-) Provision for impairment of trade receivables	(24,239)	(21,682)	(26,445)	(23,909)
	851,583	753,805	856,410	758,243
Accounts receivable - non-current [(i)]	155,888	178,807	155,888	178,807
Trade receivables, net	**1,007,471**	**932,612**	**1,012,298**	**937,050**

(1) Relates to a compensation agreement entered into with the Belo Horizonte Municipal Government, as described in Note 23 to the Company's financial statements for the year ended December 31, 2015.

The changes in provision for the impairment of trade receivables were as follows:

	Parent company		Consolidated	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Opening balance	**21,682**	**30,268**	**23,909**	**31,846**
Provision for impairment of trade receivables	76,437	122,364	77,924	125,869
Reversal (provision) for impairment of trade receivables	-	-	(110)	-
Receivables written off during the year as uncollectible	(73,880)	(130,950)	(75,278)	(133,806)
Closing balance	**24,239**	**21,682**	**26,445**	**23,909**

Provision for the impairment of trade receivables was recognized in the statement of income as selling expenses. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(b) Other receivables

The other classes of trade and other receivables present no impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The Company maintains tariff revenue as collateral for borrowings (letter "e" of Note 20.1 to the financial statements of the Company for the year ended December 31, 2015).

The other receivables presented below are classified in non-current assets.

	Parent company		Consolidated	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Collateral for financing and debentures	188,144	201,704	188,144	201,704
Receivables from subsidiaries	6,141	23,568	-	-
Restricted investments - Water Basin Depollution Program (PRODES)	64,487	65,609	64,487	65,609
Available-for-sale financial assets	41,084	41,084	41,084	41,084
Other	56,072	52,483	56,072	52,483
Total	**355,928**	**384,448**	**349,787**	**360,880**
Non-current assets	**(355,928)**	**(384,448)**	**(349,787)**	**(360,880)**
Current assets	**-**	**-**	**-**	**-**

At June 30, 2016, there were no changes in the nature and conditions of trade and other receivables compared to the disclosures made in Note 7 to the Company's financial statements for the year ended December 31, 2015.

07. Investments

The table below presents the changes in investments and in the provision for losses on investments in subsidiaries, classified as liabilities with subsidiaries:

	12/31/2015	Equity in the results of subsidiaries	Capital increase	6/30/2016
Investments				
Águas Minerais	17,809	(1,209)		16,600
COPANOR [(i)]	(18,262)	(2,757)	30,754	9,734
Other	260	-		260
Total	**(193)**	**(3,966)**	**30,754**	**26,594**
Net capital deficiency				
Serviços de Irrigação	(41)	-	-	(41)
Total	**(41)**	**-**	**-**	**(41)**

(i) On June 28, 2016, the Company transferred capital to COPANOR in the amount of R$ 8.5 million, which, added to the amount of borrowings, was recognized as advances for future capital increase, and it subsequently subscribed to the capital of that subsidiary, resulting in an amount from investments of R$ 9.7 million.

At June 30, 2016, there were no changes in the nature and conditions of investments in relation to the disclosures made in Note 8 to the financial statements for the year ended December 31, 2015.

08. Intangible assets

(a) The changes in intangible assets were as follows:

	Parent company/consolidated						
	Systems						
	Water	Sewage	Shared use	Rights of use	Other	Under formation	Total
December 31, 2015	**2,732,102**	**3,538,582**	**259,370**	**263,476**	**106,426**	**1,082,975**	**7,982,931**
Additions	18,572	24,920	10,371	8,362	5,724	119,631	187,580
Write-offs	(97)	-	(319)	-	(466)	(12,824)	(13,706)
Amortization	(102,535)	(114,829)	(47,209)	(9,234)	(1,780)	-	(275,587)
Public-Private Partnership (PPP) - Rio Manso	-	-	-	-	-	4,146	4,146
Capitalized interest	-	-	-	-	-	12,203	12,203
Transfer to financial assets	1,989	11,560	401	32	(742)	-	13,240
Transfers to property, plant and equipment and intangible assets	113,978	15,068	2,002	627	(601)	(131,662)	(588)
Other	71	-	-	4	85	(5)	155
At June 30, 2016	**2,764,080**	**3,475,301**	**224,616**	**263,267**	**108,646**	**1,074,464**	**7,910,374**

The amortization for the first half of 2016, as allocated to profit (loss), amounted to R$ 275,587, with R$ 272,347 as cost of services rendered, R$ 95 as selling expenses, and R$ 3,145 as administrative expenses (R$ 246,009, R$ 134 and R$ 3,404, respectively, in the first half of 2015).

At June 30, 2016, the additions to intangible assets, which amounted to R$ 203,929, related to improvements in the Rio das Velhas and Serra Azul systems, to the implementation and improvement of the sewage treatment systems in the cities of Ribeirão das Neves, Conselheiro Lafaiete, Caratinga, Montes Claros and Cataguases, and to the improvement of the sewage treatment system in Ribeirão das Neves.

(b) Public-Private Partnership (PPP)

(i) Rio Manso Production System

COPASA MG and Odebrecht Ambiental - Manso S.A., a special-purpose corporation, formalized a Public-Private Partnership agreement of the administrative concession type to expand the capacity of the Rio Manso Water Production System, in the metropolitan region of Belo Horizonte, and for the provision of services in this system.

The enterprise became operational on December 21, 2015 and is operating regularly. In addition, complementary amounts totaling R$ 10,390 were measured. The consideration to which the Special Purpose Entity (SPE) is entitled, as from the beginning of operations, started to be paid in January 2016.

09. Property, plant and equipment

The changes in property, plant and equipment were as follows:

	Parent company				
	Machinery and equipment	**Vehicles**	**Other**	**Land and buildings**	**Total**
December 31, 2015	**61,487**	**20,969**	**11**	**82,552**	**165,019**
Additions	34	1	-	-	35
Write-offs	(39)	(31)	-	(9)	(79)
Depreciation	(11,015)	(4,601)	(2)	(1,854)	(17,472)
Transfers from intangible assets	157	6	-	425	588
Other	8	-	-	(1)	7
June 30, 2016	**50,632**	**16,344**	**9**	**81,113**	**148,098**

The depreciation for the first half of 2016, as allocated to profit (loss), amounted to R$ 17,472, with R$ 11,069 as cost of services rendered, R$ 2,441 as selling expenses, and R$ 3,962 as administrative expenses (R$ 11,788, R$ 3,029 and R$ 4,722, respectively, in the first half of 2015).

	Consolidated				
	Machinery and equipment	**Vehicles**	**Other**	**Land and buildings**	**Total**
At December 31, 2015	**61,525**	**20,969**	**21**	**83,009**	**165,524**
Additions	34	1	-	-	35
Write-offs	(39)	(31)	-	(9)	(79)
Depreciation	(11,024)	(4,601)	(2)	(1,869)	(17,496)
Transfers from intangible assets	157	6	-	425	588
Other	8	-	1	(1)	8
At June 30, 2016	**50,661**	**16,344**	**20**	**81,555**	**148,580**

The depreciation for the first half of 2016, as allocated to profit (loss), amounted to R$ 17,496, with R$ 11,069 as cost of services rendered, R$ 2,441 as selling expenses, and R$ 3,986 as administrative expenses (R$ 12,852, R$ 3,029 and R$ 4,749, respectively, in the first half of 2015).

10. Other obligations

	Parent company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Taxes, contributions and social charges (i)	57,616	56,220	58,254	57,120
Taxes payable in installments	214,346	235,272	214,346	235,272
Deposit for construction	67,369	68,531	67,372	68,534
PDVI (ii)	126	136,532	126	136,532
Other obligations	33,846	30,443	33,984	30,542
Total	**373,303**	**526,998**	**374,082**	**528,000**
Non-current liabilities	(226,561)	(248,491)	(226,564)	(248,494)
Current liabilities	146,742	278,507	147,518	279,506

The non-current portion is mainly composed of taxes to be paid in installments.

(i) Taxes, contributions and social charges are as follows:

	Parent company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
National Institute of Social Security (INSS)	20,316	22,457	20,611	22,832
Social Contribution on Revenue (COFINS)	18,098	13,343	18,199	13,444
Social Integration Program (PIS)	3,894	2,869	3,916	2,891
Withholding Income Tax (IRRF)	9,238	7,154	9,391	7,251
FGTS	2,658	6,405	2,709	6,479
Other	3,412	3,992	3,428	4,223
Current liabilities	**57,616**	**56,220**	**58,254**	**57,120**

(ii) Provision for the payment of extraordinary expenses in respect of indemnities and incentives relating to the PDVI to four employees who are receiving sickness allowance.

At June 30, 2016, there had been no changes in the nature and conditions of other obligations in relation to the disclosures made in Note 11 to the Company's financial statements for the year ended December 31, 2015.

11. Borrowings and debentures

Borrowings and debentures had not changed significantly compared to the disclosures made in Note 12 to the Company's financial statements for the year ended December 31, 2015. Accordingly, these were not included in the ITR at June 30, 2016.

At June 30, 2016, the carrying amounts of the Company's borrowings in foreign currency totaled R$ 328,790, of which R$ 81,615 was in U.S. dollars and R$ 247,175 in euros (R$ 409,567, of which R$ 98,787 was in U.S. dollars and R$ 310,780 in euros in December 2015).

Borrowings and debentures mature through 2038 and have an average coupon of 9.2% p.a. for the parent company and consolidated accounts (8.7% p.a. in December 2015 for the parent company and consolidated accounts).

(a) Borrowings

The changes in borrowings were as follows:

	Parent company		Consolidated	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Opening balance	1,526,872	1,589,789	1,528,517	1,592,290
New borrowings	55,125	163,406	55,125	163,406
Accrued charges	44,643	112,357	44,716	112,595
Monetary and foreign exchange variations	(58,296)	117,407	(58,296)	117,407
Payment of charges	(45,091)	(112,454)	(45,169)	(112,693)
Repayment of principal	(106,866)	(343,633)	(107,261)	(344,488)
Closing balance	**1,416,387**	**1,526,872**	**1,417,632**	**1,528,517**
Current liabilities	(146,866)	(188,634)	(147,523)	(189,363)
Non-current liabilities	1,269,521	1,338,238	1,270,109	1,339,154

(b) Debentures

The changes in debentures were as follows:

	Parent company/consolidated	
	6/30/2016	12/31/2015
At January 1	**2,063,042**	**1,845,040**
New debentures	41,246	402,948
Accrued charges	110,441	172,037
Monetary variations	33,150	58,509
Payment of charges	(110,304)	(165,777)
Repayment of principal	(134,468)	(249,715)

	Parent company/consolidated	
	6/30/2016	12/31/2015
At June 30	**2,003,107**	**2,063,042**
Current liabilities	(338,218)	(300,777)
Non-current liabilities	1,664,889	1,762,265

a) Other significant information on borrowings

Guarantees for borrowings

There had been no significant changes in the guarantees provided by the Company for its borrowings in relation to those disclosed in the financial statements for the year ended December 31, 2015. Accordingly, management decided not to repeat such disclosures in this ITR as at June 30, 2016.

b) Restrictive contractual clauses - covenants

The Company has borrowing agreements that contain restrictive covenants requiring it to maintain certain financial ratios, based on certain duly audited financial ratios, and with distinct result calculation periods, as specified in the related agreements:

(i) Quarterly calculation with cumulative 12-month data - *covenants in agreements with BNDES*:

Index	Limit	Range
Adjusted EBITDA/adjusted finance costs	Equal to or above 3.8	Equal to or above 3.0
Adjusted net debt/adjusted EBITDA	Equal to or less than 3.0	Equal to or less than 3.8
Other onerous debt/EBITDA	Equal to or less than 1.0	Equal to or less than 1.3

On February 25, 2016, the BNDES authorized the suspension, up to December 31, 2017, of the possibility of non-compliance with the agreed-upon covenants and related penalties, and also established that, during the suspension period, the guarantee reinforcement made in 2015 would be maintained.

(ii) Semi-annual calculation (June and December) with cumulative 12-month data - *covenants on FGTS syndicated loans:*

Index	Limit
Total liabilities/equity	Equal to or less than 1.0
EBITDA/debt service	Minimum of 1.5
Water and sewage connections/number of employees	Above 350

At June 30, all ratios agreed were being fully met.
As described in letter "d", item "i" of Note 12 to the financial statements at December 31, 2015, the creditor relaxed the covenant that the adjusted EBITDA/debt service financial ratio should be equal to or greater than 1.1 for the year ended December 31, 2015

(iii) Annual calculation using cumulative data for the period

iii-a) Covenants of the 5th debenture issue (Caixa FI):

Index	Limit
Total liabilities/equity	Equal to or less than 1.0
EBITDA/debt service	Equal to or greater than 1.5
Net debt/equity	Equal to or less than 1.0
Net debt/EBITDA	Equal to or less than 3.0
Adjusted EBITDA/adjusted net operating revenue	Equal to or greater than 36%

These ratios were not required to be complied with in the period.

As described in letter "d", item "iii" of Note 12 to the financial statements at December 31, 2015, the creditor temporarily released the Company from complying with the aforementioned financial ratios, exclusively for the year ended December 31, 2015.

iii-b) Covenants in agreements with KfW:

Index	Limit
Total liabilities/equity	Equal to or less than 1.0
EBITDA/debt service	Equal to or above 1.5

These ratios were not required to be complied with in the period.

As described in letter "d", item "iv" of Note 12 to the financial statements at December 31, 2015, the creditor temporarily released the Company from complying with the aforementioned financial ratios, exclusively for the year ended December 31, 2015.

iii-c) Covenants of the 6th and 7th debenture issues (public):

Index	Limit
Net debt/EBITDA	Equal to or less than 3.0
EBITDA/debt service	Equal to or above 1.5

These ratios were not required to be complied with in the period.

As described in letter "d", item "v" of Note 12 to the financial statements at December 31, 2015, the Meeting of Debenture Holders approved the Company's temporary release from complying with the financial ratios established in the debenture issue deeds, exclusively for the year ended December 31, 2015.

iii-d) Covenants of the 9th issue of debentures (public):

Index	Limit
Net debt/EBITDA	Equal to or less than 4.0
EBITDA/debt service	Equal to or above 1.2

These ratios were not required to be complied with in the period.

12. Provision for contingencies

(a) Probable loss contingencies

The composition of the provision is as follows:

	Parent company					
	6/30/2016			12/31/2015		
	Contingencies	Judicial deposits	Net balance	Contingencies	Judicial deposits	Net balance
Civil	63,543	(1,390)	62,153	57,525	(1,327)	56,198
Labor	43,389	(1,502)	41,887	41,869	(1,400)	40,469
Tax	12,662	-	12,662	109	-	109
Environmental	-	-	-	70	-	70
Total	**119,594**	**(2,892)**	**116,702**	**99,573**	**(2,727)**	**96,846**

	Consolidated					
	6/30/2016			12/31/2015		
	Contingencies	Judicial deposits	Net balance	Contingencies	Judicial deposits	Net balance
Civil	63,573	(1,390)	62,183	57,555	(1,327)	56,228
Labor	46,230	(2,413)	43,817	44,482	(2,311)	42,171
Tax	12,662	-	12,662	109	-	109
Environmental	-	-	-	70	-	70
Total	**122,465**	**(3,803)**	**118,662**	**102,216**	**(3,638)**	**98,578**

The changes in the provision were as follows:

	Parent company	Consolidated
As at December 31, 2015, before the offsetting of judicial deposits	**99,573**	**102,216**
Additions	33,203	33,981
Utilizations	(5,226)	(5,593)
Reversals	(7,956)	(8,139)
Offsetting of judicial deposits	(2,892)	(3,803)
Net balance at June 30, 2016	**116,702**	**118,662**

"Utilizations" refers to provision settled or cases lost by the Company and classified as accounts payable.

(b) Possible losses

COPASA MG is party to other lawsuits in which the likelihood of loss is considered as possible. No provision for losses on these lawsuits was recognized, as the Company believes it has well-founded, legitimate defenses.

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

Nature	6/30/2016	12/31/2015
Civil	198,332	178,741
Labor	53,537	31,086
Tax	957	7,289
Environmental	-	848
Total	**252,826**	**217,964**

At June 30, 2016, the information related to the progress of the proceedings, expectations of outcomes and contingent assets had not suffered significant changes in relation to the disclosure in Note 13 to the financial statements at December 31, 2015. Therefore, Management decided not to repeat it in the ITR.

13. Employee profit-sharing

The calculation of the amount to be distributed as employee profit-sharing is equivalent to 25% of the mandatory minimum dividends paid to stockholders, after the deduction of the legal reserve. The distribution of this profit-sharing occurs on a straight-line basis to all employees.

Up to June 30, 2016, the Company recognized R$ 12,042 as provision for the employee profit-sharing for the year.

14. Income tax and social contribution

(a) Income tax and social contribution for the year

In Brazil, income tax includes Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), the applicable statutory tax rates of which are 25% and 9%, respectively, representing a combined 34% rate for June 2016 and 2015. The amounts reported as income tax expenses in the parent company and consolidated statements of income can be reconciled with the statutory tax rates as follows:

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Profit for the period before income tax and social contribution	154,365	(5,974)	262,663	11,270
Statutory rate	34%	34%	34%	34%
Estimated tax expenses at statutory rate	**(52,484)**	**2,031**	**(89,305)**	**(3,832)**
Income tax and social contribution on: (additions)/exclusions				
Equity in the results of subsidiaries	(1,293)	852	(1,348)	33
Realization of special monetary restatement	(5)	1	(13)	(14)
Donations and incentives	413	-	844	-
Provision for actuarial liability (costs)	-	816	-	4,977
Reversal of provision for contingencies	-	2,001	-	2,001
Deduction of income capitalized in property, plant and equipment	-	(312)	-	(312)
Other (additions)/exclusions	(150)	3,790	488	3,554
Other reconciling items				
Interest on capital	1,253	719	18,062	2,282

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Tax incentives	844	(136)	1,357	279
Income tax and social contribution for the period	**(51,422)**	**9,762**	**(69,915)**	**8,968**
Current income tax and social contribution	(36,772)	10,715	(59,010)	(8,711)
Deferred income tax and social contribution	(14,650)	(953)	(10,905)	17,679
Income tax and social contribution	**(51,422)**	**9,762**	**(69,915)**	**8,968**

	Consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Profit for the period before income tax and social contribution	154,500	(5,216)	263,129	12,028
Statutory rate	34%	34%	34%	34%
Estimated tax expenses at statutory rate	**(52,530)**	**1,773**	**(89,464)**	**(4,090)**
Income tax and social contribution on: (additions)/exclusions				
Realization of special monetary restatement	(6)	1	(13)	(14)
Donations and incentives	413	-	844	-
Provision for actuarial liability (costs)	-	816	-	4,977
Reversal of provision for contingencies	-	2,131	-	2,131
Deduction of income capitalized in property, plant and equipment		(312)	-	(312)
Other (additions)/exclusions	(1,531)	4,012	(1,167)	2,957
Other reconciling items				
Interest on capital	1,253	719	18,062	2,282
Tax incentives	844	(136)	1,357	279
Income tax and social contribution for the period	**(51,557)**	**9,004**	**(70,381)**	**8,210**
Current income tax and social contribution	(36,907)	9,957	(59,476)	(9,469)
Deferred income tax and social contribution	(14,650)	(953)	(10,905)	17,679
Income tax and social contribution	**(51,557)**	**9,004**	**(70,381)**	**8,210**

(b) Deferred income tax and social contribution

Deferred taxes are calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The currently enacted tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available to utilize temporary differences, considering the projections of future results based on internal assumptions and future economic scenarios, which are subject to change.

The deferred tax amounts are as follows:

	Parent company/consolidated	
Balances	**6/30/2016**	**12/31/2015**
In non-current assets		
Temporary differences		
Provision for impairment of trade receivables and for lawsuits	143,833	121,255
Provision for actuarial liability losses - comprehensive income	-	21,891
Provision for adjustments required under CPCs	482,448	467,326
Provision for tax contingencies	74,751	84,944
Other temporary provision - sundry	61,098	92,494
Total	**762,130**	**787,910**
Deferred income tax	190,533	196,977
Deferred social contribution	68,592	70,912
	259,125	**267,889**
In non-current liabilities		
Temporary differences		
Deferred foreign exchange variations	17,267	14,275
Provision for adjustments required under CPCs	262,244	256,353
Provision for CPC-related adjustments - comprehensive income	38,959	41,547
Provision for actuarial obligations	9,961	22,065
Total	**328,431**	**334,240**
Deferred income tax	**82,108**	**83,559**
Deferred social contribution tax	**29,559**	**30,082**
	111,667	**113,641**
Deferred IRPJ and CSLL, net	**147,458**	**154,248**

At June 30, 2016, there had been no changes in the nature and conditions of income tax and social contribution compared to the disclosures made in Note 15 to the financial statements at December 31, 2015. Accordingly, management decided not to repeat such disclosures as part of this ITR.

15. Technical cooperation agreements

The net balances of these agreements were as follows:

	Parent company		
	Receivables (assets)	**Advances (liabilities)**	**Net**
June 30, 2016			
State	58,652	(42,477)	**16,175**
Other	207,053	(183,895)	**23,158**
Total	**265,705**	**(226,372)**	**39,333**

December 31, 2015

Parent company			
	Receivables (assets)	**Advances (liabilities)**	**Net**
State	58,404	(41,562)	**16,842**
Other	186,136	(161,242)	**24,894**
Total	**244,540**	**(202,804)**	**41,736**

Consolidated			
	Receivables (assets)	**Advances (liabilities)**	**Net**
June 30, 2016			
State	636,098	(609,569)	**26,529**
Other	207,053	(183,895)	**23,158**
Total	**843,151**	**(793,464)**	**49,687**
December 31, 2015			
State	610,041	(594,546)	**15,495**
Other	186,136	(161,242)	**24,894**
Total	**796,177**	**(755,788)**	**40,389**

As at June 30, 2016, there had been no changes in the nature and conditions of technical cooperation agreements compared to the disclosures made in Note 16 to the financial statements as at December 31, 2015. Accordingly, management decided not to repeat such disclosures as part of this ITR.

16. Pension plan obligations

The amounts of and information on retirement benefit obligations are as follows:

Parent company/Consolidated		
	6/30/2016	**12/31/2015**
Non-current liabilities	104,096	104,895
Current liabilities	19,916	18,495
	124,012	**123,390**
Normal contributions	6,506	12,929
Total obligations recorded in the balance sheet	**130,518**	**136,319**

The changes in the net liabilities were as follows:

Parent company/consolidated	
Net liabilities at December 31, 2015	**136,319**
Amounts recognized in the statement of income	622
Actuarial losses recognized directly in other comprehensive income	12,104
Payment of interest on debt	(2,966)
Repayment of principal	(9,138)
Expenses recognized in the statement of income - contributions from COPASA	16,195
Provision for monthly contributions	21,732
Amortization - monthly contributions	(44,350)
Net liabilities at June 30, 2016	**130,518**
Current liabilities	**(26,422)**
Non-current liabilities	**104,096**

At June 30, 2016, there had been no changes in the nature and conditions of retirement benefit plans compared to the disclosures made in Note 17 to the Company's financial statements as at December 31, 2015. Accordingly, management decided not to repeat such disclosures as part of this ITR.

17. Equity and dividends

(a) Capital

The Company's subscribed and paid-up capital at June 30, 2016 amounted to R$ 2,773,985,614.66, represented by 119,684,430 registered common shares with no par value. The Company is authorized to increase its capital up to the limit of R$ 3 billion after the approval of the Board of Directors.

On May 11, 2016, the Board of Directors approved an increase in the Company's capital of R$ 128,399,994.81, through the issue of 7,066,593 registered shares without par value for private subscription. On August 11, the subscription was completed, as disclosed in Note 29.

(b) Revenue reserves

At June 30, 2016, there had been no changes in the nature and conditions of reserves in relation to the disclosures made in Note 18(b) to the financial statements at December 31, 2015. Accordingly, management decided not to repeat such disclosures as part of this ITR.

(c) Carrying value adjustments

There were no significant changes in the balances of the carrying value adjustments in this quarter.

(d) Dividends and interest on capital paid to stockholders

The changes in the balance of interest on capital payable were as follows:

	6/30/2016	12/31/2015
Opening balance	**7,590**	**2,516**
Interest on capital proposed	53,123	8,152
Withholding Income Tax (IRRF) on interest on capital	(1,005)	(1,539)
Interest on capital paid	(7,556)	(2,305)
Transfer of recoverable tax	(800)	766
Balance of interest on capital in current liabilities	**51,352**	**7,590**

(e) Earnings per share

- Basic

  Basic earnings per share are calculated by dividing the profit payable to the stockholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares held as treasury shares (item (a) of Note 18 to the financial statements at December 31, 2015).

	Parent company/consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Profit attributable to stockholders of the Company	102,943	3,788	192,748	20,238
Weighted average number of common shares issued (thousands)	119,327	119,327	119,327	119,327
Basic earnings per share	**0.86**	**0.03**	**1.62**	**0.17**

- Diluted

  At June 30, 2016 and 2015, diluted earnings per share were equivalent to the basic earnings per share, because there were no debts convertible into shares.

18. Segment information

The Company's management defined the operating segments used for strategic decision-making as water supply, sewage treatment and sales of products.

(i) Result

	Consolidated				
	First half of 2016				
	Water	Sewage	Sale of products[(i)]	Reconciliation for the financial statements	Financial statement balance
Gross sales and service revenue	1,243,832	667,625	1,056	249,869	2,162,382
Deductions from gross revenue	(115,059)	(61,751)	(156)	-	(176,966)
Net sales and service revenue	1,128,773	605,874	900	249,869	1,985,416
Costs and selling and administrative expenses	(889,579)	(477,532)	(2,260)	(249,869)	(1,619,240)
Operating profit (loss) before other net operating expenses	239,194	128,342	(1,360)	-	366,176
Other net operating expenses					(11,726)
Finance result, net					(91,321)
Operating profit before taxes					263,129
Depreciation and amortization	102,535	114,829	24	-	217,388

	Consolidated				
	Second quarter of 2016				
	Water	Sewage	Sale of products[(i)]	Reconciliation for the financial statements	Financial statement balance
Gross sales and service revenue	642,558	346,908	235	73,136	1,062,837
Deductions from gross revenue	(59,309)	(32,217)	(36)	-	(91,562)
Net sales and service revenue	583,249	314,691	199	73,136	971,275
Costs and selling and administrative expenses	(454,195)	(246,886)	(772)	(73,136)	(774,989)
Operating profit (loss) before other net operating expenses	129,054	67,805	(573)	-	196,286
Other net operating expenses					(17,274)
Finance result, net					(24,512)
Operating profit before taxes					154,500
Depreciation and amortization	51,937	57,471	12	-	109,420

(i) In order to proceed with the agreement entered into with CODEMIG, AGMM continues to record sales and will be reimbursed for the expenses.

	Consolidated				
	First half of 2015				
	Water	Sewage	Sale of products[(i)]	Reconciliation for the financial statements	Financial statement balance
Gross sales and service revenue	1,080,330	561,483	1,722	338,578	1,982,113
Deductions from gross revenue	(99,997)	(52,159)	(258)	-	(152,414)
Net sales and service revenue	980,333	509,324	1,464	338,578	1,829,699
Costs and selling and administrative expenses	(881,919)	(460,014)	(4,390)	(333,850)	(1,680,173)
Operating profit (loss) before other net operating expenses	98,414	49,310	(2,926)	4,728	149,526
Other net operating expenses					13,457
Finance result, net					(150,955)
Operating profit before taxes					12,028
Depreciation and amortization	87,716	105,512	1,091	-	194,319

	Consolidated				
	Second quarter of 2015				
	Water	Sewage	Sale of products[(i)]	Reconciliation for the financial statements	Financial statement balance
Gross sales and service revenue	540,658	285,315	828	174,217	1,001,018
Deductions from gross revenue	(50,016)	(26,492)	(123)	-	(76,631)
Net sales and service revenue	490,642	258,823	705	174,217	924,387
Costs and selling and administrative expenses	(459,011)	(242,831)	(2,360)	(171,985)	(876,187)
Operating profit (loss) before other net operating expenses	31,631	15,992	(1,655)	2,232	48,200
Other net operating expenses					15,839
Finance result, net					(69,255)
Operating profit before taxes					(5,216)
Depreciation and amortization	43,620	53,474	439	-	97,533

(i) In order to proceed with the agreement entered into with CODEMIG, AGMM recorded sales and was reimbursed for the expenses.

The impact of the reconciliation for the financial statements on the gross operating revenue and costs is as follows:

	6/30/2016	6/30/2015
Gross construction revenue relating to ICPC 1 (R1) [(i)]	249,869	338,578
Construction cost relating to ICPC 1 (R1) [(i)]	(249,869)	(333,850)
Construction margin	-	4,728

[(1)] Construction revenue is recognized in accordance with CPC 17 (R1) - Construction Contracts (IAS 11), according to paragraph (b) of item 3.18 of Note 3 to the Company's financial statements for the year ended December 31, 2015. As from the third quarter of 2015, the construction margin has been zero.

(ii) Intangible assets

The assets of reportable segments can be reconciled to total intangible assets as follows:

	6/30/2016	12/31/2015
Water supply	2,985,568	2,924,245
Sewage services	4,243,986	4,223,686
Other intangibles	680,820	835,000
Total intangible assets	**7,910,374**	**7,982,931**

No liabilities have been allocated to the reported segments.

19. Financial risk management

At June 30, 2016, there had been no changes in the financial risk policies and management in relation to the disclosures made in Note 20 to the financial statements at December 31, 2015. The information relating to (a) liabilities subject to foreign exchange rate variations; (b) the credit quality of financial assets; and (c) the cash flow from financial instruments had also not changed significantly when compared to the disclosures made in the related Note, except for item (d), financial leverage ratios, measured by the net debt/EBITDA, which improved from 3.6x at December 31, 2015 to 2.8x at June 30, 2016. Accordingly, management decided not to repeat such disclosures in this ITR as at June 30, 2016.

19.1 Sensitivity analysis

(i) Interest rate sensitivity

The Company analyzed sensitivity to the effects of possible changes in interest rates on borrowing. With all other variables held constant, the Company's profit before tax is affected by the impact on borrowings payable subject to floating rates, as shown below:

Parent company

	6/30/2016		12/31/2015	
Increase/decrease in basis points	+0.50%	-0.50%	+0.50%	-0.50%
Effect on profit before taxes (R$/thousand)	(1,580)	1,580	(1,581)	1,581

Consolidated

	6/30/2016		12/31/2015	
Increase/decrease in basis points	+0.50%	-0.50%	+0.50%	-0.50%
Effect on profit before taxes (R$/thousand)	(1,580)	1,580	(1,582)	1,582

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

(ii) Foreign exchange rate sensitivity

The sensitivity analysis prepared by the Company takes into consideration the effects that the foreign exchange variation of the U.S. dollar and the euro have on the Company’s result and equity. With all other variables held constant, the Company's profit before tax is affected by the impact on borrowings payable subject to foreign exchange variations, as shown below:

Foreign exchange rate sensitivity: 10%	6/30/2016		12/31/2015	
Change in US$/€	+10%	-10%	+10%	-10%
Effect on profit before taxes (R$/thousand)	(25,632)	25,632	(32,774)	32,774

Parent company/consolidated				
Foreign exchange rate sensitivity: 20%	**6/30/2016**		**12/31/2015**	
Change in US$/€	+20%	-20%	+20%	-20%
Effect on profit before taxes (R$/thousand)	(51,263)	51,263	(65,549)	65,549

19.2 Fair value estimation

Fair value of borrowings

The carrying amounts compared to the respective fair values are as follows:

	Parent company			
	Amounts			
	Carrying amount	Fair value	Carrying amount	Fair value
	6/30/2016	6/30/2016	12/31/2015	12/31/2015
Borrowings	1,416,387	1,346,433	1,526,872	1,444,289
Simple debentures	2,003,107	1,941,494	2,063,042	1,963,406
Total	**3,419,494**	**3,287,927**	**3,589,914**	**3,407,695**

	Consolidated			
	Amounts			
	Carrying amount	Fair value	Carrying amount	Fair value
	6/30/2016	6/30/2016	12/31/2015	12/31/2015
Borrowings	1,417,632	1,347,549	1,528,517	1,445,810
Simple debentures	2,003,107	1,941,494	2,063,042	1,963,406
Total	**3,420,739**	**3,289,043**	**3,591,559**	**3,409,216**

The market values of liabilities are calculated through a projection of the debt balance, restated at the contractual rates over the remaining months up to maturity. These values are adjusted to present value utilizing the following market rates:

Parent company/consolidated				
Lines	**Contractual rates**	**Period (months)**	**Market rate**	**Comments**
CEF/FGTS	7.80%	166	7.70%	Quoted CEF rate in June 2016
BNDES/borrowings	9.06%	71	12.48%	Quoted BNDES/Emp. rate in June 2016
Government Agency for Machinery and Equipment Financing (FINAME)	3.82%	104	12.61%	Quoted FINAME rate in June 2016
Federal government	4.27%	95	7.70%	CEF rate since there is no similar rate
Simple debentures	10.98%	69	12.21%	Quoted debt rates. BNDES and market in June 2016
KfW	2.07%	91	2.07%	Quoted KfW rate in June 2016
FINAME - AGMM	2.50%	80	12.61%	Quoted FINAME rate in June 2016
Banco do Brasil - COPANOR	15.97%	16	16.96%	Quoted market rate in June/2016

20. Financial instruments by category

(a) Parent company

	6/30/2016			12/31/2015		
	Loans and receivables	Available-for-sale assets	Total	Loans and receivables	Available-for-sale assets	Total
Assets						
Cash and cash equivalents	404,218	-	**404,218**	557,085	-	**557,085**
Trade receivables	1,007,471	-	**1,007,471**	932,612	-	**932,612**
Banks and investments in connection with agreements	34,011	-	**34,011**	27,442	-	**27,442**
Restricted investments	64,487	-	**64,487**	65,609	-	**65,609**
Financial assets - concession agreements	569,384	-	**569,384**	574,673	-	**574,673**
Equity securities	-	41,084	**41,084**	-	41,084	**41,084**
Receivables from subsidiaries	6,141	-	**6,141**	23,568	-	**23,568**
Other receivables [(i)]	202,368	-	**202,368**	215,898	-	**215,898**
Total	**2,288,080**	**41,084**	**2,329,164**	**2,396,887**	**41,084**	**2,437,971**

(i) Except for prepayments.

	6/30/2016		12/31/2015	
	Other financial liabilities	Total	Other financial liabilities	Total
Liabilities				
Borrowings and debentures	3,419,494	**3,419,494**	3,589,914	**3,589,914**
Trade payables	105,352	**105,352**	146,952	**146,952**
PPP - Rio Manso	612,433	**612,433**	643,795	**643,795**
Contract with IBM	1,049	**1,049**	1,153	**1,153**
Total	**4,138,328**	**4,138,328**	**4,381,814**	**4,381,814**

(b) Consolidated

	6/30/2016			12/31/2015		
	Loans and receivables	Available-for-sale assets	Total	Loans and receivables	Available-for-sale assets	Total
Assets						
Cash and cash equivalents	436,047	-	**436,047**	581,854	-	**581,854**
Trade receivables	1,012,298	-	**1,012,298**	937,050	-	**937,050**
Banks and investments in connection with agreements	34,258	-	**34,258**	32,221	-	**32,221**
Restricted investments	64,487	-	**64,487**	65,609	-	**65,609**
Financial assets - concession agreements	569,384	-	**569,384**	574,673	-	**574,673**
Equity securities	-	41,084	**41,084**	-	41,084	**41,084**
Other receivables [(i)]	201,947	-	**201,947**	213,702	-	**213,702**
Total	**2,318,421**	**41,084**	**2,359,505**	**2,405,109**	**41,084**	**2,446,193**

(i) Except for prepayments.

	6/30/2016		12/31/2015	
	Other financial liabilities	Total	Other financial liabilities	Total
Liabilities				
Borrowings and debentures	3,420,739	3,420,740	3,591,559	3,591,559
Trade payables	115,641	115,641	151,731	151,731
PPP - Rio Manso	612,433	612,433	643,795	643,795
Contract with IBM	1,049	1,049	1,153	1,153
Total	**4,149,862**	**4,149,863**	**4,388,238**	**4,388,238**

21. Related-party transactions

(a) Assets, liabilities and result

In addition to the agreements described in Note 15, other transactions with related parties mainly represent those carried out with the State of Minas Gerais, which is the Company's controlling stockholder (Note 18 to the Company's financial statements at December 31, 2015), CEMIG and subsidiaries. Significant balances and transactions with related parties are presented below:

	Parent company					
	6/30/2016					
	Subsidiaries				Other	
	AGMM	COPANOR	Serviços de Irrigação	Total	State of Minas Gerais	CEMIG
Assets						
Current assets						
Trade receivables						
Billed amounts	-	-	-	-	39,747	-
Technical cooperation agreements	-	-	-	-	16,173	-
Other						
Receivables from subsidiaries	270	251	-	521	-	-
Non-current assets						
Borrowings	-	-	75	75	-	-
Advances for future capital increase	6,066	-	-	6,066	-	-
Total assets	**6,336**	**251**	**75**	**6,662**	**55,920**	**-**
Liabilities						
Current liabilities						
Interest on capital	-	-	-	-	27,251	-
Electric power	-	-	-	-	-	3,238
Total liabilities	-	-	-	-	27,251	3,238

Result	Quarter ended June 30, 2016					
Revenue from water supply and sewage services	-	-	-	-	33,669	-
Interest and gains on monetary variation	-	445	-	445	-	-
Electric power expenses	-	-	-	-	-	86,453

Result	Six-month period ended June 30, 2016					
Revenue from water supply and sewage services	-	-	-	-	62,151	-
Interest and gains on monetary variation	-	1,147	-	1,147	-	-
Electric power expenses	-	-	-	-	-	176,927

Parent company

	12/31/2015					
	Subsidiaries				Other	
	AGMM	COPANOR	Serviços de Irrigação	Total	State of Minas Gerais	CEMIG
Assets						
Current assets						
Trade receivables						
Billed amounts	-	-	-	-	19,892	-
Technical cooperation agreements	-	-	-	-	16,842	-
Other						
Receivables from subsidiaries	270	2,029	-	2,299	-	-
Non-current assets						
Borrowings	-	17,427	75	17,502	-	-
Advances for future capital increase	6,066	-	-	6,066	-	-
Total assets	**6,336**	**19,456**	**75**	**25,867**	**36,734**	**-**
Liabilities						
Current liabilities						
Interest on capital	-	-	-	-	4,180	-
Electric power	-	-	-	-	-	12,200
Total liabilities	-	-	-	-	4,180	12,200

Result	Quarter ended June 30, 2015					
Revenue from water supply and sewage services	-	-	-	-	26,650	-
Interest and gains on monetary variation	-	390	-	390	-	-
Expenses with electric power	-	-	-	-	-	93,489

Result	Six-month period ended June 30, 2015					
Revenue from water supply and sewage services	-	-	-	-	52,332	-
Interest and gains on monetary variation	-	749	-	749	-	-
Electric power expenses	-	-	-	-	-	159,634

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

At June 30, 2016, the variation in the investment and borrowings with subsidiary COPANOR relates to the subscription of capital, as described in Note 7.

As at June 30, 2016, there had been no changes in the nature and conditions of party transactions compared to the disclosures made in Note 26 to the financial statements for the year ended December 31, 2015. Accordingly, management decided not to repeat such disclosures as part of this ITR.

(b) Key management remuneration

	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	**2015**	**2016**	**2015**
Remuneration	1,154	1,073	2,109	2,119
Employee benefits	43	68	81	523
Total	**1,197**	**1,141**	**2,190**	**2,642**

22. Commitments

The Company has entered into contracts for new construction projects, under which obligations are recorded as the services are executed. The main outstanding contracts with contractors and suppliers as at June 30, 2016 are listed below:

Contractor	Amount	Signed on	Term in months
FAG Divinópolis Saneamento S.A. Consortium	411,201	10/2/2015	312
Prefisan Ltda.	68,299	11/18/2014	23
Perfil Engenharia S.A.	33,385	11/11/2014	24
Sonel Engenharia S.A.	27,824	12/22/2014	36
Prefisan Ltda.	20,118	12/11/2014	18
Prefisan Ltda.	18,865	1/5/2015	24
Lamar Engenharia e Comércio Ltda.	15,881	8/11/2015	20
Seisan Engenharia	14,826	12/16/2015	20
Infracon Engenharia e Comércio Ltda.	13,092	11/5/2014	18
Infracon Engenharia e Comércio Ltda.	11,159	5/7/2015	15
Prefisan Ltda.	10,475	5/18/2015	19
Construtora Teme Ltda.	10,470	8/21/2015	18

23. Transactions not involving cash and cash equivalents

During the first six-month period of 2016 and the year of 2015, the Company and its subsidiaries carried out the following non-cash investing and financing activities, which are not reflected in the statement of cash flows:

	Parent company/consolidated	
	6/30/2016	12/31/2015
Public-Private Partnership transactions (Note 8)	4,146	363,910

24. Revenue

The reconciliation between gross and net sales and services revenue is as follows:

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Revenue from water supply and sewage services	983,005	821,162	1,898,499	1,631,377
Construction revenue	73,136	174,217	249,869	338,578
Total income	1,056,141	995,379	2,148,368	1,969,955
Taxes on sales and services	(90,928)	(76,054)	(175,611)	(151,142)
Net revenue	**965,213**	**919,325**	**1,972,757**	**1,818,813**

	Consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Revenue from water supply and sewage services	989,466	825,973	1,911,457	1,641,813
Revenue from sales of products	235	828	1,056	1,722
Construction revenue	73,136	174,217	249,869	338,578
Total income	1,062,837	1,001,018	2,162,382	1,982,113
Taxes on sales and services	(91,562)	(76,631)	(176,966)	(152,414)
Net revenue	**971,275**	**924,387**	**1,985,416**	**1,829,699**

The Company's other operating income for the periods ended June 30, 2016 and 2015 is presented below:

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Reversal of non-deductible provision	5,789	15,545	16,309	18,747
Recovery of accounts written off	20,410	14,465	38,212	25,948
Reimbursement for health program	56	1,638	235	10,713
Other income	3,336	1,421	11,583	4,368
Total other operating income	**29,591**	**33,069**	**66,339**	**59,776**

	Consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Reversal of non-deductible provision	5,992	15,625	16,615	19,110
Recovery of accounts written off	20,857	14,997	39,169	26,645
Reimbursement for health program	56	1,638	235	10,713
Other income	3,602	26,061	13,684	29,496
Total other operating income	**30,507**	**58,321**	**69,703**	**85,964**

25. Expenses by nature

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Salaries and social charges	286,290	304,359	552,730	597,600
Materials	32,834	30,662	66,347	64,701
Third-party services	190,873	189,110	384,300	343,902
General expenses	25,167	23,444	45,488	47,186
Depreciation and amortization	146,960	135,206	293,059	269,086
Provision for impairment of trade receivables	43,339	41,479	76,437	64,001
Provision for obsolescence of materials	95	(57)	95	305
Construction costs **(i)**	73,136	171,985	249,869	333,850
Provision for lawsuits	22,869	11,704	33,203	26,979
Equity in the results of subsidiaries	3,803	(2,506)	3,966	(97)
Employee profit-sharing	9,887	639	12,042	1,957
Other	11,932	12,590	32,369	25,039
Operating expenses	**847,185**	**918,615**	**1,749,905**	**1,774,509**
(-) Tax credits	**(31,583)**	**(29,098)**	**(65,076)**	**(57,355)**
Operating expenses, net	**815,602**	**889,517**	**1,684,829**	**1,717,154**
Cost	**648,217**	**663,374**	**1,303,516**	**1,282,162**
Expenses	**167,385**	**226,143**	**381,313**	**434,992**

	Consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Salaries and social charges	289,303	307,891	559,147	604,035
Materials	33,619	31,340	67,895	66,198
Third-party services	193,878	192,112	390,139	349,105
General expenses	25,479	23,718	46,109	47,780
Depreciation and amortization	146,972	135,645	293,083	270,177
Provision for impairment of trade receivables	44,233	42,538	77,924	65,934
Provision for obsolescence of materials	73	(56)	108	307
Construction costs **(i)**	73,136	171,985	249,869	333,850
Cost of products sold	182	381	643	661
Provision for lawsuits	23,404	12,514	33,981	28,021
Employee profit-sharing	9,887	639	12,042	1,957
Other	14,490	29,329	35,406	42,529
Operating expenses	**854,656**	**948,036**	**1,766,346**	**1,810,554**
(-) Tax credits	**(31,886)**	**(29,367)**	**(65,677)**	**(57,874)**
Operating expenses, net	**822,770**	**918,669**	**1,700,669**	**1,752,680**
Cost	**653,863**	**669,947**	**1,315,477**	**1,294,480**
Expenses	**168,907**	**248,722**	**385,192**	**458,200**

(i) Details of construction costs are shown below:

	Parent company/consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Salaries and social charges	6,710	6,351	18,187	13,122
Materials	11,491	10,072	17,552	19,969
Equipment	1,662	2,068	7,132	9,222
Third-party services	47,775	147,941	195,564	278,395
Finance costs	5,102	5,423	10,830	12,505
Other	396	130	604	637
Total construction costs	**73,136**	**171,985**	**249,869**	**333,850**

26. Employee benefit expenses

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Salaries	162,826	170,155	299,944	325,480
Social security costs	48,694	51,853	94,774	99,133
FGTS	13,694	14,950	29,359	29,636
Pension plan contributions	8,085	9,391	16,195	18,475
Workers' meal program	37,390	37,535	73,100	73,498
Healthcare plan	14,935	12,268	29,608	38,502
Other benefits	666	8,207	9,750	12,876
Total	**286,290**	**304,359**	**552,730**	**597,600**

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Number of employees (not reviewed)	11,239	12,271	11,239	12,271

	Consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Salaries	164,736	172,326	304,001	329,529
Social security costs	49,258	52,460	95,921	100,336
FGTS	13,842	15,107	29,763	29,922
Pension plan contributions	8,085	9,389	16,197	18,476
Workers' meal program	37,698	38,053	73,733	74,227
Healthcare plan	15,019	12,338	29,779	38,647
Other benefits	665	8,218	9,753	12,898
Total	**289,303**	**307,891**	**559,147**	**604,035**
Number of employees (not reviewed)	11,604	12,689	11,604	12,689

27. Finance income and costs

Finance income and costs can be summarized as follows:

	Parent company			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Interest received	9,223	228	10,986	1,607
Actual gains on financial investments	12,693	9,518	25,646	17,701
Monetary and foreign exchange rate gains	49,111	913	75,888	15,660
Capitalization of financial assets/other	3,914	4,786	10,649	11,062
Taxes on finance income	(1,399)	-	(2,600)	-
Total income	**73,542**	**15,445**	**120,569**	**46,030**
Interest on borrowings	(71,843)	(64,387)	(150,980)	(124,131)
Monetary and foreign exchange rate losses	(26,061)	(19,478)	(60,648)	(71,538)
Other expenses	(475)	(431)	(545)	(526)
Total costs	**(98,379)**	**(84,296)**	**(212,173)**	**(196,195)**
Finance result	**(24,837)**	**(68,851)**	**(91,604)**	**(150,165)**

	Consolidated			
	Quarters ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Interest received	8,824	(124)	9,877	933
Actual gains on financial investments	13,525	9,530	27,269	17,715
Monetary and foreign exchange rate gains	49,118	922	75,895	15,681
Capitalization of financial assets/other	3,914	4,786	10,649	11,062
Taxes on finance income	(1,439)	-	(2,678)	-
Total income	**73,942**	**15,114**	**121,012**	**45,391**
Interest on borrowings	(71,879)	(64,450)	(151,057)	(124,259)
Monetary and foreign exchange rate losses	(26,061)	(19,477)	(60,648)	(71,538)
Other expenses	(514)	(442)	(628)	(549)
Total costs	**(98,454)**	**(84,369)**	**(212,333)**	**(196,346)**
Finance result	**(24,512)**	**(69,255)**	**(91,321)**	**(150,955)**

28. Notes to the annual financial statements that are not repeated in this interim accounting information

Pursuant to Circular CVM/SNC/SEP 003/2011, the Company has disclosed the explanatory notes considered to be relevant in the context of the Basic Accounting Pronouncement - Conceptual Framework for Financial Statements. All of the information the omission or distortion of which could influence a user's economic decisions has been duly disclosed in this interim accounting information, which should be read in conjunction with the financial statements at December 31, 2015.

An index indicating the exact location of the explanatory notes in respect of which the information has not been repeated in this ITR, because it was redundant or not significant, is presented below:

Note 4 - Critical accounting estimates and judgments
Note 23 - Water supply and sewage services in Belo Horizonte
Note 25 - Insurance
Note 31 - Asset impairment testing

29. Events after the reporting period

In a meeting held on August 11, 2016, the Board of Directors approved the Company’s capital increase, and 7,066,593 shares were issued, amounting to R$ 128,400. These shares will grant to their holders rights identical to the shares previously existing and will have full interest in any remuneration stated as of this date.

As a result of the transaction, the Company's capital was increased to R$ 2,902,386, represented by 126,751,023 registered common shares, without par value.

In addition, the Board of Directors submitted to the approval of the General Meeting, to be scheduled in due course, the increase in the authorized capital limit from R$ 3 billion to R$ 4 billion and the transfer of R$ 500 million from the revenue reserve to capital, without the issue of new shares, aiming to comply with the limits established in Art. 199 of Law 6,404/76 and subitem "c" of Art. 36 of the Company's bylaws.

Comments on business projections

1. Projections

In order to monitor the dynamics of the sanitation sector and the performance of the Brazilian economy, the Company periodically reviews its planning and goals, including its investment plans.

1.1. Projections disclosed for 2016: Investment Program

For the 2016 financial year, the Annual General Meeting held on April 13, 2016 approved the Investment Program of COPASA MG and its subsidiary COPANOR, amounting to R$ 660 million, as follows: R$ 600 million intended for investments of COPASA MG and R$ 60 million for investments of COPANOR, the funds for which will be transferred through the State Health Fund.

1.2. Investments performed up to the end of 1H16

In 1H16, investments made in water supply and sewage treatment systems by the Company totaled R$ 184 million.

1.3. Guidance

COPASA MG does not disclose guidance about its revenue, costs and results.

(A free translation of the original in Portuguese)

Report on review of quarterly information

To the Board of Directors and Stockholders
Companhia de Saneamento de Minas Gerais - COPASA MG

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia de Saneamento de Minas Gerais - COPASA MG, included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2016, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and six-month periods then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21 - Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Basis for qualified conclusion

As mentioned in Note 11, the non-current liabilities of Companhia de Saneamento de Minas Gerais - COPASA MG are comprised of debentures and other borrowings, with a covenant requiring the compliance with certain periodical financial ratios, according to which the creditor is entitled to claim the early maturity of these payable, in case of non-compliance. In 2016, prior to the approval of the financial statements for December 31, 2015, the creditors waived their legal rights arising from the non-compliance with some of those ratios as at December 31, 2015.

The accounting practices adopted in Brazil and the IFRS require that this waiver be recognized prospectively in the financial statements. Accordingly, the balance of these debentures and other borrowings as of December 31, 2015, of R$ 2,897,018 thousand, should have been reclassified to current liabilities at that date and reclassified to the long-term in the following quarter. Due to the non-reclassification of the referred balance to the short term at December 31, 2015, the comparability of the balance sheet at June 30, 2016 is affected.

Conclusion on the interim information

Based on our review, except for the effect of the matter described in the "Basis for qualified conclusion" paragraph, referring to the comparison of this Quarterly Information (ITR) with the balance sheet at December 31, 2015, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34, applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2016. These statements are the responsibility of the Company's management and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR), and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, August 11, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 “F” MG

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1 "S" MG

Officers' Statement on the Independent Auditor's Report

DECLARATION OF REVIEW OF THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT BY OFFICERS

In accordance with Article 25, Sections V and VI, of Brazilian Securities Commission (CVM) Rule 480, dated December 7, 2009, the CEO and other Officers of Companhia de Saneamento de Minas Gerais - COPASA MG, a publicly held mixed-capital corporation headquartered at Rua Mar de Espanha, 525, Belo Horizonte, enrolled in the National Corporate Taxpayers Registry (under CNPJ No. 17.281.106/0001 - 03, hereby declare that:

1. They have reviewed, discussed and agreed with the opinion issued by PricewaterhouseCoopers Auditores Independentes on the parent company and consolidated ITR in accordance with the IFRS for the quarter ended June 30, 2016, except for the matter described in paragraph "Basis for qualified conclusion", because, prior to the approval and issue of the financial statements at December 31, 2015, the Company had obtained the creditors' waiver of the contractual rights arising from the non-achievement of some contracted financial ratios, as described in Note 11, thereby acting in a proactive and cautious manner over the custody period of the contracts, which provide for the calculation of these ratios based on the audited financial statements.

Thus, according to the Company, there was no breach of the rules related to the criteria and procedures to be adopted in the review and preparation of financial statements, according to standards established by the applicable rules, since the measurement of the contractual covenants was only likely to occur after the closing of the financial statements and respective certification by the independent auditors. When that occurred, investors had already authorized the relaxation of the financial ratios. Moreover, the mere temporary reclassification of operations, from long-tern to short term would not alter the financial position of the, since the covenants were effectively relaxed by the creditors at December 31, 2015, also involving the payment of compensation to creditors of about R$ 12 million, as a waiver fee.

Furthermore, if the reclassification had been made, then the comparability of the ITR and the balance sheet at December 31, 2015 would have been affected.

2. They have reviewed, discussed and agreed on the parent company and consolidated financial statements under the IFRS for the quarter ended June 30, 2016, in which all the obligations related to the achievement of financial ratios of borrowings were fully met in accordance with their contracts and agreements with the creditors.

Belo Horizonte, August 11, 2016