

Water Supply

Service Coverage (December / 2006)

	MUNICIPALITIES	LOCALITIES
CONCESSIONS	610	1015
Population supplied (inhabitants)	11.244.819	
Service indicator with regard to the total urban population of the operated localities (%).	98,1	
Connections (Units provided)	3.629.592	
Length of the pipes (km)	37.748	
Water treatment plants	1.092	

Comparative Indicators

WATER SUPPLY COVERAGE

Item	Brazil	Minas Gerais	COPASA
Water supply coverage	Population inhab. 146.109.968	16.245.276	11.244.819
	% 81,0 (1)	85,8 (1)	98,1 (2)

1) Percentage of population served with water, connected to a general distribution system with or without internal water system in the house – PNAD, IBGE, 2004.

2) Service indicator with regard to the total urban population of the operated localities - Copasa, December, 2006.

Comparative Indicators

SEWAGE SYSTEM COVERAGE

Item		Brazil	Minas Gerais	COPASA
Wastewater collection coverage	Population	inhab. 82.417.240	13.971.477	5.643.389
		% 48,6 (1)	76,2 (1)	82,8 (2)

1) Percentage of population served with wastewater collection system – PNAD, IBGE, 2004.

2) Service indicator with regard to the total urban population of the operated localities – Copasa, December, 2006.

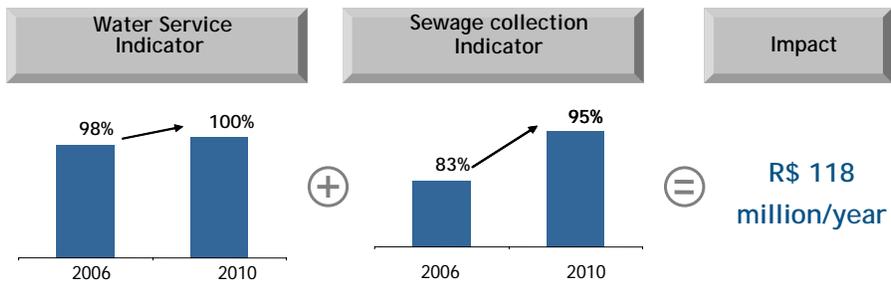
SEWAGE SYSTEM

Service Coverage (December / 2006)

	MUNICIPALITIES	LOCALITIES
CONCESSIONS	172	288
Population served (inhabitants)		5.643.389
Service indicator with regard to the total urban population of the operated localities (%)		82,8
Connections (Units provided)		1.845.628
Wastewater Treatment (volume)		30,8%
Length of sewers (km)		11,896
Wastewater treatment plants		37

Main Goals	2006	Forecast 2010
100% of the population served with treated water	98	100
To enlarge the sewage collection system to, at least, 95% of the population.	83	95
To treat 60% of the wastewater collected	30	60
To reach the integral wastewater tariff.	85	100
To expand performance area (nr. water concessions).	610	641
To expand performance area (nr. wastewater conces.).	172	362
Reduce to 20% the percentage of invoiced water losses.	23	20
To raise the EBITDA margin to 50%.	39,7	50,0

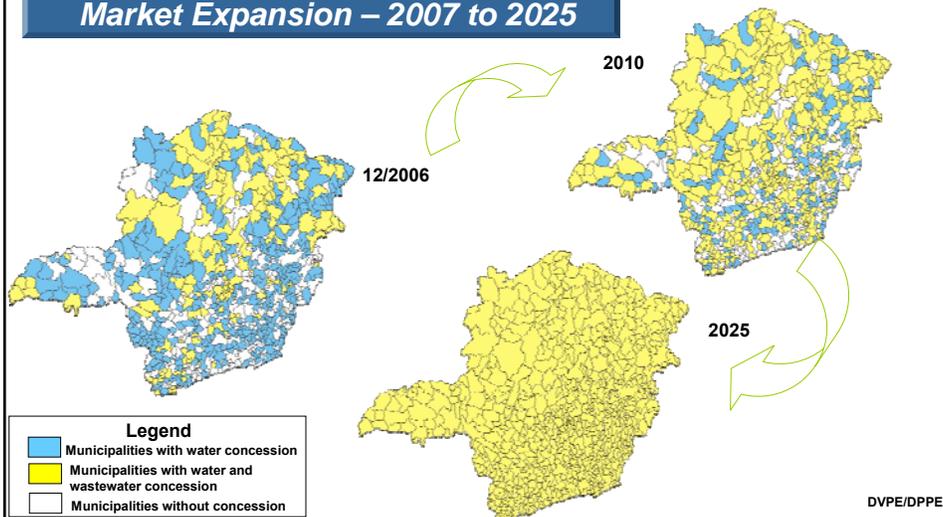
Service Indicators Raise - Goal 2010



Market Expansion Potential

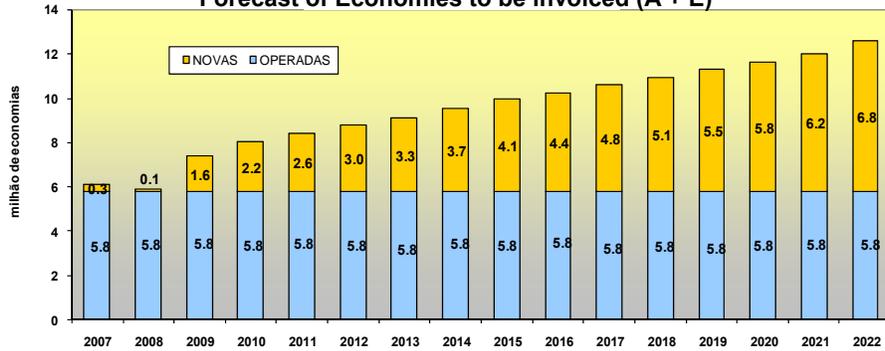
	GROUP	PERIOD
1	Water and wastewater concessions already executed but not operated yet.	2007
2	Wastewater new concessions where Copasa has the water concession in 51 municipalities with more than 15 thousand inhabitants.	2007 - 2010
3	Water and wastewater concessions, in 33 municipalities with more than 15 thousand inhabitants.	2007 - 2010
4	Wastewater concessions where Copasa has water concessions in municipalities with less than 15 thousand inhabitants.	2007 - 2015
5	Water and wastewater concessions in municipalities with less than 15 thousand inhabitants.	2011 - 2025
6	Water and wastewater concession in special municipalities.	2015 - 2022

Market Expansion – 2007 to 2025



Market Expansion Potencial

Forecast of Economies to be invoiced (A + E)



The following parameters were adopted for the projections:

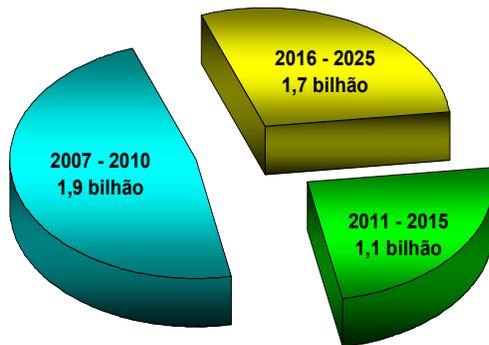
Goal to urban population service of Copasa:
 Water: 100%
 Wastewater: 95%

Capacity of the municipal system service:
 Water: 80% of the urban population
 Wastewater: 65% of the urban population

Time to reach the goals of urban population service of the systems operated by Copasa:
 Water: 3 years
 Wastewater: 5 years

DVPE/DPPE

New Concessions Investment Plan



Investment in new concessions systems
 - period 2007 / 2025
R\$ 4,7 billion in the period

These amounts refer exclusively to the implementation works.

DVPE/DPPE

COPASA

NEW OPPORTUNITIES

COPASA

Mineral Water exploitation and sale



- Mineral water exploitation and sale on the area of Cambuquira, Caxambu, Lambari and Araxá
 - . 15 years concession and renewal for more 15 years
- International recognition of quality and therapeutic properties
- It is the segment that most grows in Brazil's drinking market
 - . 13,2% per year since 1996
- Production of 150 million liters after the 3rd year
 - . Production estimated of 30 million liters on the 1st year
- Initial investment : R\$ 10 million
- Royalties of R\$ 18,00/m3 on water sale

COPASA



Jaíba Project

Copasa is operating 180 kilometers of channels, which distribute approximately 15 thousand liters of water per second. Besides, the company is also responsible for the conservation of 300 kilometers of roads.

The irrigation capacity of the project II Phase is 16.200 hectares, to produce fruits and alcohol combustible in the semi-arid area of Minas Gerais, using water from São Francisco river. At the end of the project, 80 thousand hectares will be irrigated and the production capacity will be 300 thousand tons per year, besides the possibility of creating thousands of direct job.

COPASA

Angola

- Technical cooperation Agreement executed on 12/01/2006 by and between COPASA, EPAL - E.P. e ODEBRECHT, in the amount of R\$599.440,80, on technical assistance and technology transference domains, applicable to the water public supply areas.
- Diagnosis on Luanda's water supply system, performed by COPASA's technicians.

Cuiabá

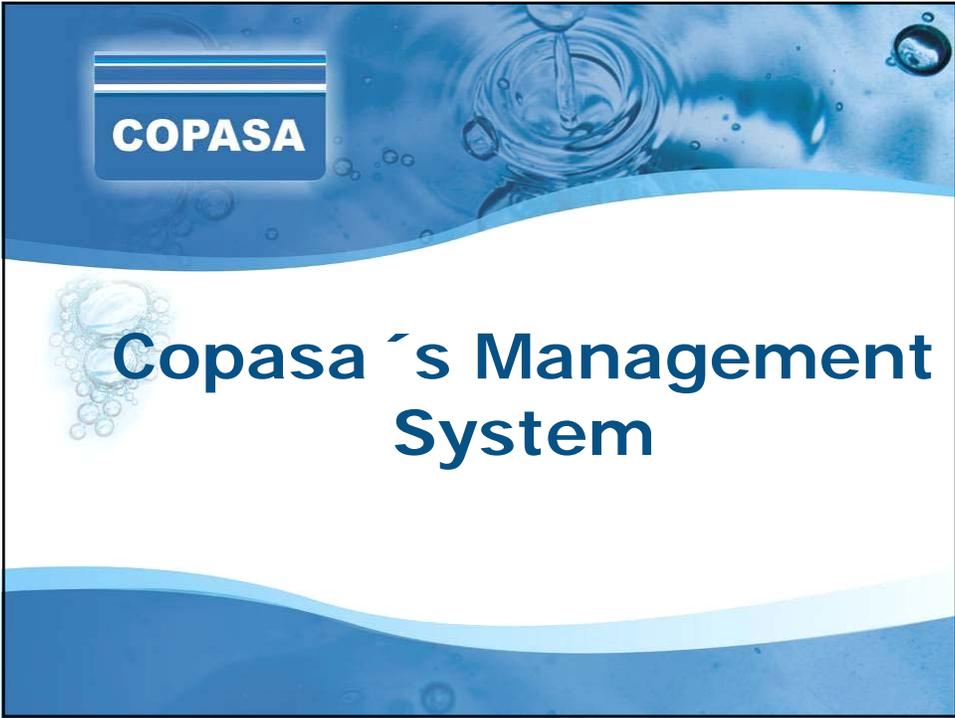
- A visit performed by COPASA's technicians, to assess the operational, patrimonial, pricing, economical and financial situation and the required investments.

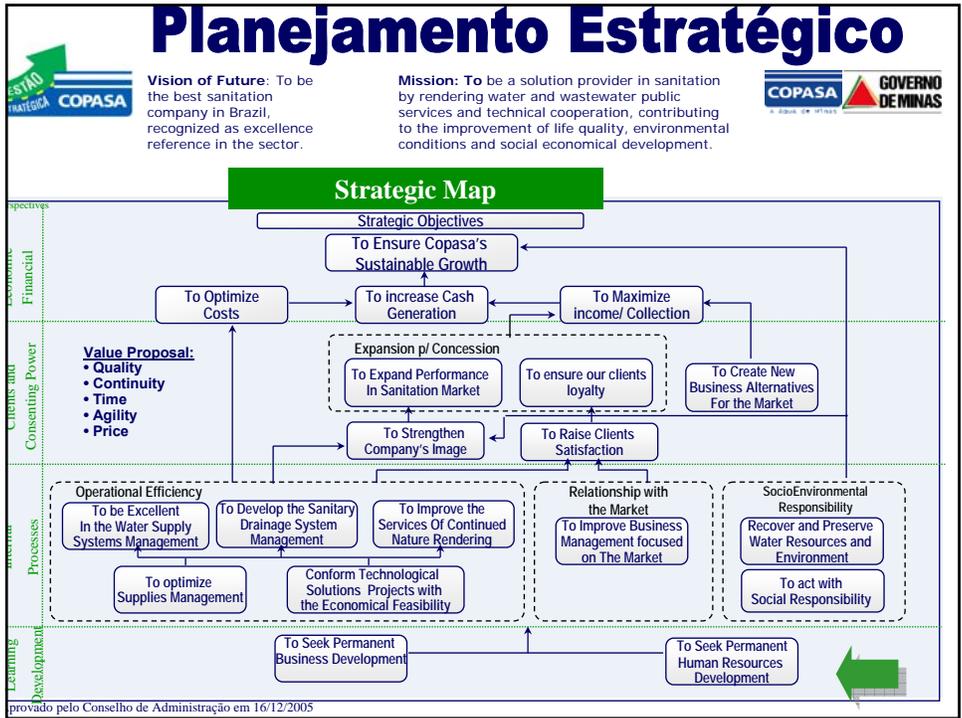
Resende

- A visit performed by COPASA's technicians, to assess and perform a preliminary diagnosis on S.A.A. and S.E.S. in Resende-RJ.

Paraguai

- A visit performed to ESSAP, by COPASA's technicians, to assess and prepare a technical diagnosis of the water supply system in the metropolitan area of Assunção and an action plan to reduce water losses.





Performance Index Matrix

Strategic Objective	Description	Indicator	Formula	Measure Unit	Periodicity	Follow-up Criteria	Technical Responsible	
Economic - Financial	To ensure Copasa's Sustainable Growth	VAME Company's Market Value	Number of Shares in the Market X Share Unit Value	R\$	Monthly	Exact	Murilo	
	To Optimize Costs	DOPE Operational Expense Per Economy	Operational Expense / Invoiced Economies (water and wastewater)	R\$ / Econ / Ano	Monthly	Accumulated Past 12 months	José Luis	
	To Raise Cash Generation	Increase availability of free funds to the payment of Debt service, taxes, make investments and pay the shareholders	MGBE EBITDA Margin	(EBITDA /Net Operational Income) x 100	%	Average Civil year	Exact	Murilo
			ROFI Financial Operation Result	(Collection - Operational Expense) /Number of invoiced economies (water and wastewater)	R\$ / Econ / Ano	Monthly	Accumulated Past 12 months	Murilo
To Maximize Incomes and Collection	Increase Copasa's income by obtaining new concessions (ensuring the feasibility of these concessions set), renewal of the present and creation of alternatives to services rendering, making it possible to obtain new sources of income, and to reduce the income default index	AREC Collection Per Economy	Collection / Invoiced Economies (water/ Wastewater)	R\$ / Econ / year	Monthly	Accumulated Past 12 months	Antônio Carl	
		INAD Default Greater than 90 days	(Balance of receivables with more than 90 days due / Invoicing within the balance period of the receivables with more than 90 days due) X 100	%	Monthly	Exact	Antônio Carl	

		ESTRUTURAÇÃO DO INDICADOR DE DESEMPENHO		Objetivo Estratégico: Ser Excelente na Gestão de Sistemas de Abastecimento de Água													
Título do Indicador: Atendimento aos Padrões de Potabilidade de Água			Sigla: APPA		Código:												
Unidade de Medida: Percentual		Frequência: Mensal		Disponibilização:													
Função do Indicador: Avaliar o atendimento aos padrões de potabilidade de água determinado pelo Ministério da Saúde nos aspectos de frequência de amostragem, qualidade da água e continuidade no abastecimento.																	
<table border="1"> <thead> <tr> <th colspan="4">PERSPECTIVA</th> </tr> <tr> <th>EF</th> <th>CP</th> <th>PI</th> <th>AC</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>X</td> <td></td> </tr> </tbody> </table>		PERSPECTIVA				EF	CP	PI	AC			X		Tipo do Indicador: Resultado		Fonte de dados: Armazém de Dados - DW	
PERSPECTIVA																	
EF	CP	PI	AC														
		X															
																	
Fórmula: $APPA = \left(\frac{LAPP}{LOPA} \right) 100$		Aspectos Importantes: Atender aos padrões de potabilidade significa o atendimento simultâneo aos itens abaixo: <ul style="list-style-type: none"> • Cumprir frequência de amostragem em quantidade e tipos de amostras; • Ter resultados de análises que atendam aos limites do padrão de potabilidade; • Não haver intermitência crônica no abastecimento (manobras sistemáticas). O padrão de potabilidade está determinado pela Portaria 518 do Ministério da Saúde que entrou em vigor em 25/03/2004.															
Definição dos Termos da Fórmula: LAPP = Somatório da Quantidade de localidades que atendem aos padrões de potabilidade de água, nos últimos três meses LOPA = Somatório da Quantidade de localidades onde a COPASA opera o sistema de abastecimento de água, no âmbito considerado, nos últimos três meses.																	
Critérios de Acompanhamento: Média Trimestral		Referenciais de Comparação:															
Critérios de Segmentação: Por distrito, superintendência, diretoria e Copasa																	
Responsável pela Consolidação e Análise do Indicador: DVQA / DVPR		Aprovado por:		Data:													
Legenda: EF Econômico – Financeiro PI Processos Internos CP Clientes e Poder Concedente AC Aprendizado e Crescimento		Indicadores componentes do APPA QFQA QMAD  FRAN EAAL															

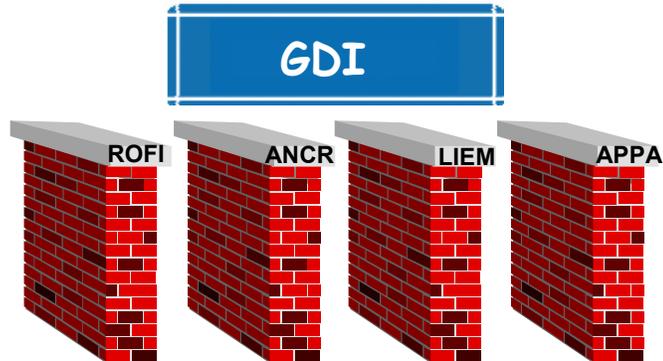


What is Variable Payment?

It is a model to stimulate and pay the employees for collective work. It is composed by an assessment system directly related to the strategic objectives of the organization, that rewards the employee according to the results achieved, through the following mechanisms:

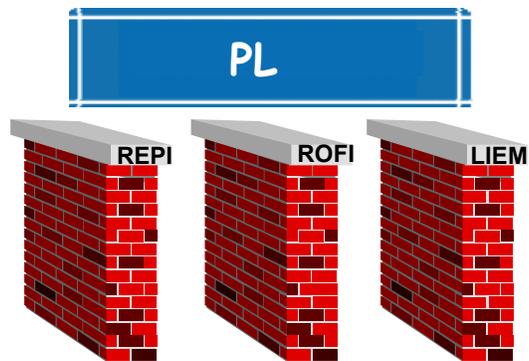
- INSTITUTIONAL PERFORMANCE REWARD – GDI (20% all the employees)
- MANAGERIAL PERFORMANCE REWARD – GDG
- PARTICIPATION OF THE EMPLOYEES IN THE COMPANY'S PROFITS - PI 

GDI – Institutional Performance Reward



•GDI Calculation Basis = 20% of the employee base salary

PL – Profit Sharing

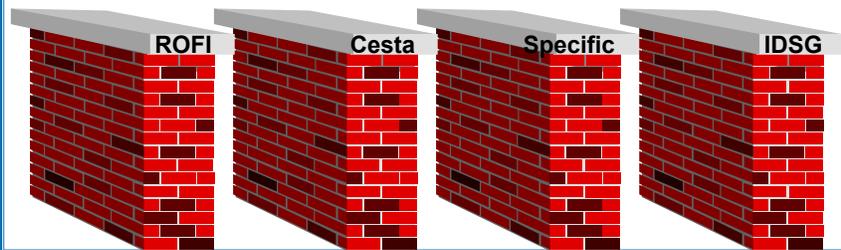


•VD= [0,0625 X (NET PROFIT - LEGAL RESERVE) + (INSTALLMENT NOT DISTRIBUTED ON PREVIOUS YEAR)] X INSTITUTIONAL PERFORMANCE INDICATOR

COPASA

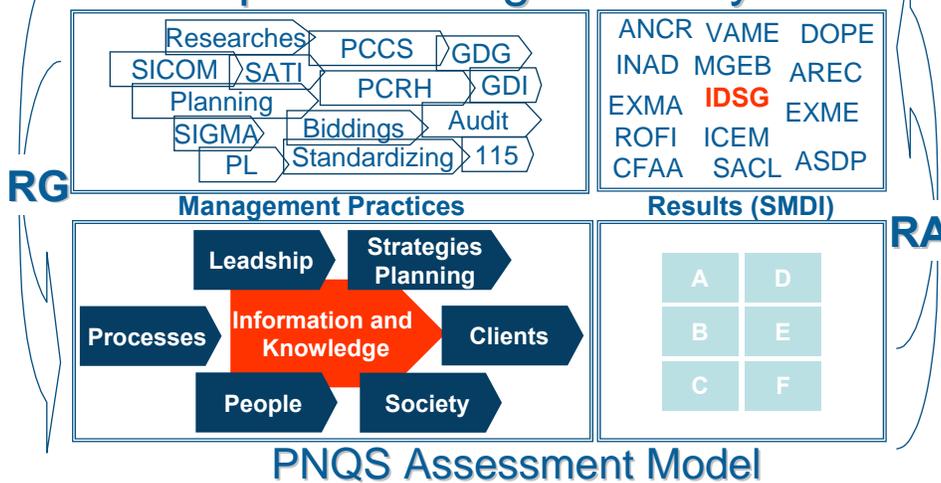
GDG- Managerial Performance Reward

GDG



COPASA

Copasa Management System



COPASA

Operational Efficiency

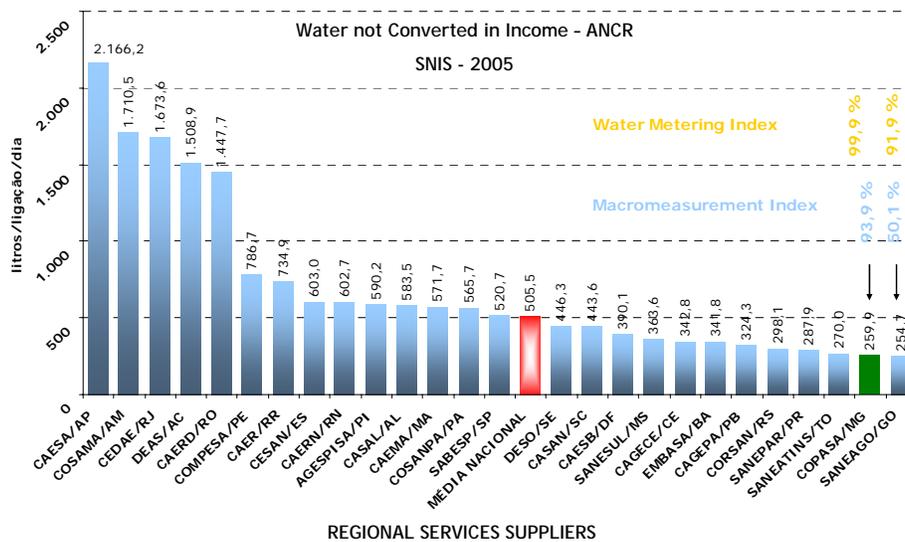
Index	Copasa(1)	Brasil (2)
Default	1,7%	10,7%
Invoicing Losses	23,3%	40,1%
Water metering	99,9%	87,6%
Water - Service	98,1%	94,5%
Wastewater - Service	82,8%	55,6%

(1) Numbers in Dec/2005

(2) Average of sanitation state companies (Ministério das Cidades PMSS/SNIS2004)

**Losses Indicator per Water Connection in the State Sanitation Companies
National Information System on Sanitation - SNIS**

RESULTS



Development Improvement Agreement

- Signed between the Union, represented by the City Ministry, and COPASA, to establish the obligations and goals, aiming the improvement of COPASA's institutional and operational performance and quality, efficiency and efficacy of the services rendered.
- The funds release from the Federal Government are dependable of the fulfillment of the established goals.

Development Improvement Agreement

Index	2006		2007
	Goal	Accomplisd	Goal
CASH SUFFICIENCY (%)	115,37	↑ 120,49	115,75
INCOME SCAPE (%)	4,00	↓ 3,67	3,96
DAYS COMPROMISED INVOICE WITH RECEIVABLES (Days)	56	↓ 52,30	55
LOSS PER CONNECTION L/(day.conn)	258	↓ 258	256
INVOICE LOSS (%)	32,50	↓ 30,19	32,00
WATER METERING (%)	99,60	↑ 99,77	99,70
MACROMEASUREMENT (%)	94,00	↑ 94,92	94,25
PERSONAL PRODUCTIVITY (Conn./empl)	303	↑ 300	303



COPASA



Thank you!

www.copasa.com.br
cassilda.teixeira@copasa.com.br