Companhia de Saneamento de Minas Gerais

COMPANHIA DE SANEAMENTO DE MINAS GERAIS – COPASA MG
PUBLICLY-HELD COMPANY
COMPANY REGISTRY (NIRE): 313.000.363-75
CORPORATE TAXPAYER'S ID (CNPJ/MF): 17.281.106/0001-03

NOTICE TO THE MARKET

DISTRIBUTION OF INTEREST ON EQUITY

The Company hereby announces to its shareholders that the Board of Directors' Meeting held on June 18, 2012 approved the distribution of Interest on Equity in the gross amount of R$ 37,217,368.82 (thirty-seven million, two hundred and seventeen thousand, three hundred and sixty-eight reais and eighty-two centavos of real), referring to the second quarter of 2012, with due regard for the following conditions:

a) Shareholders owning the 114,930,584 common shares will be entitled to full payment, corresponding to the gross amount of zero point three zero nine six two six nine three one three centavos of real (R$ 0.3096269313) per share;

b) Shareholders owning the 4,383,628 common shares originated from the conversion of debentures carried out on May 31, 2012, will be entitled to payment on a *pro rata temporis* basis, at the proportion of seven twelfths (7/12) of the Interest on Equity referring to the 2012 fiscal year, in the gross amount of zero point three seven two two four zero seven zero five six centavos of real (R$0,3722407056) per share. This amount encompasses both the distribution mentioned above and the distribution deliberated by the Board of Directors' Meeting held on March 16, 2012;

c) The aforementioned amounts are subject to Withholding Income Tax (IRRF), pursuant to the legislation in force; therefore, shareholders will be paid amounts net of said tax, except for those who prove to be exempt thereof;

d) Shareholders owning Company shares on June 21, 2012 will be entitled to receive the aforementioned amounts, as Interest on Equity, and said shares shall be traded "ex-Interest on Equity" as of June 22, 2012;

e) The date for payment of the Interest on Equity declared herein will be determined by the Annual General Meeting that resolves on the income for the 2012 fiscal year;

f) The amount of Interest on Equity will be recorded to the amount of mandatory dividends to be paid in the 2012 fiscal year;

g) Shareholders whose registration files do not contain their Individual or Corporate Taxpayer's ID or information on their Bank/Branch and checking account will have their payment credited to Banco do Brasil branches after their registration is regularized.

Additional Information: Companhia de Saneamento de Minas Gerais - COPASA MG. Rua Mar de Espanha, 525, Bairro Santo Antônio, CEP 30330-900. Belo Horizonte – Minas Gerais, phone: +55 31 3250-2015, email: ir@copasa.com.br.

Belo Horizonte, June 18, 2012.

Paula Vasques Bittencourt

Chief Financial and Investor Relations Officer