

Fiscal Transparency Report



2nd Quadrimester 2012

October 2012



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TABEL OF CONTENTS

I) INTRODUCTION	5
II) FISCAL RESULTS	7
II.1) BUDGET RESULTS	9
II.2) PRIMARY RESULT	11
II.3) NOMINAL RESULT	13
III) MUNICIPAL REVENUE	14
III.1) CURRENT REVENUE	16
III.1.1) TAX REVENUE	16
III.1.1.1) TAX ON SERVICES - ISS	17
III.1.1.2) MUNICIPAL PROPERTY TAX - IPTU	17
III.1.1.3) TRASH COLLECTION FEE- TCDL	18
III.1.1.4) TAX ON REAL ESTATE TRANSFER AND RIGHTS ON REAL ESTATE - ITBI	18
III.1.1.5) WITHHOLDING INCOME TAX - IRRF	18
III.1.1.6) OTHER FEES	18
III.1.2) CURRENT TRANSFERS	19
III.1.3) OTHER CURRENT REVENUES	22
III.1.3.1) CONTRIBUTIONS REVENUE	22
III.1.3.2) EQUITY REVENUE	23
III.1.3.3) INDUSTRIAL AND SERVICES REVENUE	24
III.1.3.4) OTHER CURRENT REVENUES	25
III.2) CAPITAL REVENUE	26
III.2.1) CREDIT OPERATIONS	27
III.2.2) DISPOSAL OF ASSETS	27
III.2.3) AMORTIZATION OF LOANS	28
III.2.4) CAPITAL TRANSFERS	28
III.2.5) OTHER CAPITAL REVENUE	28
IV) MUNICIPALITY EXPENDITURES	29
IV.1) EXPENDITURES BY ECONOMIC CATEGORY	29
IV.2) EXPENDITURES BY GOVERNMENT FUNCTION	30
V) FUNDRAISING	32
V.1) PAC WITHIN THE CITY OF RIO DE JANEIRO	32
VI) CASH AND DEBT FINANCIAL MANAGEMENT	35
VI.1) APPLICATION OF FINANCIAL CASH	35
VI.2) FINANCIAL DEBT	36
VII) REAL ESTATE ASSETS CITY MANAGEMENT	39
VIII) CONCLUSION	40

PRESENTATION

The Fiscal Transparency Report is a publication of the Secretary of Finance of the City of Rio de Janeiro. In this second 2012 issue, referring to the 2nd quadrimester, the revenue and expenditure for the period are analyzed, allowing citizens to monitor the budget and tax results of the City, comparing them with equal period in the year of 2011.

This initiative of the City Government, through SMF (Municipal Secretary of Finance), aims to ensure transparency in financial management of public resources, from its entry into the coffers of the Municipal Treasury up to its application, based on budget planning, and considering the law and the limits defined by the Fiscal Responsibility Act (Complementary Law No. 101/2000) - LRF.

The data used are taken mainly from the Budget System of Municipal Secretary of Finance (SMF) and from the Fincon System of the Municipal Inspector General Office (CGM). The intra-budget revenue and expenses and all entities of indirect administration (Except CDURP - Urban Development Company of the Region of the Port of Rio de Janeiro) including the pension fund for civil servants, the FUNPREVI, were considered so that the data here presented are in accordance to the LRF statements published by CGM. In this regard, the numbers of CDURP are not consolidated since, although it is controlled entirely by the Municipality, it has budgetary independence for its nature as a non-dependent public company, according to the law in force.

This report is divided into the following sections, comparing, in each case, the results until the end of the 2nd quadrimester of 2012, in comparison to the same period in 2011:

- i. In the first one, we present a general balance of the public accounts;
- ii. In the second section, the budget results, primary and nominal are presented;
- iii. In the third section, municipal revenue is analyzed by economic categories;
- iv. The fourth section presents the figures relating to expenditure by economic category, by government function and by result area;
- v. In the fifth section a presentation is made for the funding sources and the progress of the Growth Acceleration Program (PAC) and the transfers of federal funds;
- vi. The sixth brings considerations on the application of the cash balances of the City and the management of the public debt;
- vii. The latter analyzes the management of the city real estate property.

I) INTRODUCTION

In this second quadrimester of 2012, the financial results obtained by the City of Rio de Janeiro confirm the solid fiscal condition and the maintenance of the growing sustainability trajectory consolidated since 2009.

In relation to collection, the data presented in this report portrays a scenario that reflects the healthy moment of Rio's economy and especially the advances in the tax management of the city. The nominal growth over the first eight months of the year of 16.8% in total revenue and 13.0% in Tax Revenue, in comparison to the same period in 2011, proves the mentioned advances. The implementation of Nota Carioca (electronic invoices for ISS collection), with more than 225 million invoices issued since 2010, is the greatest symbol of comprehensive improvements, which have guaranteed actual increase in revenue in almost all revenue received. Regarding actual tax collection, the taxes with highest nominal growth rates in 2012 were ITBI (26.6% increase from 2011) and ISS (17.0%).

Total Revenue for the city reached R\$ 13.077 billion in the first eight months of the year, compared to the R\$ 11.196 billion made in equal period in 2011, representing, also, 63.8% of the total amount estimated for the year under the Budgetary Act in 2012. This amount of R\$ 13.077 billion has surpassed the estimated goal at the Budgetary Act for the period in R\$ 59 million, while the greatest improvements were the performances of Tax Revenues and Current Transfers, which were superior to the collection goals by R\$ 161.8 million and R\$ 134 million, respectively. The Net Current Revenue (RCL) recorded in the last 12 months, closed on the 31st August 2012, used by the Fiscal Responsibility Act as a basis for several fiscal indicators, reached R\$ 15.393 billion, an increase of 59.3% over the total RCL for the year of 2008.

In relation to committed expenditures, the amount of R\$ 11.944 billion constitutes an increase of 20.2% in comparison with the first eight months of 2011, with highlight for the growth in Current Expenditures and Investments. The expenditures profile for the Municipality has been growingly concentrated in these two groups of expenses, which directly impact the everyday life of Rio population, following the priorities established in the City's Strategic Planning.

In this sense, it is important to point out that the present allocation of the 2012 budget, found at the closing of the second quadrimester, totals R\$ 22.162 billion, superior to the estimate of the revenue for the year due to the incorporation of part of the surplus accumulated until 2011. Observing the profile of this authorized budget in Table I below, we verify the expressive concentration in Current Expenditures and Investments, showing a relevant fiscal space for the strategic interventions defined by the present Administration. From the present budget allocation, around 19.9% are allocated to Investments and 32.3% to Current Expenditures, compared to 43.5% for Personnel Expenses and 3.4% for Debt Service (Amortization and Interest), a profile totally different from that verified in the last

decade, when the Debt Services compromised nearly 9% and Personnel Expenses around 55%, preventing the budget investment rate to go beyond 10%. The table below also demonstrates that the investments rate of the committed budget until August 2012 is over 20%, which consolidates the position (reached in 2011) of the Rio de Janeiro City Hall as the government with the highest investment rates of the country.

TABLE I - EXPENSE PROFILE - AUGUST 31ST, 2012 - R\$ Million

		LOA (Budget)	Present Allocation	% of Present Allocation	Committed Expenses	% Committed Expenses	Paid Expenses
CURRENT EXPENSES	Personnel and Social Charges	9,664.9	9,629.6	43.5%	6,853.5	39.4%	6,005.2
	Debt Interests and Charges	480.3	497.8	2.2%	471.7	2.7%	324.3
	Other Expenses (Costing)	6,493.9	7,163.6	32.3%	6,177.0	35.6%	3,847.7
	TOTAL CURRENT EXPENSES	16,639.1	17,291.0	78.0%	13,502.2	77.7%	10,177.3
CAPITAL EXPENSES	Investments	3,429.3	4,416.1	19.9%	3,486.9	20.1%	1,483.4
	Inversions	124.9	161.9	0.7%	130.8	0.8%	109.1
	Debt Amortization	278.1	260.6	1.2%	255.2	1.5%	175.0
	TOTAL CAPITAL EXPENSES	3,832.3	4,838.6	21.8%	3,872.9	22.3%	1,767.4
	Contingencies Reserve	31.8	31.9	0.1%	0.0	0.0%	0.0
	GRAND TOTAL	20,503.2	22,161.5	100.0%	17,375.1	100.0%	11,944.7

Source: Budget Balance (RREO - Exhibit I).

As will be seen in this report, this significant result is due generally to the increase in Total Revenue, coupled to an efficient management of personnel costs and debt, making room for investments in infrastructure and the expenses with costing and meritorious maintenance (linked, for example, to the operation of the network of Family Clinics and Emergency Care Units through Social Organizations), to be performed.

It shall be noted, also, that this intervention effort in the City is even larger than that demonstrated by the applied numbers of the City Budget, since these do not include the amounts expended by concessionaires contracted by the City Hall, such as the ones related to the Porto Maravilha Project (a public and private partnership sponsored by the FGTS, Government Severance Indemnity Fund) and to the concession for the sanitation of the Western Rio zone.

II) FISCAL RESULTS

This section presents the fiscal results up to the second quadrimester of the year and compares them to the same period in the previous year. There was a growth of 16.8% in the total nominal revenue. In relation to net expenses, we can see that the total committed value was 20.2% superior to that accrued in the same period in 2011. Such growth was basically the result of expediting in the effectiveness of costing and investment expenses - in this case, in view of the advanced physical status of the infrastructure works ongoing around the City.

Yearly, up to 30 days after the LOA (Annual Budget Law) publication, the *Bimonthly Collection Targets* are established, together with the *Monthly Disbursement Chronogram*, in compliance with articles 8 and 13 of the Act of Fiscal Responsibility, and its compliance must be quadrimestrally evidenced and evaluated by the Executive Power, as occurs in the public audiences called by the Finances, Budget and Inspection Commission - CFOFF of the Rio de Janeiro City Council.

Tables II and III below present the *Bimonthly Collecting Targets* and the *Monthly Disbursement Chronogram* established under CPFGF Deliberation nº 258, dated 15th February 2012, in compliance with the dispositions of article 38 and its sole paragraph, Law no. 5.295, dated the 20th July 2011 - the Budgetary Guidelines Act for the Fiscal Year of 2012.

TABLE II - BIMONTHLY COLLECTION TARGETS
FISCAL YEAR OF 2012

							In R\$ million
DESCRIPTION	1ST BIM.	2ND BIM.	3RD BIM.	4TH BIM.	5TH BIM.	6TH BIM.	TOTAL
CURRENT REVENUES	3,723.6	2,704.4	2,898.3	2,684.1	2,775.5	3,568.3	18,354.2
Tax Revenue	1,766.1	1,089.2	1,077.7	1,120.5	1,140.5	1,142.6	7,336.7
Contributions Revenue	366.6	345.3	407.0	379.3	418.9	482.6	2,399.8
Equity Revenue	289.3	137.2	190.9	124.7	108.4	118.1	968.7
Industrial Revenue	2.2	0.9	1.6	1.6	1.6	1.6	9.6
Services Revenue	74.1	47.3	92.5	40.4	52.1	45.0	351.5
Current Transfers	1,059.9	963.0	921.6	862.0	907.5	1,142.4	5,856.5
Other Current Revenues	165.2	121.4	207.1	155.5	146.4	636.0	1,431.6
CAPITAL REVENUES	195.4	301.3	236.0	274.1	549.9	592.4	2,149.0
Credit Operations	126.6	204.2	106.6	204.2	224.0	90.1	955.7
Assets Disposal	1.7	17.0	2.0	2.4	255.4	162.9	441.5
Loans Amortization	22.7	28.8	8.4	24.6	13.5	14.2	112.3
Capital Transfers	44.3	51.3	118.9	43.0	56.9	19.2	333.6
Other Capital Revenues	-	-	-	-	-	306.0	306.0
TOTAL REVENUE	3,919.0	3,005.7	3,134.3	2,958.2	3,325.4	4,160.7	20,503.3

TABLE III - MONTHLY DISBURSEMENT CHRONOGRAM
FISCAL YEAR OF 2012

	In R\$ million												
DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
CURRENT EXPENSES	97.6	786.6	1,338.1	1,194.7	1,441.0	1,399.7	1,496.3	1,502.5	1,391.3	1,330.5	1,357.4	2,149.7	15,485.5
Personnel and Social Duties	39,4	653,0	864,8	705,6	753,0	817,8	1,049,0	740,5	774,7	751,3	793,7	1,109,6	9,052,4
Interests and Debt Services	37,5	35,1	40,5	40,7	36,5	40,5	43,0	36,7	37,0	52,6	38,1	42,1	480,3
Other Current Expenses	20,8	98,5	432,8	448,4	651,5	541,4	404,3	725,3	579,6	526,7	525,5	998,1	5,952,8
CAPITAL EXPENDITURES	25.0	120.7	155.4	221.7	296.2	250.9	231.6	430.1	313.6	300.1	219.3	632.0	3,196.6
Investments	7,3	102,4	126,8	163,1	275,3	221,1	211,9	408,8	293,9	264,0	196,4	585,6	2,856,7
Financial Inversions	0,0	0,0	0,2	37,5	0,1	0,1	0,3	1,8	0,0	5,3	1,1	15,3	61,8
Debt Amortization	17,6	18,3	28,5	21,1	20,8	29,7	19,4	19,4	19,6	30,7	21,8	31,1	278,1
TOTAL	122.6	907.3	1,493.5	1,416.5	1,737.3	1,650.5	1,727.9	1,932.6	1,704.9	1,630.6	1,576.7	2,781.6	18,682.1

After the collection for the 2nd quadrimester of 2012, and taking into consideration the seasonality of each item, it is possible to compare the effective revenue with the collection targets established for the period, thus allowing a careful performance analysis.

Table IV shows municipal revenue performance until the 2nd quadrimester of 2012. The total revenue reached R\$ 13.077 billion against a target of R\$ 13.018 billion, surpassing it by R\$ 58.986 million. The current revenues were the biggest responsible for this growth in relation to the target, especially those related to internal tax collection and current transfers. In case of capital revenues, the signing of Asset Alienation has surpassed the stipulated target until August (result of the deposit of an installment of the employees' payment exclusivity contract agreed with Banco Santander), but the total collection was punished by the fact that third party resources (credit operations and agreements) were below than what was initially foreseen. As it deals with already agreed operations, this fact shall be compensated along the next months.

TABLE IV - ACTUAL X ESTIMATED REVENUE IN LOA 2012

In R\$ million

DESCRIPTION	JANUARY TO AUGUST			
	Collection		Var. Absol. [B]-[A]	Var. % [B]/[A]
	Target [A]	Realized [B]		
CURRENT REVENUES	12,011.2	12,347.8	336.6	2.8%
Tax Revenue	5,053.5	5,215.3	161.8	3.2%
Contributions Revenue	1,498.3	1,460.6	-37.7	-2.5%
Equity Revenue	742.1	759.4	17.3	2.3%
Industrial Revenue	6.3	4.1	-2.2	-34.9%
Services Revenue	254.3	228.0	-26.4	-10.4%
Current Transfers	3,806.6	3,940.7	134.0	3.5%
Other Current Revenues	650.0	739.7	89.7	13.8%
CAPITAL REVENUES	1,006.8	729.2	-277.6	-27.6%
Credit Operations	641.6	230.2	-411.4	-64.1%
Assets Disposal	23.1	324.2	301.1	1303.5%
Loans Amortization	84.6	70.6	-14.0	-16.6%
Capital Transfers	257.5	104.3	-153.3	-59.5%
Other Capital Revenues	0.0	0.0	-	-
TOTAL REVENUE	13,018.0	13,077.0	59.0	0.5%

Source : DELIBERATION CPFGE Nº 258 OF 15/02/2012 AND RREO 4º BIMESTER ,2012.

II.1) BUDGET RESULTS

The Budget Result is determined by the difference between Total Revenues and Total Expenditures. A Result with a Budget Surplus reflects Revenue greater than Expenses (thus generating cash accumulation), whereas a Result with a Budget Deficit comprises the reverse situation, in which there is a consumption of the surplus accumulated cash of previous periods.

Up to the 2nd quadrimester 2012 reached a surplus of R\$ 1.132 billion, taking into consideration the R\$ 13.077 billion of the Total Revenues and the R\$ 11.945 billion of Total Expenses committed in the period, as may be observed in Table V below. It must be pointed out that, due to IPTU seasonality (which yearly collection is strongly concentrated in the month of February, with the maturity of the sole payment for taxpayers that do not choose for the payment in installments), the budget result in the first quadrimester in any year tends to be strongly positive, as there is a collection concentration which shall serve the financing of expenditures distributed along the year.

TABLE V - BUDGET RESULTS
UP TO THE 2ND QUADRIMESTER 2012 X UP TO THE 2ND QUADRIMESTER 2012

In R\$ million					
DESCRIPTION	2011 Collected	2012 Collected	DESCRIPTION	2011 Committed	2012 Committed
CURRENT REVENUES [I]	10,921.9	12,347.8	CURRENT REVENUES [IV]	8,353.6	10,177.3
Tax Revenue	4,616.9	5,215.3	Personnel and Social Charges	5,313.6	6,005.2
Contributions Revenue	1,308.6	1,460.6	Debt Interests and Services	363.7	324.3
Equity Revenue	668.0	759.4	Other Current Expenses	2,676.4	3,847.7
Industrial Revenue	4.3	4.1			
Services Revenue	246.8	228.0			
Current Transfers	3,439.5	3,940.7			
Other Current Revenues	637.8	739.7			
CURRENT BUDGET RESULT [I] – [IV]				2,568.2	2,170.5
CAPITAL REVENUES [II]	274.2	729.2	DESPESAS DE CAPITAL [V]	1,585.1	1,767.4
Credit Operations	91.6	230.2	Investments	1,410.2	1,483.4
Disposal of Assets	31.4	324.2	Financial Inversions	24.9	109.1
Loans Amortization	76.5	70.6	Debt Amortization	150.0	175.0
Capital Transfers	74.7	104.3			
Other Capital Revenues	-	-			
CAPITAL BUDGET RESULT [II] – [V]				(1,859.3)	(2,496.7)
TOTAL REVENUE [III]=[I]+[II]	11,196.1	13,077.0	TOTAL EXPENSES [VI]=[IV]+[V]	9,938.7	11,944.7
BUDGET RESULT [III]-[VI]				1,257.4	1,132.3

Source : RREO – 2nd BIMESTER OF 2012.

Although revenues and expenses are analyzed in more details in the respective sections of this report, we should mention the main factors forming the variation of the budget result in relation to 2011.

On the side of revenues, there was a 16.8% nominal increase in the Total Revenue, equivalent to an increase of R\$ 1.881 billion. From such increase, around R\$ 1.426 billion came from Current Revenues, while R\$ 455.019 million come from Capital Revenues.

Outstanding points were on account of the Tax Revenue, Current Transfers Revenue and Collection Revenue, which increments were of R\$ 598.452 million, R\$ 501.152 million and R\$ 151.937 million, respectively. In relation to the growth of the Contributions Revenue, the outstanding part was on account of the Supplementary Contribution, accrued by Funprevi, as established by Law no. 5.300/2011. As to the Tax Revenue, note the growth in R\$ 407.652 million in ISS (17.0%) and R\$ 100.112 million in ITBI (26.6%) and R\$ 91.808 million in IPTU (7.4%).

The increase in Equity Revenue had its origin in the growth of R\$ 132.352 million in FUNDEB Transferences (13.2%), R\$ 128.085 million from SUS (18.0%) and R\$ 92.453 million of liquidated ICMS (9.8%).

Also, Other Current Transfers had an increase of R\$ 101.882 million in relation to the same period in the previous year, focused on Fees and Interest (21.2%) and Various Revenues (15.6%).

On the side of the expenses, it can be observed that the total committed value in the 2nd quadrimester in 2012 was superior in 20.2%, or in R\$ 2.006 billion compared to the amount spent in the same period in 2011. This growth was driven mainly by the increase in the pace of liquidation of expenses with Other Current Expenses - Costing (increase of 43.8% or R\$ 1.171 billion), originated by the reinforcement in City maintenance; expenses with Personnel and Social Charges (increase of 13.0% or R\$ 691.697 million), influenced by the increase in the quantity of state workers, by the annual 5.0% wage increase conceded in June and by the impact of the reckoning of the Supplementary Social Security Contribution, established under Law no. 5.300/2011; and expenses with Investments (increase of 5.2% or R\$ 73.225 million), comprising, in this case, the reflexes of the expressive package of ongoing public works.

We can also verify a significant decrease in the expenses with Debt Interests and Charges (-10.8% or R\$ 39.375 million) as an effect of the financing contracted with the World Bank in 2010 and 2011, which allowed the reduction of the interests paid to the Federal Government and a significant improvement in the profile of the Municipality public debt.

II.2) PRIMARY RESULT

The Primary Result up to the 2nd quadrimester of 2012 reached the amount of R\$ 454.084 million (3.8% of the Primary Revenues), being 54.0% lower than the R\$ 987.990 million obtained in the same period in 2011. The Primary Result is the difference between the Primary Revenue (Total Revenue minus Financial Revenue) and the Primary Expense (Total Expenses minus Financial Expenses). For the year as a whole, as shown in the Table below, a negative primary result is estimated, since the Municipality Financial Revenues tend to be superior to the Financial Expenses, contributing for the fiscal space in investments (mainly those arising from credit operations aiming to finance infrastructure projects), being, therefore, such result a natural reflex of the present situation of sources of resources and of the accumulation of fiscal savings in 2009 and 2010.

TABLE VI - PRIMARY RESULT
2ND QUADRIMESTER 2011 X 2ND QUADRIMESTER 2012

In R\$ million			In R\$ million		
DESCRIPTION	JANUARY TO AUGUST		DESCRIPTION	JANUARY TO AUGUST	
	2011	2012		2011	2012
CURRENT REVENUES [I]	10,921.9	12,347.8	CURRENT EXPENSES [VI]	8,353.6	10,177.3
Tax Revenue	4,616.9	5,215.3	Personnel and Social Charges	5,313.6	6,005.2
Contributions Revenue	1,308.6	1,460.6	Debt Interests and Services	363.7	324.3
Equity Revenue	668.0	759.4	Other Current Expenses	2,676.4	3,847.7
Industrial Revenue	4.3	4.1			
Services Revenue	246.8	228.0			
Current Transfers	3,439.5	3,940.7			
Other Current Revenues	637.8	739.7			
CAPITAL REVENUES [II]	274.2	729.2	CAPITAL EXPENSES [VII]	1,585.1	1,767.4
Credit Operations	91.6	230.2	Investments	1,410.2	1,483.4
Disposal of Assets	31.4	324.2	Financial Inversions	24.9	109.1
Loans Amortization	76.	70.6	Debt Amortization	150.0	175.0
Capital Transfer	74.7	104.3			
Other Capital Revenue	-	-			
TOTAL REVENUE [III]=[I]+[II]	11,196.1	13,077.0	TOTAL DISBURSEMENT [VIII]=[VI]+[VII]	9,938.7	11,944.7
Securities Revenue	536.9	539.6	Debt Interests and Charges	363.7	324.3
Interests on Loans	47.3	43.7	Concession of Loans	0.7	30.8
Credit Operations	91.6	230.2	Acquisition of paid in capital titles	-	-
Asset Disposal	31.4	324.2	Debt Amortization	150.0	175.0
Amortization of Loans	76.5	70.6			
FINANCIAL REVENUES [IV]	783.8	1,208.2	FINANCIAL EXPENSES [IX]	514.4	530.0
TOTAL PRIMARY REVENUE [V]=[III]-[IV]	10,412.3	11,868.8	TOTAL PRIMARY EXPENSES [X]=[VIII]-[IX]	9,424.3	11,414.7

In R\$ million		
DESCRIPTION	JANUARY TO AUGUST	
	2011	2012
PRIMARY RESULT [XI]=[V]-[X]	988.0	454.1

Source : RREO – 4TH BIMESTER OF 2011.
Committed Expenses.

In R\$ million		
YEARLY FISCAL TARGET	2011	2012
Primary Result target established in the Fiscal Targets Exhibit	(986.2)	(1,510.1)

Source : Budgetary Act N° 5.362 of January 18th, 2012

Despite the 16.8% increase in the Total Revenue - arising, mainly, from the good performance in the Tax Revenue (13.0%), the Current Transferences Revenue (11.6%) and the Contributions Revenue (11.6%), the increase in the Primary Revenues was slightly lower (14.0%), since, as explained above, financial revenues - which growth contributed for the performance of the total revenue, specially due to the growth in Securities Revenue (931.8%) and Credit Operations (151.3%) - are expunged.

At its turn, the growth in Primary Expenses of 20.2% - originated from Expenses with personnel and Social Charges (13.0%) and Other Expenses (43.8%) - caused an increase in the Primary Expenses of 21.1%, which caused a R\$ 533.906 million decrease (-54.0%) in the Primary Result, between the analyzed periods.

II.3) NOMINAL RESULT

The Nominal Result up to the 2nd quadrimester in 2012 reached the negative value of R\$ 993.854 million, representing a 14.6% reduction in the balance of the Net Fiscal Debt relating to the equivalent balance accrued in December 2011.

TABLE VII - NOMINAL RESULT
31ST DECEMBER 2011 X 31ST AUGUST 2012

	In R\$ million			
	ON 31/12/2011 [A]	ON 31/08/2012 [B]	Var. Absol. [B]-[A]	Var. % [B]/[A]
CONSOLIDATED DEBT	10,521.0	11,071.7	550.7	5.2%
(-) AVAILABLE ASSETS	4,933.6	5,223.8	290.2	5.9%
(-) FINANCIAL CREDITS	160,2	51.6	(108.6)	-67.8%
(+) PROCESSED REMNANT PAYABLES (Except Precatory)	1,404.5	40.4	(1,364.1)	-97.1%
NET CONSOLIDATED DEBT	6,831.8	5,836.7	(995.0)	-14.6%
ACKNOWLEDGED LIABILITIES	47.0	45.8	(1,2)	-2.5%
NET FISCAL DEBT	6,784.8	5,790.9	(993.9)	-14.6%
NOMINAL RESULT ON 31/08/2012				(993.9)
NOMINAL RESULT TARGET FOR 2012 (LDO 2013)				1,523.0

Source : RREO 4th BIMESTER OF 2012.

The Nominal Result comprises the difference between the balances of Net Fiscal Debt on a given year minus the Net Fiscal Debt on December 31ST of the immediately previous year. If positive, it is considered that the result showed a deficit; whereas if not, it showed a surplus. The Nominal Result target established in Budgetary Guidelines Act for the year of 2012 is of R\$ 1.523 billion¹, which will reflect a conjunction of receipt of balances not yet disbursed in several credit operations executed by the Municipality (in accordance with the physical development of the financed works, like TransCarioca, Morar Carioca Program, sanitation works) - in the case of the gross indebtedness - and the partial use of the accumulated surplus in 2009 and 2010 by the pace of performance of the works - in the case of available assets.

¹ Target established in the Exhibit Fiscal Targets updated under Law no, 5.362, dated 18th January 2012– Budgetary Act for the Financial Year of 2012.

III) MUNICIPAL REVENUE

This section aims at presenting the amounts actually collected, using as a source of data the Budget Balance published in the Summary Report of Budget Execution and budget and accounting data extracted from systems BUDGET (SMF) and FINCON (CGM), respectively.

Table VIII below presents data relating to collection until the 2nd quadrimester of 2012 compared with the amounts collected in the same period of 2011.

TABLE VIII - BUDGET REVENUES BY ECONOMIC CATEGORY AND ORIGIN
(ALL SOURCES OF FUNDS)

DESCRIPTION	JANUARY TO AUGUST				In R\$ million	
	2011	2012	Nominal Var.	Var. %	LOA ¹ 2012	Compos. % LOA
CURRENT REVENUES	10,921.9	12,347.8	1,425.9	13.1%	18,354.2	89.5%
Tax Revenue	4,616.9	5,215.3	598.5	13.0%	7,336.7	35.8%
Contributions Revenue	1,308.6	1,460.6	151.9	11.6%	2,399.8	11.7%
Equity Revenue	668.0	759.4	91.4	13.7%	968.7	4.7%
Industrial Revenue	4.3	4.1	-0.2	-3.7%	9.6	0.0%
Services Revenue	246.8	228.0	-18.8	-7.6%	351.5	1.7%
Current Transfers	3,439.5	3,940.7	501.2	14.6%	5,856.5	28.6%
Other Current Revenues	637.8	739.7	101.9	16.0%	1,431.6	7.0%
CAPITAL REVENUES	274.2	729.2	455.0	165.9%	2,149.0	10.5%
Credit Operations	91.6	230.2	138.6	151.3%	955.7	4.7%
Disposal of Assets	31.4	324.2	292.8	931.8%	441.5	2.2%
Loans Amortization	76.5	70.6	-5.9	-7.7%	112.3	0.5%
Capital Transfers	74.7	104.3	29.6	39.6%	333.6	1.6%
Other Capital Revenues	-	0.0	-	-	306.0	1.5%
TOTAL REVENUE	11,196.1	13,077.0	1,880.9	16.8%	20,503.3	100.0%

Source : RREO 4º BIMESTER OF 2011 AND 2012.

¹ Budgetary Law Nº 5.362 of 18 of January, 2012.

Estimated in the Budget Law for R\$ 20.503 billion, Total Revenues reached in the 2nd quadrimester of 2012, in current values, the amount of R\$ 13.077 million, against R\$ 11.196 million collected in the same period in 2011, providing a growth of 16.8% in nominal terms.

Composition of the Total Revenue

The Total Revenue is comprised of Current Revenue and Capital revenue. In Chart I below, it is possible to verify the composition of Total Revenue, considering revenue estimates of the Budget Law.

CHART I - COMPOSITION OF TOTAL REVENUE BY ECONOMIC CATEGORIES IN THE YEAR OF 2012
BUDGET LAW ESTIMATES (ALL SOURCES OF FUNDS)

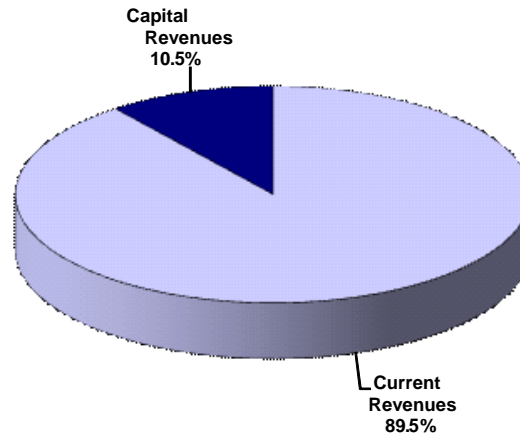
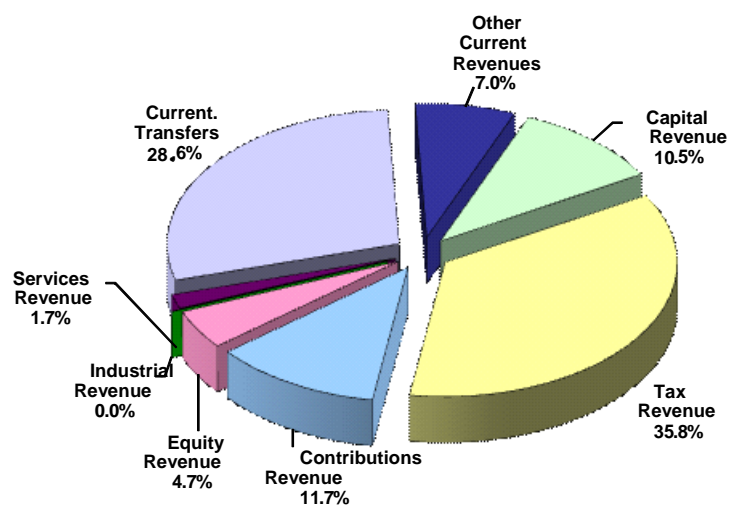


Chart II below shows the Total Revenue foreseen in LOA 2012, highlighting the major groups of revenue. Note that the Tax Revenue and the Transfer Revenue have greater weight in collection, representing jointly 64.3% of the Total Revenue estimated for the year in the mentioned Budget Law.

CHART II - COMPOSITION OF TOTAL REVENUE IN THE YEAR OF 2012
BUDGET LAW ESTIMATES (ALL SOURCES OF FUNDS)



III.1) CURRENT REVENUE

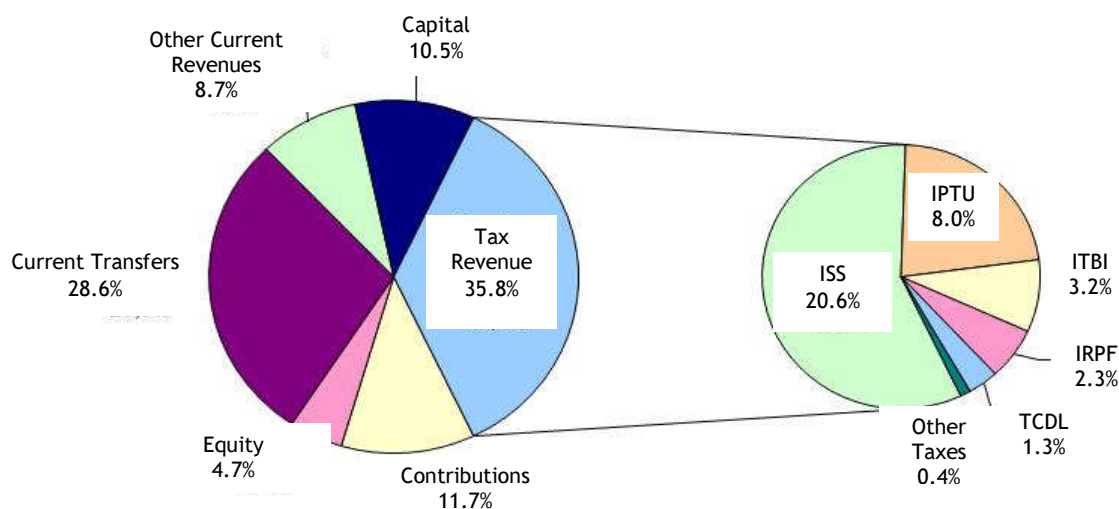
The Current Revenues estimated in the Budget Law (LOA) 2012 in R\$ 18.354 billion comprise the Tax Revenue, Contributions Revenue, Equity Revenue, Industrial Revenue, Services Revenue, Current Transfers and Other Current Revenue, as shown below. This estimate comprises 89.5% of Total Revenue, as indicated in Table VIII. The Current Revenue held in the 2nd quadrimester 2012 reached the amount of R\$ 12.348 billion against R\$ 10.922 billion collected in the same period in 2011. This variation includes a nominal growth in the order of around 13.1%.

We should also mention that the Net Current Revenue (RCL), calculated in accordance with the definitions of the Fiscal Responsibility Act - LRF and used as the basis for various spending limits, reached in August 31st 2012, the amount of R\$ 15.393 billion (accumulated in the last 12 months), demonstrating a 8.7% growth over the R\$ 14.161 billion reached on the 31st December 2011.

III.1.1) TAX REVENUE

The Tax Revenues estimated for the year under the Budget Law in R\$ 7.337 billion comprise the taxes ISS, IPTU, ITBI and IRRF, and the fees for the exercise of the police power and the rendering of public services controlled by the Municipality.

CHART III - COMPOSITION OF TAX REVENUE
BUDGET LAW 2012 (ALL SOURCES OF FUNDS)



As one can see from the table below, the Tax Revenue collected up to the 2nd quadrimester 2012 reached the amount of R\$ 5.215 billion and showed a nominal growth of 13.0% in relation to the R\$ 4.617 billion in the same period of 2011.

TABLE IX - TAX REVENUE PER ECONOMIC CATEGORY AND ORIGIN
(ALL SOURCES OF FUNDS)

Description	In RS million			
	JANUARY TO AUGUST		VARIATION	
	2011	2012	Nominal	%
Tax Revenue	4,616.9	5,215.3	598.5	13.0%
IPTU	1,238.7	1,330.6	91.8	7.4%
IRRF	339.3	319.9	(19.4)	-5.7%
ITBI	376.1	476.2	100.1	26.6%
ISS	2,404.3	2,811.9	407.7	17.0%
TCDL	198.8	215.6	16.8	8.5%
Other Fees	59.7	61.1	1.4	2.4%

Source : RREO and BUDGET and FINCON Systems.

III.1.1.1) TAX ON SERVICES - ISS

In the first eight months of 2012, the ISS collection reached the amount of R\$ 2.812 billion against R\$ 2.404 billion for the same period in 2011, a nominal increase of 17.0%. Main municipality tax and the largest revenue income, ISS performance again shows to be remarkable during these two quadrimesters, a result of the economic strength of the City services sector and higher efficiency in collecting, which the most important symbol is the Services Electronic Bill (Nota Carioca) implemented in the 2nd semester of 2010. The ISS collection estimate for the year is of R\$ 4.227 billion as foreseen under the Budget Law.

It should be noted that the increase of ISS in comparison to 2011 has accelerated in this second quadrimester related to the first quadrimester of the year, especially between July and August. In these two months, some of the more significant economic sectors regarding ISS collection presented a notable nominal increase in comparison to the same bimester in 2011, such as hotel and accommodation services and tourism (36.8% increase from 2011), health (33.5%) and bank and insurance operations (20.7%).

III.1.1.2) MUNICIPAL PROPERTY TAX - IPTU

Estimated in LOA 2012 for the year in the amount of R\$ 1.645 billion, IPTU reached R\$ 1.331 billion up to the 2nd quadrimester, while collection in the same period in 2011 was of R\$ 1.239 billion. This variation between the two periods indicates a nominal growth of 7.4%. Note that IPTU reflects, in a great part, the past inflation, that is, in 2012 the Base IPTU value was corrected by the 2011 inflation (6.56% by IPCA-E). A secondary factor for the increase in IPTU comes from the efforts to update the database on real-estate in the Municipality.

III.1.1.3) TRASH COLLECTION FEE- TCDL

The collection of TCDL until the 2nd quadrimester in 2012 reached the amount of R\$ 215.597 million, against R\$ 198.759 million collected in the same period in 2011, a nominal increase of 8.5%. The fee is charged together with IPTU, following the tax seasonality and its estimate for the year is of R\$ 262.935 million, in accordance with the budget estimate.

III.1.1.4) TAX ON REAL ESTATE TRANSFER AND RIGHTS ON REAL ESTATE - ITBI

In the first eight months of 2012, collection of current ITBI values reached the amount of R\$ 476.211 million, against R\$ 376.099 million collected in the same period of 2011, indicating a nominal growth of 26.6%. The budget provision for ITBI collecting in 2012 is of R\$ 646.691 million. ITBI is a tax charged on the value of the real estate transaction and the growth in collection is reflecting a warming in the real estate sector as a result of credit expansion and the reduction in pent up demand, which caused a significant appreciation of real estate prices in the City.

Similar to ISS, the ITBI increase from 2011 has accelerated in this second quadrimester, as the nominal increase of the first quadrimester of 2012 was of 21%. It stands out, at first, the collection of ITBI in August, the first time when such tax has surpassed the R\$ 70 million monthly mark, reaching R\$ 86.3 million.

III.1.1.5) WITHHOLDING INCOME TAX - IRRF

Estimated in LOA 2012 to be of R\$ 467.005 million, IRRF collected, until the 2nd quadrimester 2012, the amount of R\$ 319.905 million against R\$ 339.308 million collected in the same period of 2011. This variation corresponds to an increase of 5.7% in nominal terms. We should mention that this revenue relates mainly to Income Tax withholding on the payments to Municipality employees and suppliers and entities rendering services to the Municipality.

III.1.1.6) OTHER FEES

The Other Fees include fees for Sanitary Inspection, Establishment License (Permit), Licensing and Supervision of Works Performed in Public Facilities, Authorization for Advertising, Works in Private Areas, Use of Public Areas, Surveillance of Passenger Transportation and Surveillance of Cemeteries, all arising from actions of police power. Until the 2nd quadrimester 2012, R\$ 61.140 million were collected, against R\$ 59.695 million collected in the same period of the previous year, which generated a nominal growth of 2.4%

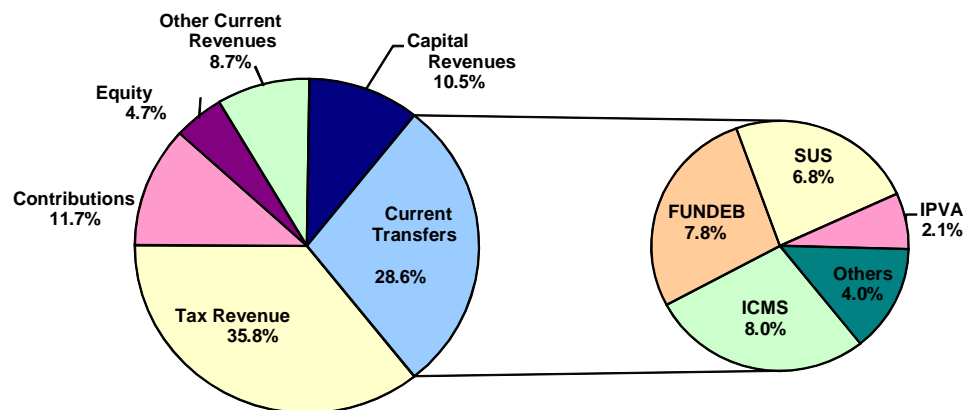
III.1.2) CURRENT TRANSFERS

Having a higher participation in Total Revenue after Tax Revenue, the Current Transfers contemplate inflow of resources from the Federal and State Governments, agreements, among others. Most of these transfers are mandatory in nature (constitutional partition of tax revenue among federation states), being the voluntary nature transfers (example: agreements) less expressive in terms of collected amounts.

For transfers from federal and state taxes, the behavior of the installments transferred to Municipality relates to the movements in economic activities reflected in the collection of such entities (State of Rio de Janeiro and Federal Government), and their transfer criteria.

Note that, opposite to most of the Brazilian municipalities, which are fully dependent on the state and federal transfers, the Municipality of Rio de Janeiro maintains its independence due to its own collection, as can be observed in Chart IV below.

CHART IV - COMPOSITION OF CURRENT TRANSFERS
BUDGET LAW 2012 (ALL SOURCES OF FUNDS)



Estimated in the Budget Law to be R\$ 5.856 billion, the Current Transfers totaled R\$ 3.941 billion in the end of the 2nd quadrimester 2012. If compared to the equal period in 2011, when the Current Transfers amounted to R\$ 3.440 billion, we find a nominal growth of 14.6%.

TABLE X - CURRENT TRANSFERS BY ECONOMIC CATEGORY AND ORIGIN
(ALL SOURCES OF FUNDS)

	In R\$ million			
	JANUARY TO AUGUST		VARIATION	
	2011	2012	Nominal	%
Current Transfers	3,439.5	3,940.7	501.2	14.6%
Intergovernmental	3,429.7	3,924.6	494.9	14.4%
FUNDEB	1,000.5	1,132.9	132.4	13.2%
Net ICMS	943.3	1,035.8	92.5	9.8%
SUS	712.0	840.1	128.1	18.0%
Net IPVA	342.8	381.5	38.7	11.3%
Education Wage	144.0	177.8	33.7	23.4%
Royalties	114.1	146.6	32.5	28.5%
Net FPM	99.6	118.6	19.1	19.2%
Others	46.5	63.9	17.4	37.3%
Net IPI-EXP	27.0	27.6	0.7	2.4%
Agreements	9.8	16.0	6.2	63.5%

Source : FINCON/CGM.

All transfers showed a nominal growth. It is worth analyzing individually the performance of the major transfers, as presented below.

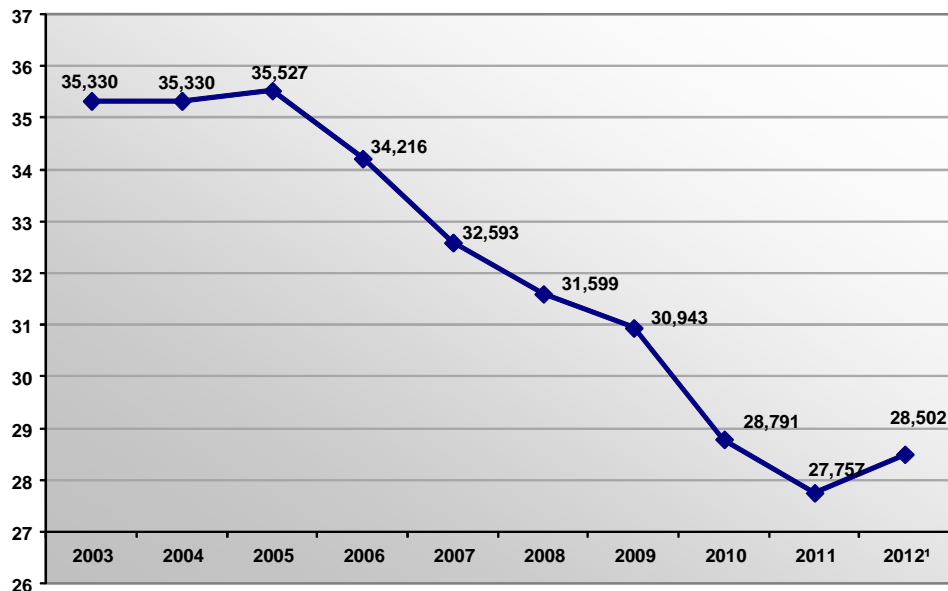
- **FPM** – FPM collection until the 2nd quadrimester in 2012, net from the Municipality installment for the composition of FUNDEB, reached the amount of R\$ 118.636 million, against R\$ 99.564 million in the same period of 2011. This transfer from the Federal Government, formed by IPI and Income Tax funds, presented a growth of 19.2%. For this year, the Budget Law estimates a collection of R\$ 175.974 million for net FPM.
- **SUS** (Unified Health System) – The inflow of funds from SUS was, until the 2nd quadrimester 2012, of R\$ 840.053 million against the R\$ 711.698 million totaled in equal period in 2011, which allows a nominal growth of 18.0% LOA 2012 estimates SUS collection for the year to reach R\$ 1.385 billion.
- **ICMS** (Similar to VAT) – The collection of ICMS state transfer, net of the Municipality installment for the composition of FUNDEB, reached, in the end of the 2nd quadrimester 2012, the amount of R\$ 1.036 billion, against R\$ 943.346 million collected in the same period of 2011. There was a nominal growth of 9.8%.

In LOA 2012, the transfer of ICMS to the City is estimated in R\$ 1.634 billion. It is worth remembering that this amount comprises R\$ 142 million (net of MRJ contribution to FUNDEB) related to the estimate of resources from future changes to State Law n° 2.664/96, object of

unconstitutionality decided in 2007 by the Supreme Court in decision on the Extraordinary Appeal nº 401.953 filed by the Municipality, and R\$ 10.605 million relating to the inclusion of Fines and Accrued Arrears collected by the state on ICMS transfers to the City². Note that, up to the 2nd quadrimester 2012, R\$ 7.749 million (gross) of ICMS accrued arrears entered.

Despite the small growth in state transfer of ICMS until the 2nd quadrimester in 2012 in relation to the same period in the previous year (9.8%), it is worth mentioning the increase in IPM (Municipality Participation Index) for the Municipality of Rio de Janeiro in 2012, as demonstrated in the Chart below.

CHART V - EVOLUTION OF IPM IN THE MUNICIPALITY OF RIO DE JANEIRO
2002 TO 2012



¹ 2012: Final Index (Decree N.º 43.417 of 12/01/2012).

The State of Rio de Janeiro determines annually the IPMs to be used for apportionment, during the following year, of 25% of ICMS collection to be distributed to the state municipalities. In the case of Rio de Janeiro, IPM has been suffering successive reductions since 2005, which contribute in negative impact in the parcel transferred to the City. However, in 2012, IPM, established by Decree N° 43.417, dated the 12th January 2012, was of 28.502%, that is, 2.68% higher than the 27.757% defined for the previous year.

² Given the ruling of the Court of the State of Rio de Janeiro in the case TCE / RJ No. 113.447-6/2004; the pronouncement of the State General Attorney in case No. E-14/000.555/2009, and the Technical Note SEFAZ / SUPOF No. 14 of 05/11/2010, the Governor of the State authorized by Decree No. 42,516 of 06/16/2010, payment of fines and arrears surcharges levied on ICMS and IPVA related to state collection in the period 2004 to 2009 to the cities belonging to the State of Rio de Janeiro in successive equal monthly installments updated by UFIR-RJ over five years (from July 2010 to June 2015).

- **IPVA** – Until the 2nd quadrimester in 2012, the IPVA transfer by the State, net from the City participation in the formation of FUNDEB, reached the amount of R\$ 381.481 million against R\$ 342.762 million collected in the same period of 2011, indicating a nominal growth of 11.3%. In LOA 2012, IPVA for the year is estimated in R\$ 426.114 million. Note that, in the 2nd quadrimester 2012, R\$ 24.585 million (gross) of IPVA accrued arrears entered.
- **IPI-EXP** – The state transfer of IPI-EX collection, net of participation by the city for the formation of FUNDEB, reached from January to April 2012 the amount of R\$ 27.618 million against R\$ 26.965 million achieved in the same period of the previous year. There was a nominal increase of 2.4%. LOA 2012 estimates for the year the amount of R\$ 45.410 million net IPI-EXP.
- **OIL ROYALTIES** – The transfer of the Oil Royalties reached the amount of R\$ 146.575 million in the first eight months in 2012, against R\$ 114.083 million collected in the same period of 2011. This transfer presented a growth of 28.5% in collection between the two periods and is estimated under LOA 2012 in R\$ 172.235 million. It is worth mentioning that the transfer of oil royalties to the city depends on some outside factors like the prices of the oil barrel, the exchange rates and the production in the extraction fields wherefrom the Municipality receives such participation, among others.
- **FUNDEB** – Estimated in LOA 2012 to be of R\$ 1.600 billion, the FUNDEB transfer of revenue reached the amount of R\$ 1.133 billion from January to August 2012, which compared to the R\$ 1.001 billion reached in equal period in 2011, evidences a nominal growth of 13.2% between the two periods.

The fund base is formed by shares of the FPM, ICMS, IPVA, IPI-Ex transfers, Exemption of ICMS on Exportations – LC 87/96 (Kandir Law), ITR, ITCM and FPE transfers, being that over 80% of FUNDEB composition is due to the ICMS sharing.

- **EDUCATION WAGE** – The collection of the Education Wage transfer reached, from January to August 2012, the amount of R\$ 177.773 million against R\$ 144.028 million collected in the same period of 2011. This variation comprises a nominal increase of 23.4%. Under the Budget Law 2012, the transfer of the Education Wage is estimated in R\$ 235.586 million.

III.1.3) OTHER CURRENT REVENUES

III.1.3.1) CONTRIBUTIONS REVENUE

Until the 2ND quadrimester 2012, the Contributions Revenue reached the amount of R\$ 1.461 billion, superior to the R\$ 1.309 billion collected in the same period of 2011, that is, a growth of 11.6%.

Estimated in LOA 2012 in R\$ 2.400 billion, this revenue is formed by:

- **Social Contributions**— Comprises city Employees Contributions for the costing its own social security system, the Employer Contribution, the Supplementary Contribution³ and the resources input by the Municipal Treasury and by the employees to form the Employees' Health Assistance Fund - FASS.

Until the 2nd quadrimester 2012, the Social Contributions Revenue reached the amount of R\$ 1.333 billion, superior in 12.2% to the R\$ 1.188 billion collected in the same period of 2011. R\$ 2.221 billion are foreseen for the year, being R\$ 1.106 billion in Supplementary Contribution, as estimated by the Budget Law.

- **Economic Contributions** — They comprise the contribution to the costing of Public Illumination Service (COSIP), established by Law n° 5.132, dated the 1st December 2009, charged by the electricity distribution concessionaire and transferred monthly to the City and estimated under LOA 2012 in R\$ 178.602 million. R\$ 127.897 million were collected from January to August 2012, which evidences a nominal growth of 6.2% over the R\$ 120.449 million entering the Municipal Treasury in the same period of the previous year.

III.1.3.2) EQUITY REVENUE

Equity Revenue collected R\$ 759.417 million in the two first quadrimesters of 2012, against the R\$ 667.981 million collected in the same period of the previous year, indicating an increment of 13.7% in nominal terms between the two periods.

Estimated in LOA 2012 in R\$ 968.691 billion, this revenue is formed by:

- **Securities Revenue** - Correspond to the income from the application of cash in market operations and are influenced by the fluctuations in the average interest rate and cash balance availability. LOA 2012 estimates an inflow of R\$ 732.402 million representing 75.6% of the Equity Revenue estimated by that law.

Collection of Securities Revenues in the first eight months in 2012 presented a growth of 0.5%. There was an inflow of R\$ 539.629 million against R\$ 536.904 million of the previous year. It should

³ Since the year 2011, the monthly subsidy paid by the Treasury to Funprevi on an extra budgetary basis is now represented as Supplemental Contribution, being the subject of accounting as contributions revenue (of Funprevi) and personnel expenses and charges (by the Treasury). The additional contribution follows the parameters set by Law 5.300/2011 (Funprevi capitalization Act), calculated as 35% on gross payroll of active servers. The value of R\$ 977.839 million in 2011 caused an increase of the amounts recorded in these two items (contributions revenue and personnel costs), but it is an accounting duplicate and not any increase in this expense, for such disbursements were actually made, having changed, basically, only the forms of calculation and record. Note that there is no additional impact on the limit of staff of the Fiscal Responsibility Law, for such duplication is eliminated in the computation thereof.

be noted that this increase was a result, mainly, of the profit obtained from the Sales of public Securities of the Municipality own portfolio (NTN-C), which generated an accounting profit of R\$ 147.7 million.

As a positive factor, it should also be pointed out the reduction of the administration fee for fixed income funds, as well as the improvement on the performance of these investments due to the valuation of assets which compound the portfolio, a result of the current market conditions.

On the other hand, the average interest rates applied in this period (9.16%/year) was lower than those of the previous period (11.77%/year), due to the Monetary Policy adopted by the Federal Government. Also note that there was a reduction in the Treasury Funds average cash applied (-24.7%), in view of the acceleration of the committed expenses execution pace by the City of Rio de Janeiro. The financial investment policy for the municipal availabilities is presented in section VI.

- **Other Equity Revenues** - Composed by revenue from rents, forums, laudemium, concessions and permits, etc. LOA 2012 estimates an inflow of R\$ 236.289 million representing 24.4% of the Equity Revenue estimated by that law.

During the 2nd quadrimester in 2012, there was an increase in collecting of Other Equity Revenues, increasing by R\$ 131.077 million from January to August 2011 to R\$ 219.788 million collected in the same period in 2012 (a growth of 67.7%). This addition on the Other Equities comes from the realization in January 2012 of the revenue regarding the concession granting for rendering of sanitation services on Planning Area 5, amounting R\$ 84.240 million, while on the previous year there was no income from this revenue.

III.1.3.3) INDUSTRIAL AND SERVICES REVENUE

The Industrial and Services revenues comprise, in the majority, funds collected directly by the indirect administration (autarchies, foundations, public companies and public/private entities). Together they collected on the 2ND quadrimester in 2012 R\$ 232.066 million, while in the same period of the previous year collection was of R\$ 251.023 million. Therefore, there was a growth of 7.6%. Most part of these revenues is of intra-budget nature, that is, amounts paid by the Municipal Treasury for the rendering of the indirect administration services in municipal units, such as cleaning of schools and health units, official press and others.

III.1.3.4) OTHER CURRENT REVENUES

For the year of 2012, the Other Current Revenues are estimated under LOA in R\$ 1.432 billion. From January to August 2012, R\$ 739.715 million were collected. This amount, when compared to the R\$ 637.833 million collected in the same period of 2011, indicates a growth of 16.0% in nominal terms. Significant nominal growths may be observed in all items, except Active Debt. The table below shows these figures.

TABLE XI - OTHER CURRENT TRANSFERS BY ECONOMIC CATEGORY AND ORIGIN
NOMINAL VARIATION BETWEEN THE YEARS OF 2011 AND 2012 (ALL SOURCES OF FUNDS)

DESCRIPTION	In R\$ million			
	JANUARY TO AUGUST		VARIATION	
	2011	2012	Nominal	%
Other Current Revenues	637.8	739.7	101.9	16.0%
Fines and Delay Interests	286.2	346.8	60.6	21.2%
Indemnities and Returns	21.0	39.6	18.6	88.2%
Active Debt	166.2	163.3	(2.9)	-1.8%
Miscellaneous Revenues	164.4	190.0	25.6	15.6%

Source : RREO and BUDGET Systems and FINCON.

Some of such variations should be pointed out, as shown below.

- **Fines and Delay Interests** – This group collected, until August 2012, R\$ 346.793 million, against R\$ 286.190 million collected in the same period of 2011. The variation between the two periods indicates a growth of 21.2%. For the year of 2012, this item is estimated in R\$ 443.379 million.

It should be noted the increase in revenue from Traffic Fines (Source 109), which collected R\$ 111.343 million until August 2012, against R\$ 83.432 million accomplished in the same period of the previous year, resulting in a nominal increase of 33.5%. Note that this item includes fines and delay interests on debts in the administrative phase and also in Active Debt charging phase by the Municipality General Prosecution.

- **Indemnities and Refunds** - Indemnities and Refunds increased by 88.2% between the first eight months of 2011 and the same period in 2012. In 2012, R\$ 39.613 million were collected. At its turn, R\$ 21.045 million entered in 2011. The expressive increase noted was due to collection of Social Security Compensation revenue between the Social Security Regimens, which grew 61.1% (from R\$ 19.157 million to R\$ 30.867 million).

For the year (LOA), a revenue for indemnities and Refunds is estimated in R\$ 65.035 million.

- **Active Debt** - During the 2nd quadrimester of 2012, R\$ 163.297 million were collected against R\$ 166.233 million collected in the same period of 2011. This variation represents a nominal reduction of 1.8%. The main reasons for the low collection for this group were the revenue on IPTU Active Debt which decreased 3.7% between the two periods (from R\$ 103.016 million in 2011 to R\$ 99.161 million in 2012) and the revenue on Non-Taxable Active Debt which decreased 19.8% (from R\$ 26.129 million to R\$ 20.959 million), as detailed in the table below.

TABLE XII - DETAILING OF ACTIVE DEBT

DESCRIPTION	2012 LOA ¹ [A]	JANUARY TO AUGUST			Performance			[D]/[C] %	In R\$ Compos. % LOA
		Meta ² [B]	2011 [C]	2012 [D]	[D]/[B] %	[B]/[A] %	[D]/[A] %		
Active Debt on IPTU	148,160,940	92,623,776	103,016,380	9,161,250	107.1%	62.5%	66.9%	-3,7%	60.9%
Active Debt on ISS	32,036,844	20,437,906	19,752,156	21,348,361	104.5%	63.8%	66.6%	8,1%	13.2%
Active Debt on TCDL	23,246,004	15,409,658	14,649,808	18,358,684	119.1%	66.3%	79.0%	25,3%	9.6%
Active Debt on Other Taxes	1,768,718	915,620	1,299,170	2,073,709	226.5%	51.8%	117.2%	59,6%	0.7%
Active Debt on Fees	2,222,404	1,438,726	1,385,989	1,396,034	97.0%	64.7%	62.8%	0,7%	0.9%
Non-Taxable Active Debt	35,745,712	29,399,708	26,129,367	20,958,733	71.3%	82.2%	58.6%	-19,8%	14.7%
TOTAL	243,180,622	160,225,394	166,232,870	163,296,770	101.9%	65.9%	67.2%	-1.8%	100.0%

Source : BUDGET and FINCON.

¹ Law Nº 5.362 of 18th of January of 2012 (Budgetary Law for the Financial Year of 2012).

² Deliberation CPFPGF nº 258 of 15/02/2012.

Note that this item does not include fines and delay interests charged with the principal of the debts already inscribed in the Active Debt. For the year of 2012, LOA estimates R\$ 243.181 million for Active Debt.

- **Miscellaneous Revenues** - From January to August 2012, R\$ 190.213 million were collected in this revenue group, against R\$ 164.365 million accomplished on the same period of the previous year. Such variation indicates a nominal growth of 15.6% between the two periods

The highlight for this increase was the Counterpart Revenue on Regularization of Construction Works - FMH (created by Municipality Complementary Law 099 - "Puxadinho Law", which allowed the regularization of areas added to already existing constructions) which collected R\$ 83.863 million in the 2nd quadrimester in 2012 against R\$ 73.557 million collected in the same period of 2011.

LOA 2012 estimated R\$ 679.968 million for Miscellaneous Revenues.

III.2) CAPITAL REVENUE

Capital Revenue in the end of the 2nd quadrimester in 2012 reached the amount of R\$ 729.221 million against R\$ 274.202 million in the same period in 2011. Such variation corresponds to a growth of 165.9%.

For the year, LOA 2012 estimated R\$ 2.149 billion for Capital Revenues. By the LOA 2012 composition, the Capital Revenues had a participation of 10.5% in the Total Revenue and comprise revenues for Credit Operations, Disposal of Assets, Amortization of Loans, Capital Transfer and Other Capital Revenue.

III.2.1) CREDIT OPERATIONS

Credit Operations conducted until August 2012 reached the amount of R\$ 230.152 million, bypassing in 151.3% the R\$ 91.602 million conducted in the same period of 2011.

For the year of 2012, R\$ 955.672 million are foreseen, as estimated by the Budget Law. The releases occurred in this period correspond to the programs Transcarioca (R\$ 160 million), Pro-Moradia (R\$ 26.316 million), PNAFM (R\$ 15.864 million) and Sanitation for All (R\$ 15.295 million), as shown on the table below.

TABLE XIII- CREDIT OPERATIONS

		JANUARY TO AUGUST				In R\$	
		Target ²	Accomplished				
		[B]	[C]				
TRANSCARIOCA	411,637,795	300,000,000	160,000,000	53.3%	72.9%	38.9%	43.1%
PAC I	106,012,687	63,607,414	9,929,344	15.6%	60.0%	9.4%	11.1%
PMAT III	17,763,000	13,000,000	2,748,767	21.1%	73.2%	15.5%	1.9%
PNAFM	30,120,914	20,120,914	15,863,516	78.8%	66.8%	52.7%	3.2%
PRO-MORADIA	164,151,946	109,108,046	26,315,911	24.1%	66.5%	16.0%	17.2%
SANITATION	78,472,610	46,833,300	15,294,773	32.7%	59.7%	19.5%	8.2%
Total Sources 110	808,158,952	552,669,674	230,152,312	41.6%	68.4%	28.5%	84.6%
BID-PROAP III	56,094,235	33,656,544	-	0.0%	60.0%	0.0%	5.9%
RELUZ II	10,315,073	6,619,095	-	0.0%	64.2%	0.0%	1.1%
PAC II	81,094,914	48,656,946	-	0.0%	60.0%	0.0%	8.5%
OTHERS	9,000	-	-	0.0%	0.0%	0.0%	0.0%
Total Sources 112	147,513,222	88,932,585	-	-	60.3%	-	15.4%
TOTAL	955,672,174	641,602,259	230,152,312				

III.2.2) DISPOSAL OF ASSETS

The revenue from Disposal of Assets collected R\$ 324.216 million until the 2nd quadrimester in 2012, 931.8% higher than the R\$ 31.421 million collected in the same period in 2011. From the total collected in the period, R\$ 322.137 million refer to alienation of Other Mobile Assets - Intangible Assets (referring to the installment paid on August 1st by Banco Santander for exclusivity of payment of public employees' payrolls), R\$ 1.084 million for disposal of real estate securities of FUNPREVI, R\$ 698.855

for disposal of assets - Investment and R\$ 237.150 of disposal of Comlurb mobile assets. For the year, disposals are foreseen in the amount of R\$ 441.451 million, as estimated under the Budget Law for 2012.

III.2.3) AMORTIZATION OF LOANS

The revenue from Amortization of Loans, estimated in the Budget Law to be of R\$ 112.266 million, reached the amount of R\$ 70.576 million in the 2ND quadrimester in 2012, being 7.7% below the R\$ 76.499 million achieved in the same period of 2011. Such revenues are mainly resources from Previ-Rio relating to return of real-estate financing loans granted to Municipality employees.

III.2.4) CAPITAL TRANSFERS

R\$ 333.644 million are foreseen for the year. Until the 2nd quadrimester 2012, the collected amount was of R\$ 104.276 million, 39.6% higher in comparison with the collection of R\$ 74.679 million in the same period of 2011. They are almost all resources from federal transfers, disposed under Agreements revenues, among which are outstanding the agreements for PAC - Growth Acceleration Program and PRONASCI - National Program for Public Safety with Citizenship.

TABLE XIV - CAPITAL TRANSFER (AGREEMENTS)

Description	2012 LOA ¹ [A]	JANUARY TO AUGUST		Performance			Compos. % LOA
		Target ² [B]	Accomplished [C]	[C]/[B] %	[B]/[A] %	[C]/[A] %	
		PAC agreements	143,146,137	105,768,697	16,068,971	15.2%	
PRONASCI Agreements	4,747,308	2,373,656	-	0.0%	50.0%	0.0%	1.5%
Other Agreements	165,416,634	132,727,849	62,086,599	46.8%	80.2%	37.5%	52.8%
TOTAL CAPITAL AGREEMENTS	313,310,079	240,870,202	78,155,570	32.4%	76.9%	24.9%	100.0%

Source : BUDGET and FINCON.

¹ Law N° 5.362 of 18th of January 2012 (Budget Law for the Financial Year of 2012).

² Deliberation CPFPGF n° 258 of 15/02/2012.

Besides the Capital Agreements, there are other revenues classified as Capital Transfer, which totalled R\$ 26.121 million (a decrease of 17.7% in relation to the R\$ 31.726 million collected in the same period of 2011), where revenues from the implementation of Basic Health Units are outstanding, collecting R\$ 9.297 million in the period.

III.2.5) OTHER CAPITAL REVENUE

The amounts classified under Other Capital Revenues for the year of 2012 were estimated in R\$ 306.004 million by PREVI-RIO and, according to information supplied by this autarchy, they refer to an estimate of revenue arising from reserves previously constituted for the financing of obligations. Such revenues are not actually collected, since variation in the Fund reserves is directly reflected in the Funprevi balance sheet, in the form of variation of cash availabilities.

IV) MUNICIPALITY EXPENDITURES

IV.1) EXPENDITURES BY ECONOMIC CATEGORY

The Table below presents the budget execution at the end of the 2nd quadrimester 2012, referred to the engaged value in the same period in 2011 by Expense Nature Groups.

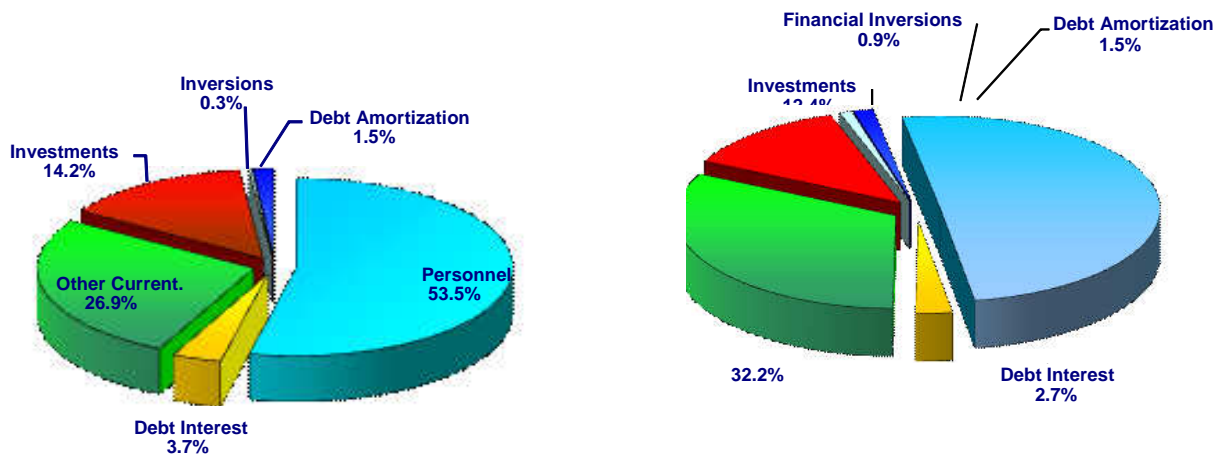
TABLE XV - BUDGET EXPENSES BY ECONOMIC CATEGORY
ACCUMULATED UNTIL THE 2ND QUADRIMESTER 2011 AND 2012 (ALL SOURCES OF FUNDS)

Budget Execution		In R\$ million			
Category	Group	2011	2012	Variation	
		Paid	Paid	Nominal	%
Current	Personnel	5,313.5	6,005.2	691.7	13.0%
	Interests on Debt	363.7	324.3	-39.4	-10.8%
	Other Current	2,676.4	3,847.7	1,171.3	43.8%
	Total	8,353.6	10,177.3	1,823.7	21.8%
Capital	Investments	1,410.2	1,483.4	73.2	5.2%
	Financial Inversions	24.9	109.1	84.2	338.4%
	Debt Amortization	150.0	175.0	24.9	16.6%
	Total	1,585.1	1,767.4	182.4	11.5%
Contingency Reserve		-	-	-	-
Grand Total		9,938.7	11,944.7	2,006.0	20.2%

CHART VI - PARTICIPATION OF EACH EXPENSE GROUP IN THE TOTAL PAID BUDGET (ALL SOURCES OF FUNDS)

JANUARY TO AUGUST 2011

JANUARY TO AUGUST 2012



From the data presented, we verify that the total committed value until the 2nd quadrimester in 2012 was of R\$ 11.945 billion, 20.2% higher than in the same period in the previous year. Such variation in nominal terms represents R\$ 2.006 billion and occurred, mainly, in view of the increase in the pace of the liquidation of Other Current Expenses and Investments.

Regarding Investment Expenses, there was an increase of 5.2% (R\$ 73.2 million higher than the amount committed until August 2012), demonstrating the emphatic pace of the investments in the City.

Current Expenses increased 43.8%, equivalent to an increment of R\$ 1.171 billion. The most contributing bodies for this increase were Health, Education, Social Assistance, Comlurb and Public Conservation. These bodies together summed a total increase of R\$ 963.0 million in costing expenses from 2011, that is, they were responsible for 82.2% of the total increment verified in this expense phase.

We may also observe a decrease in the Group titled “Debt Interest”, due to the burden reduction benefits of the municipal debt originated from the operation with the World Bank performed on 2010 and 2011.

In relation to personnel expenses, an increase of 13.0% from 2011 to 2012 is observed, which represents R\$ 691.7 million. The main causes of this growth were the increase of the amount of employers from PCRJ, with an increase of 6.64% (from 115.540 to 123.214 employees) as well as the 5% annual readjustment (Direct Administration, Autarchies and Foundations) paid from July/2012. For

Public/Private Companies and Societies, the percentages and dates of readjustments vary according to each entity and some have not undergone any readjustments until now.

We must point out that the 2012 Budget was approved in the amount of R\$ 20.503 billion. At the end of the 2nd Quadrimester, the updated 2012 budget allocation reached R\$ 22.162 billion. This significant increase in the budget is a consequence, mostly, of the incorporation of features from part of the financial surplus for the year of 2011 and also, in a smaller part, the increase in the resources initially foreseen in the budget in relation to Agreements and Credit Operations.

IV.2) EXPENDITURES BY GOVERNMENT FUNCTION

By the table below, we verify that the Education, Health, Social Security and Urbanism areas represent, in the end of the 2nd quadrimester of 2012, 71.0 % of the budget expenditures. Other functions with more significant share in total spending were: Administration with 8.5%, Special Charges with 4.8% and Social Assistance with 3.4%. These seven functions represent 87.7% of the Municipality expenditures.

TABLE XVI - BUDGET EXPENSES BY GOVERNMENT FUNCTION
FISCAL YEAR OF 2012 - 2nd QUADRIMESTER (ALL SOURCES OF FUNDS)

In RS million

FUNCTION	2012	
	COMMITTED	Composition
01 Legislative	301.3	2.5%
02 Judicial	42.3	0.4%
04 Administration	1,012.4	8.5%
06 Public Safety	195.1	1.6%
08 Social Assistance	410.0	3.4%
09 Social Security	1,735.8	14.5%
10 Health	2,311.9	19.4%
11 Labor	5.2	0.0%
12 Education	2,595.6	21.7%
13 Culture	92.9	0.8%
14 Citizenship Rights	0.7	0.0%
15 Urbanism	1,835.1	15.4%
16 Homes	179.0	1.5%
17 Sanitation	310.4	2.6%
18 Environment Management	71.3	0.6%
19 Science and Technology	9.2	0.1%
22 Industry	5.1	0.0%
23 Trading and Services	100.1	0.8%
26 Transport	131.5	1.1%
27 Sports and Leisure	20.9	0.2%
28 Special Charges	579.1	4.8%
99 Contingencies Reserves	0.0	0.0%
TOTAL	11,944.7	100.0%

We emphasize the fact that the opening of the above expenses has no direct relation with the application of the constitutional precepts of obligatory use of resources in Education (25%) and Health (15%), which calculation is based on the comparison of expenditures in these areas with specific Revenue items, not reflected in this Table.

V) FUNDRAISING

V.1) PAC WITHIN THE CITY OF RIO DE JANEIRO

The Growth Acceleration Program - PAC operations, agreed between the Municipality of Rio de Janeiro and the Federal Government, represents a set of interventions employed over the past years, funded with resources from the General Budget of the Federal Government - OGU and also through financing. The table below presents a profile of the operations financed with non-refundable resources (OGU).

TABLE XVII - PAC OGU (I and II)

In R\$ thousand									
PAC I - OGU CEF 2007/2008	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
<i>Urbanization of Areas</i>									
Complexo da Tijuca	13,397	56,695	70,092	1,760	1,856	3,616	12,480	53,882	66,362
Colônia Juliano Moreira	25,687	82,000	107,687	2,876	5,007	7,882	6,961	51,751	58,712
SOEICON/Centro I/II	4,739	10,511	15,250	1,125	1,562	2,687	3,053	9,387	12,440
Complexo de Manguinhos	14,417	79,320	93,737	168	1,149	1,317	13,521	72,580	86,101
Complexo do Alemão	17,855	90,317	108,172	0	4,340	4,340	17,855	87,248	105,103
Vila Catiri - FNHIS	1,063	3,032	4,095	95	212	306	443	2,227	2,670
Fazenda Coqueiros-FNHIS	938	3,752	4,690	0	0	0	0	0	0
<i>Sanitation</i>									
Sepetiba	2,508	14,614	17,121	0	0	0	2,095	13,063	15,158
SUB-TOTAL	80,604	340,241	420,844	6,023	14,126	20,149	56,408	290,137	346,545
PAC I - OGU CEF 2009	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
<i>Urbanization of Areas</i>									
Complexo da Tijuca - complem.	3,842	27,661	31,503	301	3,572	3,872	998	7,539	8,537
<i>Sanitation</i>									
Lot 1A Jacarepaguá	6,515	123,785	130,300	1,202					
Em R\$ mil									
Taludes Stabilization Projects									
Canal Mangue/Trapicheiro									
Taludes Stabilization Projects									
Morro da Providência									
Chapadão/Chico Mendes									

Source: F/STM/ACR.

In this second quadrimester of 2012, we highlight the commencement of the largest part of the contracts within the scope of PAC 2, some with already started payment procedures, as is the case of the cliff stabilization projects, flood eradication in the Canal do Mangue basin and the first phase of the urbanization project of Morro da Providência, as well as others in final stages of technical approval, such as the cliff contention interventions and urbanization of the Chapadão community.

As mentioned in the previous report, the Urbanization Contracts for the Alemão, Manguinhos and Tijuca Complexes, relating to PAC 1/2007, which count on OGU resources, are physically completed,

which explains the low financial performance of the period, pending the land regularization measures and the Technical-Social Work.

The macro drainage works in Lot 1A at the Jacarepaguá Basin stand out due to representing the highest percentage of development of the period, and have already reached 37% of the foreseen invoicing.

Regarding the operations related to credit operations (debt), the financing resources originated from FGTS are operated by Caixa Econômica Federal through the Pró-Moradia and Saneamento para Todos Programs, summarized on the following table.

TABLE XVIII - PAC CREDIT OPERATIONS CEF

in R\$ thousand

PAC - FGTS CEF 2007/2008	USES AND SOURCES			PERFORMED IN 2012			TOTAL ACCUMULATED PERFORMANCE		
	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
<i>Urbanization of Areas</i>									
Reg. Fundiária Fernão Cardim	25	474	498	4	76	80	18	335	352
A. Lima / S.Rodrigues	2,682	21,635	24,317	277	2,377	2,654	2,315	16,935	19,250
São Carlos	1,999	21,145	23,144	119	3,054	3,173	1,623	16,459	18,082
Nova Divineia and others	1,583	16,678	18,262	0	0	0	1,215	10,294	11,509
Guarabu	3,794	27,885	31,679	0	0	0	2,706	17,170	19,876
Areal	1,110	5,464	6,574	0	0	0	1,099	4,989	6,088
Vila Esperança	1,440	15,083	16,524	9	209	218	933	7,932	8,865
Vila Rica de Irajá	2,132	22,292	24,424	15	264	278	1,904	17,378	19,282
João Lopes	833	5,325	6,157	76	557	633	787	4,276	5,062
Parque Alegria	410	7,796	8,206	1	28	28	391	4,897	5,288
Vila Catiri	1,102	8,639	9,41	0	0	0	1,067	7,329	8,396
<i>Sanitation</i>									
Depletion Pedra Guaratiba	2,765	11,062	13,827	0	0	0	2,765	11,062	13,827
Parque Linear- Rio Acari	54,716	46,948	101,663	0	0	0	629	11,960	12,589
SUB-TOTAL	74,592	210,426	285,018	500	6,565	7,066	17,452	131,015	148,467
PAC - FGTS CEF 2010/2011	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
<i>Urbanization of Areas</i>									
Juliano Moreira Colony	22,561	39,968	62,529	1,200	2,165	3,366	1,200	2,165	3,366
Babilônia and C Mangueira	20,283	39,824	60,107	4,048	16,958	21,006	4,048	16,958	21,006
Jardim do Amanhã - C Deus	1,888	35,872	37,760	0	0	0	0	0	0
Complexo do Alemão	17,256	59,989	77,245	0	0	0	0	0	0
Complexo de Manguinhos	8,289	29,862	38,151	0	0	0	0	0	0
Morro da Coroa	16,135	22,621	38,756	660	4,775	5,434	660	4,775	5,434
Guarabu Community	7,272	19,439	26,711	1,972	11,038	13,010	1,972	11,038	13,010
<i>Saneamento</i>									
Lotes 1B/ e 1C Jacarepaguá	40,388	198,493	238,881	2,021	9,929	11,950	2,021	9,929	11,950
Sanitating Santa Cruz	73,456	207,246	280,701	6,757	6,474	13,230	9,305	6,474	15,779
Canal Manguê/ Joana River	7,545	143,200	150,745	0	0	0	0	0	0
SUB-TOTAL	215,073	796,513	1,011,586	16,657	51,339	67,996	19,205	51,339	70,545
TOTAL PAC - FGTS	289,665	1,006,939	1,296,604	17,157	57,905	75,062	36,658	182,354	219,012

Source: F/STM/ACR.

The contracts for the Pro-Home Program/08 still present a significant difference between the physical and the financial, mainly in successive contractual re-ratifications and problems related to Technical-Social Work.

The projects with highest development rates in this second quadrimester were, doubtlessly, the macro drainage interventions of Lots 1B and 1C of Jacarepaguá Basin and sewage system implementing in Santa Cruz, leaping from a joint invoicing of approximately R\$ 8.3 million in the previous quadrimester to R\$ 27.7 million. Although Caixa Economica Federal has not yet enforced the first disbursement of the Contracts agreed within the scope of Pró-Moradia/2010, the operations regarding the Juliano Moreira Colony, the communities of Babilônia/Chapéu Mangueira, Morro da Coroa and Guarabu have already received technical approval of the first measurement and resource allocation is underway. On a different situation are the contracts which propose the execution of urbanization projects on Jardim do Amanhã and the Manguinhos and Alemão Complexes. The last operation settled with CEF, in 2011, regarding the Flood Eradication Works at the Canal do Mangue Basin - Channeling of the Joana river, had its bidding process concluded and awaits authorization to start from the Financial Agent. Regarding the projects of the Contract for Implementation of Infrastructure for the BRT Transcarioca Corridor, which is financed by BNDES, a positive shift on the revenue curve can be observed. This increase on expenses is due to the incorporation of services inherent to the Section 2 - Penha/Airport, started on the previous quadrimester, and which reached an execution pace similar to Section 1 - Barra/Penha. The services performed until August 2012 refer to approximately 34.4% on section 1 and 8.3% on Section 2.

Table XIX - PAC BNDES CREDIT OPERATIONS

PAC - COPA BNDES 2010	USES AND SOURCES			PERFORMED IN 2012			TOTAL ACCUMULATED PERFORMANCE		
	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
<i>Urban Mobility</i>									
BRT Corridor Transcarioca	403,280	1,179,000	1,582,280	53,014	157,264	210,278	104,110	269,720	373,830
TOTAL	403,280	1,179,000	1,582,280	53,014	157,264	210,278	104,110	269,720	373,830

Source: F/STM/ACR.

We present below a summary table of all the agreements executed in the range of the Growth Acceleration Program (PAC), showing the relevance the program plays in the municipal investments.

Table XX - PAC - SUMMARY OF CONTRACTED OPERATIONS

Modality	Situation	USES AND SOURCES			TOTAL ACCUMULATED PERFORMANCE		
		PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
Transfer	PAC I - Contracts 2007/2008	80,604	340,241	420,845	56,408	290,137	346,545
	PAC I - Contracts 2009	10,357	15,446	161,803	3,309	53,884	57,194
	PAC II - Contracts 2011	109,060	345,227	454,287	1,81	6,746	7,827
Loan	PAC I - Contracts 2007/2008	74,592	210,426	285,018	17,452	131,015	148,467
	PAC I - Contracts 2010/2011	215,073	796,513	1,011,586	19,205	51,339	70,545
	PAC COPA	403,280	1,179,000	1,582,280	104,110	269,720	373,830
TOTAL		892,967	3,022,853	3,915,819	201,566	802,841	1,004,407

Source: F/STM/ACR.

VI) CASH AND DEBT FINANCIAL MANAGEMENT

VI.1) APPLICATION OF FINANCIAL CASH

The Municipal Treasury maintains financial application of the Municipal Direct Administration cash in line with the market profitability in low credit risk assets, mainly through federal public securities and exclusive investment funds. The City's investment policy is formalized under Resolution SMF no. 2,672/2011.

The exclusive investment funds, administered by market leading asset management official institutions, presented a weighted average yield on daily balances of 100.0% of SELIC in the second quadrimester in 2012 while, in the same period in 2011, it was of 99.07% of SELIC, concentrated in high liquidity federal public securities with superior performance. Administration fees of such funds have been systematically reduced since 2009, presently reaching levels of 0.06% to 0.15% per year, according to the invested assets, corresponding to about one third of the rates charged in the beginning of the current municipal administration. It should also be noted the active management on the composition of the portfolio, taking advantage of market conditions.

Presently, Treasury maintains direct investments in federal public securities, only by means of repurchase agreements backed in the same, since the portfolio of own securities, acquired in previous years, had its sale completed in February 2012. Such portfolio had been presenting market yield well above SELIC since 2010, taking into consideration the reduction in interest rate negotiated in the market (and the consequent increase in the reference prices). Taking advantage from the favorable valuation of these securities, sales were made, since 2009, in the secondary market by means of electronic auctions in the CetipNet environment, being that in 2011 R\$ 125 million were recorded in accounting profit under such transactions and R\$ 148 million in 2012. Finally, saving deposits are maintained in federal public banks for some cases of resources transferred from other entities (State and Federal Government) in which there is mandatory application of this modality.

Financial income under the responsibility of the Municipal Treasury (Direct Administration) totaled R\$ 427 million from January to August 2012, while during the same period in 2011 the total was of R\$ 375 million, contributing for the improvement of the City Government financial ratios. Such revenue comprise basically the product of investment funds and repurchase operations, as well as profit on sales of securities and interests received from the National Treasury, relating to the own portfolio. The average total cash yield under the administration of the Municipal Treasury was of 155.5% of the SELIC rate in this period. Such performance was mainly due to the sale conducted on February 2012.

The financial resources of municipal companies, autarchies, and foundations with their own treasury are managed by the Boards of Finance of each entity, the application being determined in funds of Municipal investments used by the Municipal Treasury or in products of the same credit risk. For its turn, the entities managed by PreviRIO (including Funprevi and FASS) have their own investment policy, approved by the Board, given the specificity of the social security sector, which has specific regulations and prediction of independence from management in relation to the sponsor. The set of all these municipal entities under the administration of own treasuries generated investment yield of R\$ 112 million (including R\$ 106 million from social security entities), which, added to the R\$ 427 million recorded in the Direct Administration, totals R\$ 539 million in financial revenue for the City until the second quadrimester of 2012.

VI.2) FINANCIAL DEBT

The gross financial debt stock in August 2012 reached R\$ 9.32 billion, distributed by the creditors below:

TABLE XXI – GROSS FINANCIAL DEBT STOCK

Creditor	Balance in R\$ thousand (August 31 st , 2012)	Average Annual Charges (1)	Maturity
Fed. Govt. in R\$ (1 contract)	6,075,197	IGP-DI + 6.01%	2029
World Bank (1 contract)	2,126,705	US\$ + 3.62%	2040
BNDES (2 contracts)	311,021	TJLP + 1.90%	2031
CEF (64 contracts)	256,421	UPR + 8.40%	2030
Fed. Govt. in US\$ (3 contracts)	55,325	US\$ + 4.68%	2024
Fed. Govt./CEF in US\$ (1 contract)	16,879	US\$ + 3.08%	2029
BID (4 contracts)	480,138	US\$ + 4.10%	2025
Total (76 contracts)	9,321,686	Average Interest Rate = 5.28%	Average Duration = 7.0 years

(1) The Average Charges include the nominal indexes, interest rate, commission and credit risk charges.

In relation to internal operations, as outlined in section V, installments were received, until the 2nd quadrimester 2012, of resources already agreed before with national public Banks, BNDES (PMAT III and TransCarioca) and CEF (Saneamento para Todos, PróMoradia and PNAFM) amounting R\$ 230 million. It should also be mentioned the agreement of the financing contract with BID, on 05/07/2012, for urbanization of low income communities (Proap III), amounting US\$ 150 million.

Along this and the next fiscal years, complementary financing releases shall occur for the finances already agreed, amounting a total of R\$ 2.14 billion to be aggregated to the amount of the gross

financial debt. This amount includes receivables for the transports corridor TransCarioca (BNDES - R\$ 914 million); Popular urbanization projects, macro-drainage and sanitation of Jacarepaguá and Santa Cruz and river dredging (Joana river) at the Maracanã region (CEF - R\$ 929 million total); and, yet, the US\$ 150 million for urbanization supported by the BID contract. The financial profile of all such new operation foresees long term maturities, with periodic payments and advantageous interest rates in relation to the national market, avoiding expenditure concentrations.

On the date of this report, there was no measure for a new credit operation being analyzed by the National Treasury. However, this overview should be changed until the end of the fiscal year, due to the existence of two new credit operations with the proper municipal laws already approved by the City Council: a R\$ 1.097 billion financing for the TransBrasil transport corridor and a US\$ 16.2 million operation for complementation of the technical assistance of the World Bank on health, education, environment and city management.

The expense savings with the World Bank loan, concluded in 2011 and which allowed the reduction of the interests paid to the Federal Government, already amounts R\$ 742.6 million since the disbursement of the first installment by the Bank, occurred in August 2010.

All indicators of indebtedness of the Fiscal Responsibility Act (LRF) and MP 2185-35 (which governs municipal debt renegotiations with the Federal Government) had significant improvement since the beginning of the current administration in 2009. As shown in the table below, the City complies with the restrictions of the debt in the Fiscal Responsibility Act and holds significant trend of improvement in the indicator of MP 2185-35, which entailed restriction for new loans (except for those of continued character or debt restructuring) in the last years.

TABLE XXII – DEBT INDICATORS

Act	Indicator	Limit	MRJ 2008	MRJ 2009	MRJ 2010	MRJ 2011	MRJ Aug/2012
Senate Resolution 40/2001	Consolidated Net Debt / Current Annual Net Revenue (RCL)	120%	58%	34%	45%	48%	38%
Senate Resolution 43/2001	Average annual debt service up to 2027 / RCL	11.5%	10.49%	6.29%	5.39%	5.06%	5.63%
MP 2185-35	Total Gross Contract Debt / Annual Real Net Revenue (RLR)	100%	118%	101%	85%	80%	79%

NOTE: The figures for the debt contract with the Federal Government considered annual interest of 9.0% above the IGP-DI by 2009, a level actually charged to the City by the National Treasury until August 2010. As of August 2010, this interest rate was reduced to 7.5% due to the partial pre-payment made by the City with funds from the World Bank and the lawsuits existing at the time (initiated in previous years), with the election of such interest reduction to 6.0% per year, were closed. In November 2011, the receipt of the second installment of the World Bank with the Federal Government and the depreciation rate of interest of this operation has become definitely 6.0%.

Regarding the classification of the municipal debt by rating agencies, the agency Standard & Poor's has also published ratings for the City, attributing a BBB rating on May 2012, the same grade attributed to the Federal Government. Moody's, which attributed the Investment Grade to the city for the first time in November of 2010 (Baa3), raised the rate to Baa2 in December 2011, the same rating conferred upon the Federal Government. Fitch, at its turn, started publishing rates to the City in December 2011, having assigned a BBB, the same attributed to the Federal Government, with such rating being confirmed on the annual review published on October 2012. The table below shows the ratings currently conferred by the three major international agencies for national and sub-national government of the country, demonstrating that the City of Rio is the only government that has all its grades exactly like those of the Federal Government.

TABLE XXIII - RATINGS OF GOVERNMENTS IN BRAZIL (INTERNATIONAL SCALE) - OCTOBER 2012

FITCH	MOODY'S	STANDARD AND POOR'S
BBB: Federal Government, City of Rio de Janeiro, State of São Paulo	Baa2: Federal Government, City of Rio de Janeiro	BBB: Federal Government, City of Rio de Janeiro
BBB-: State of Rio de Janeiro	Baa3: Belo Horizonte, States of SP and MT	BBB-: States of RJ, SP, MG and MT
	Ba1: State of MG	

Source: Websites of the respective agencies. The minimum levels for classification of Investment Grade Level are BBB- (Fitch and Standard and Poor's) and Baa3 (Moody's).

VII) REAL ESTATE ASSETS CITY MANAGEMENT

The Superintendence of the Municipal Assets conducts the administration of real estate assets, being responsible for collecting revenue from their use, as well as the selection and promotion of sales authorized in specific laws.

As noted in the previous report, there are important ongoing initiatives of modernization of this management, financed with funds from the PMAT III (BNDES), especially the complete re-registration of municipal buildings and a new asset management system, which shall bring benefits to this area.

In terms of revenue in 2012, the highlights are:

Other Equity Revenue – Group composed of revenue from rents, forums, laudemiums, concessions and permits to use, etc. Until the 2nd quadrimester, collection amounted to R\$ 71.0 million, representing a real growth of 7.8% over last year.

Disposal of Assets – Revenue obtained from the sale of real estate and endowments. There were only endowments in the 1st quadrimester, thus reaching revenue of R\$ 698.9 thousand, which resulted in a real variation of -97.9% in relation to the same period last year. Such variation is due to a disposal and an endowment in high values, occurred in the previous period, plus the fact that only some of the disposals have occurred. There is a forecast of R\$ 27 million revenue with other investments which shall be performed until December of this year.

VIII) CONCLUSION

The results until August 2012 continue attesting that the careful management of the municipal finances allows the City Government to continue improving the coverage and the quality of services provision to society, prioritizing, in view of the still urgent needs, Health, Education and Urban Infrastructure. It is also important to highlight that the improvements on the management have allowed the City Hall to uplift its investment capacity, which means optimizing the utilization of owned and third parties' resources - a result of the permanent rationing of tax management and efficient execution of expenses.

The Rio de Janeiro City Hall keeps, since 2011, the position of the government with the highest investment rate in the country, as a proportion of its total budget, while on an improving sequence since 2009 in all its debt indicators, demonstrating the sustainability of its fiscal solidity.

The favorable economic moment in Rio reflects in a positive manner on the collection of the main municipal taxes and, together with the resource diversification efforts and modernization of the tax procedures, enables an increase in the total revenues, over 16.8% in comparison with the same period in the previous year.

It should also be reaffirmed that the City Government trusts that transparency in dealing with public resources is essential in building an effective partnership with society - key ingredient for the consolidation of a new reality.

The quality of the outcomes and the transparency in disclosing are reflected on the grades attributed to the municipal finances by the three main international rating agencies (Fitch, Moody's and Standard & Poor's), which, on the date of this report, classified the City of Rio in the same rates of the Union (BBB, Baa2 and BBB, respectively), a unique fact for Brazilian sub national governments (state and municipality).