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Companhia de Saneamento de Minas Gerais - Copasa MG

Quarterly Information (ITR) at September 30, 2014 and report on review of quarterly information

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Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia de Saneamento de Minas Gerais - COPASA MG, included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2014, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

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Companhia de Saneamento de Minas Gerais – COPASA MG

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2014. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, October 31, 2014

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

Carlos Augusto da Silva
Contador CRC 1SP197007/O-2 "S" MG

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Company information/Capital composition

Number of shares (In thousands)	Current quarter 9/30/2014
Paid-up capital	
Common shares	119,327
Preferred shares	0
Total	119,327
Treasury shares	
Common shares	357
Preferred shares	0
Total	357

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Parent company financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2014	Prior year 12/31/2013
1	Total assets	9,800,876	9,456,301
1.01	Current assets	983,158	1,079,708
1.01.01	Cash and cash equivalents	142,451	260,481
1.01.03	Accounts receivable	771,527	757,076
1.01.03.01	Trade accounts receivable	696,852	697,105
1.01.03.02	Other receivables	74,675	59,971
1.01.03.02.01	Taxes to be offset	11,726	23,283
1.01.03.02.02	Technical cooperation agreements	24,006	0
1.01.03.02.03	Banks and investments in connection with agreements	38,943	36,688
1.01.04	Inventories	36,850	34,486
1.01.08	Other current assets	32,330	27,665
1.01.08.03	Other	32,330	27,665
1.01.08.03.01	Advances to employees	13,837	11,286
1.01.08.03.02	Sundry	18,493	16,379
1.02	Non-current assets	8,817,718	8,376,593
1.02.01	Long-term receivables	1,236,591	1,270,102
1.02.01.03	Accounts receivable	467,969	497,894
1.02.01.03.01	Trade accounts receivable	192,924	212,580
1.02.01.03.02	Other receivables	275,045	285,314
1.02.01.06	Deferred taxes	128,743	118,944
1.02.01.06.01	Deferred income and social contribution	128,743	118,944
1.02.01.08	Receivables from related parties	16,937	109,790
1.02.01.08.02	Receivables from subsidiaries	16,937	109,790
1.02.01.09	Other non-current assets	622,942	543,474
1.02.01.09.03	Financial assets - concession agreements	573,181	494,836
1.02.01.09.04	Available-for-sale financial assets	49,761	48,638
1.02.02	Investments	15,506	260
1.02.02.01	Equity interests	15,506	260
1.02.02.01.02	Investments in subsidiaries	15,246	0
1.02.02.01.04	Investments in other companies	260	260
1.02.03	Property, plant and equipment	199,014	205,478
1.02.03.01	Property, plant and equipment in operation	199,014	205,478
1.02.04	Intangible assets	7,366,607	6,900,753
1.02.04.01	Intangible assets	7,366,607	6,900,753
1.02.04.01.01	Concession agreements	5,667,554	5,128,887
1.02.04.01.02	Intangible assets in progress	1,699,053	1,771,866

(A free translation of the original in Portuguese)

Parent company financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2014	Prior year 12/31/2013
2	Total liabilities and equity	9,800,876	9,456,301
2.01	Current liabilities	933,959	914,633
2.01.02	Trade payables	144,673	135,338
2.01.02.01	Domestic suppliers	144,673	135,338
2.01.03	Tax obligations	54,901	53,764
2.01.03.01	Federal tax obligations	53,352	52,626
2.01.03.01.02	Other federal obligations	53,352	52,626
2.01.03.03	Municipal tax obligations	1,549	1,138
2.01.04	Borrowings	429,090	471,526
2.01.04.01	Borrowings	167,790	196,259
2.01.04.01.01	In local currency	158,105	194,251
2.01.04.01.02	In foreign currency	9,685	2,008
2.01.04.02	Debentures	261,300	275,267
2.01.04.02.01	Non-convertible	261,300	275,267
2.01.05	Other liabilities	88,693	87,751
2.01.05.02	Other	88,693	87,751
2.01.05.02.01	Dividends and interest on capital payable	32,809	31,646
2.01.05.02.04	Pension plan obligations	23,697	26,409
2.01.05.02.05	Electric power	4,004	10,832
2.01.05.02.06	Technical cooperation agreements	0	6,547
2.01.05.02.07	Sundry obligations	28,183	12,317
2.01.06	Provisions	216,602	166,254
2.01.06.01	Provisions for tax, social security, labor and civil contingencies	216,602	166,254
2.01.06.01.05	Taxes payable in installments	43,681	41,144
2.01.06.01.06	Provision for vacation pay and 13th month salary	139,977	92,023
2.01.06.01.07	Employee profit sharing	32,944	33,087
2.02	Non-current liabilities	3,343,555	3,204,309
2.02.01	Borrowings	2,731,779	2,684,741
2.02.01.01	Borrowings	1,167,913	1,192,469
2.02.01.01.01	In local currency	975,416	1,067,145
2.02.01.01.02	In foreign currency	192,497	125,324
2.02.01.02	Debentures	1,563,866	1,492,272
2.02.01.02.01	Non-convertible	1,563,866	1,492,272
2.02.02	Other liabilities	328,368	230,514
2.02.02.01	Payables to related parties	14,251	86,346
2.02.02.01.02	Payables to subsidiaries	14,251	86,346
2.02.02.02	Other	314,117	144,168
2.02.02.02.03	Pension plan obligations	109,131	106,010
2.02.02.02.05	Deposits for construction	25,527	30,389
2.02.02.02.06	Public-private partnership	163,878	0
2.02.02.02.07	Sundry	15,581	7,769
2.02.04	Provisions	283,408	289,054
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	283,408	289,054
2.02.04.01.05	Taxes payable in installments	192,924	212,580
2.02.04.01.06	Litigation provision	90,484	76,474
2.03	Equity	5,523,362	5,337,359
2.03.01	Paid-up capital	2,773,985	2,773,985
2.03.02	Capital reserves	-8,576	-8,576
2.03.02.05	Treasury shares	-8,576	-8,576
2.03.04	Revenue reserves	2,508,330	2,508,330
2.03.04.01	Legal reserve	215,445	215,445
2.03.04.05	Profit retention reserve	2,265,400	2,265,400
2.03.04.07	Tax benefit reserve	27,485	27,485
2.03.05	Retained earnings	198,611	0
2.03.06	Carrying value adjustments	51,012	63,620

Parent company financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 7/1/2014 to 9/30/2014	Accumulated - current year 1/1/2014 to 9/30/2014	Same quarter of prior year 7/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2013 to 9/30/2013
3.01	Revenue from sales and/or services	1,167,806	3,085,116	970,026	2,740,798
3.01.01	Water supply services	516,931	1,541,494	507,451	1,465,256
3.01.02	Sewage services	273,678	806,964	263,111	762,098
3.01.03	Construction revenue	377,197	736,658	199,464	513,444
3.02	Cost of sales and/or services	-806,470	-2,006,453	-625,411	-1,705,721
3.02.01	Cost of sales and/or services	-433,250	-1,282,729	-430,364	-1,204,775
3.02.02	Construction cost	-373,220	-723,724	-195,047	-500,946
3.03	Gross profit	361,336	1,078,663	344,615	1,035,077
3.04	Operating expenses	-178,718	-547,665	-150,431	-494,647
3.04.01	Selling expenses	-66,262	-194,610	-59,122	-165,551
3.04.02	General and administrative expenses	-110,720	-324,331	-106,590	-308,356
3.04.04	Other operating income	33,449	77,098	43,661	66,554
3.04.05	Other operating expenses	-30,717	-96,985	-25,282	-75,542
3.04.05.01	Other operating expenses	-25,086	-79,960	-17,058	-53,933
3.04.05.02	Employee profit sharing	-5,631	-17,025	-8,224	-21,609
3.04.06	Equity in the results of subsidiaries	-4,468	-8,837	-3,098	-11,752
3.04.06.01	Equity in losses of subsidiaries	-4,468	-8,837	-3,098	-11,752
3.05	Profit before finance result and taxation	182,618	530,998	194,184	540,430
3.06	Finance result	-48,402	-136,178	-30,280	-110,708
3.06.01	Finance income	11,851	59,621	25,563	69,691
3.06.02	Finance costs	-60,253	-195,799	-55,843	-180,399
3.07	Profit before income tax and social contribution	134,216	394,820	163,904	429,722
3.08	Income tax and social contribution	-36,153	-98,221	-38,069	-111,295
3.08.01	Current	-31,723	-103,019	-39,272	-125,559
3.08.02	Deferred	-4,430	4,798	1,203	14,264
3.09	Profit for the period from continuing operations	98,063	296,599	125,835	318,427
3.11	Profit for the period	98,063	296,599	125,835	318,427
3.99	Earnings per share (R$)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.82000	2.49000	1.05000	2.67000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.82000	2.49000	1.05000	2.67000

Parent company financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 7/1/2014 to 9/30/2014	Accumulated - current year 1/1/2014 to 9/30/2014	Same quarter of prior year 7/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2013 to 9/30/2013
4.01	Profit for the period	98,063	296,599	125,835	318,427
4.02	Other comprehensive income (loss)	-3,513	-9,708	-11,683	-11,004
4.02.01	Fair value of investment in Foz de Jeceaba	0	741	0	679
4.02.02	Actuarial loss on retirement benefits	-3,513	-10,449	-11,683	-11,683
4.03	Comprehensive income for the period	94,550	286,891	114,152	307,423

(A free translation of the original in Portuguese)

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

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2014 to 9/30/2014	Accumulated - prior year 1/1/2013 to 9/30/2013
6.01	Net cash provided by operating activities	720,443	625,170
6.01.01	Cash from operations	915,502	837,147
6.01.01.01	Profit for the period	296,599	318,427
6.01.01.02	Provision for impairment of trade receivables	67,996	48,052
6.01.01.03	Recovery of accounts written off	-40,315	-50,501
6.01.01.04	Interest and monetary and foreign exchange variations, net	4,891	8,994
6.01.01.05	Interest income and expenses	149,512	134,204
6.01.01.06	Deferred income tax and social contribution	-4,798	-14,264
6.01.01.07	Equity in the results of subsidiaries	8,837	11,752
6.01.01.08	Write-off of intangible assets and property, plant and equipment	47,516	17,125
6.01.01.09	Depreciation and amortization	355,398	315,468
6.01.01.10	Additions to provisions	17,367	17,388
6.01.01.11	Provision for pension plan obligations	30,660	43,012
6.01.01.12	Financial assets	0	-12
6.01.01.13	Deferred revenue	-5,227	0
6.01.01.14	Net margin of construction revenue	-12,934	-12,498
6.01.02	Changes in assets and liabilities	-195,059	-211,977
6.01.02.01	Trade receivables	12,414	-49,070
6.01.02.02	Inventories	-2,364	121
6.01.02.03	Taxes recoverable	11,557	8,248
6.01.02.04	Banks and investments in connection with agreements	-2,255	5,048
6.01.02.05	Collateral for financing	13,712	6,350
6.01.02.06	Redemption of financial assets/restricted financial investments	7,037	72,107
6.01.02.07	Receivables from subsidiaries	-3,205	-9,137
6.01.02.08	Other financial assets	-9,477	-11,863
6.01.02.09	Other	-1,861	-25,768
6.01.02.10	Trade payables	9,335	1,444
6.01.02.11	Taxes, fees and contributions	1,137	16,209
6.01.02.12	Provision for vacation pay and 13th month salary	47,954	45,391
6.01.02.13	Employee profit sharing	-143	7,397
6.01.02.14	Technical cooperation agreements	-30,553	-18,739
6.01.02.15	Contingencies	-3,357	-3,273
6.01.02.16	Pension plan obligations	-30,251	-29,847
6.01.02.17	Electric power and other	15,006	3,867
6.01.02.18	Interest paid	-182,210	-185,226
6.01.02.19	Payment of actuarial liability	-15,832	-17,680
6.01.02.20	Payment of tax installments	-31,703	-27,556
6.02	Net cash used in investing activities	-717,086	-641,531
6.02.05	Purchases of intangible assets and property, plant and equipment	-717,086	-641,531
6.03	Net cash used in financing activities	-121,387	-179,500
6.03.01	New borrowings and debentures	464,534	190,096
6.03.02	Repayment of borrowings and debentures	-486,196	-244,160
6.03.04	Interest on capital paid	-99,725	-120,878
6.03.08	Repayment of principal and interest on concession debts	0	-4,558
6.05	Decrease in cash and cash equivalents	-118,030	-195,861
6.05.01	Cash and cash equivalents at the beginning of the period	260,481	496,425
6.05.02	Cash and cash equivalents at the end of the period	142,451	300,564

Parent company financial statements/statement of changes in equity - 1/1/2014 to 9/30/2014

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income (loss)	Equity
5.01	Opening balances	2,773,985	-8,576	2,508,330	0	63,620	5,337,359
5.03	Adjusted opening balances	2,773,985	-8,576	2,508,330	0	63,620	5,337,359
5.04	Capital transactions with stockholders	0	0	0	-100,888	0	-100,888
5.04.07	Interest on capital	0	0	0	-100,888	0	-100,888
5.05	Total comprehensive income (loss)	0	0	0	299,499	-12,608	286,891
5.05.01	Profit for the period	0	0	0	296,599	0	296,599
5.05.02	Other comprehensive income (loss)	0	0	0	2,900	-12,608	-9,708
5.05.02.07	Amortization of monetary adjustments on adjusted assets - 96/97	0	0	0	4,394	-4,394	0
5.05.05.08	Deferred income tax and social contribution on monetary adjustments on adjusted assets - 96/97	0	0	0	-1,494	1,494	0
5.05.05.09	Actuarial loss on retirement benefits	0	0	0	0	-15,832	-15,832
5.05.02.10	Fair value of available-for-sale financial assets	0	0	0	0	741	741
5.05.02.11	Income tax and social contribution on actuarial loss on retirement benefits	0	0	0	0	5,383	5,383
5.07	Closing balances	2,773,985	-8,576	2,508,330	198,611	51,012	5,523,362

Parent company financial statements/statement of changes in equity - 1/1/2013 to 9/30/2013

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income (loss)	Equity
5.01	Opening balances	2,773,985	-8,576	2,198,133	0	0	4,963,542
5.02	Prior-year adjustments	0	0	0	0	-28,654	-28,654
5.02.01	Recognition of actuarial liability CPC 33 (R1)/ IAS 19	0	0	0	0	-116,578	-116,578
5.02.02	Fair value of investment in Foz de Jeceaba	0	0	0	0	7,050	7,050
5.02.03	Anticipated recognition of concession agreements	0	0	0	0	25,625	25,625
5.02.04	Monetary adjustment of assets - 96/97	0	0	0	0	40,397	40,397
5.02.05	Deferred income tax and social contribution on adjustments	0	0	0	0	14,852	14,852
5.03	Adjusted opening balances	2,773,985	-8,576	2,198,133	0	-28,654	4,934,888
5.04	Capital transactions with stockholders	0	0	0	-105,502	0	-105,502
5.04.07	Interest on capital	0	0	0	-105,502	0	-105,502
5.05	Total comprehensive income (loss)	0	0	0	321,794	-14,371	307,423
5.05.01	Profit for the period	0	0	0	318,427	0	318,427
5.05.02	Other comprehensive income (loss)	0	0	0	3,367	-14,371	-11,004
5.05.02.06	Fair value of investment in Foz de Jeceaba	0	0	0	0	679	679
5.05.02.07	Amortization of monetary adjustments on adjusted assets - 96/97	0	0	0	5,102	-5,102	0
5.05.02.08	Deferred income tax and social contribution on adjusted assets - 96/97	0	0	0	-1,735	1,735	0
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-11,683	-11,683
5.07	Closing balances	2,773,985	-8,576	2,198,133	216,292	-43,025	5,136,809

(A free translation of the original in Portuguese)

Parent company financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2014 to 9/30/2014	Accumulated - prior year 1/1/2013 to 9/30/2013
7.01	Revenue	3,334,577	2,984,893
7.01.01	Sales of products and services	2,588,817	2,455,009
7.01.02	Other revenue	36,783	13,991
7.01.03	Revenue from construction of own assets	736,658	513,444
7.01.04	Recording (reversal) of provision for impairment of trade receivables	-27,681	2,449
7.02	Inputs acquired from third parties	-1,425,387	-1,173,602
7.02.01	Cost of sales and services	-1,247,801	-1,009,657
7.02.02	Materials, energy, outsourced services and other	-120,586	-117,977
7.02.04	Other	-57,000	-45,968
7.03	Gross value added	1,909,190	1,811,291
7.04	Retentions	-355,398	-315,468
7.04.01	Depreciation, amortization and depletion	-355,398	-315,468
7.05	Net value added generated	1,553,792	1,495,823
7.06	Value added received through transfers	50,784	57,939
7.06.01	Equity in the results of subsidiaries	-8,837	-11,752
7.06.02	Finance income	59,621	69,691
7.07	Total value added to distribute	1,604,576	1,553,762
7.08	Distribution of value added	1,604,576	1,553,762
7.08.01	Personnel	684,266	639,592
7.08.01.01	Payroll	437,732	412,662
7.08.01.02	Benefits	184,709	157,032
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	44,800	48,289
7.08.01.04	Other	17,025	21,609
7.08.01.04.01	Employee profit sharing	17,025	21,609
7.08.02	Taxes and contributions	425,625	416,146
7.08.02.01	Federal	402,414	404,620
7.08.02.02	State	22,241	7,100
7.08.02.03	Municipal	970	4,426
7.08.03	Remuneration of third-party capital	198,086	179,597
7.08.03.01	Interest	194,020	176,365
7.08.03.02	Rentals	4,066	3,232
7.08.04	Remuneration of own capital	296,599	318,427
7.08.04.01	Interest on capital	100,888	105,502
7.08.04.03	Profit reinvested	195,711	212,925

(A free translation of the original in Portuguese)

Consolidated financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2014	Prior year 12/31/2013
1	Total assets	9,795,858	9,388,470
1.01	Current assets	991,820	1,100,038
1.01.01	Cash and cash equivalents	142,845	261,938
1.01.03	Accounts receivable	779,980	775,733
1.01.03.01	Trade accounts receivable	701,973	702,205
1.01.03.02	Other receivables	78,007	73,528
1.01.03.02.01	Taxes to be offset	13,037	24,436
1.01.03.02.02	Technical cooperation agreements	23,420	12,298
1.01.03.02.03	Banks and investments in connection with agreements	41,550	36,794
1.01.04	Inventories	40,034	37,166
1.01.08	Other current assets	28,961	25,201
1.01.08.03	Other	28,961	25,201
1.01.08.03.01	Advances to employees	13,898	11,341
1.01.08.03.02	Sundry	15,063	13,860
1.02	Non-current assets	8,804,038	8,288,432
1.02.01	Long-term receivables	1,219,933	1,160,623
1.02.01.03	Accounts receivable	468,248	498,205
1.02.01.03.01	Trade accounts receivable	192,924	212,580
1.02.01.03.02	Other receivables	275,324	285,625
1.02.01.06	Deferred taxes	128,743	118,944
1.02.01.06.01	Deferred income tax and social contribution	128,743	118,944
1.02.01.09	Other non-current assets	622,942	543,474
1.02.01.09.03	Financial assets - concession agreements	573,181	494,836
1.02.01.09.04	Available-for-sale assets	49,761	48,638
1.02.02	Investments	260	260
1.02.02.01	Equity interests	260	260
1.02.02.01.04	Investments in other companies	260	260
1.02.03	Property, plant and equipment	217,237	226,794
1.02.03.01	Property, plant and equipment in operation	217,237	226,794
1.02.04	Intangible assets	7,366,608	6,900,755
1.02.04.01	Intangible assets	7,366,608	6,900,755
1.02.04.01.01	Concession agreements	5,667,554	5,128,889
1.02.04.01.02	Intangible assets in progress	1,699,054	1,771,866

(A free translation of the original in Portuguese)

Consolidated financial statements/balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2014	Prior year 12/31/2013
2	Total liabilities and equity	9,795,858	9,388,470
2.01	Current liabilities	940,043	930,837
2.01.02	Trade payables	148,209	156,104
2.01.02.01	Domestic suppliers	148,209	156,104
2.01.03	Tax obligations	55,421	54,293
2.01.03.01	Federal tax obligations	53,872	53,154
2.01.03.01.02	Other federal obligations	53,872	53,154
2.01.03.03	Municipal tax obligations	1,549	1,139
2.01.04	Borrowings	429,496	471,930
2.01.04.01	Borrowings	168,196	196,663
2.01.04.01.01	In local currency	158,511	194,655
2.01.04.01.02	In foreign currency	9,685	2,008
2.01.04.02	Debentures	261,300	275,267
2.01.04.02.01	Non-convertible	261,300	275,267
2.01.05	Other liabilities	89,213	81,600
2.01.05.02	Other	89,213	81,600
2.01.05.02.01	Dividends and interest on capital payable	32,809	31,646
2.01.05.02.04	Pension plan obligations	23,697	26,409
2.01.05.02.05	Electric power	4,469	11,202
2.01.05.02.07	Sundry obligations	28,238	12,343
2.01.06	Provisions	217,704	166,910
2.01.06.01	Provisions for tax, social security, labor and civil contingencies	217,704	166,910
2.01.06.01.05	Taxes payable in installments	43,681	41,144
2.01.06.01.06	Provision for vacation pay and 13th month salary	141,079	92,679
2.01.06.01.07	Employee profit sharing	32,944	33,087
2.02	Non-current liabilities	3,332,453	3,120,274
2.02.01	Borrowings	2,732,508	2,685,770
2.02.01.01	Borrowings	1,168,642	1,193,498
2.02.01.01.01	In local currency	976,145	1,068,174
2.02.01.01.02	In foreign currency	192,497	125,324
2.02.01.02	Debentures	1,563,866	1,492,272
2.02.01.02.01	Non-convertible	1,563,866	1,492,272
2.02.02	Other liabilities	314,120	144,171
2.02.02.02	Other	314,120	144,171
2.02.02.02.03	Pension plan obligations	109,131	106,010
2.02.02.02.05	Deposits for construction	25,530	30,392
2.02.02.02.06	Public-private partnership	163,878	0
2.02.02.02.07	Sundry	15,581	7,769
2.02.04	Provisions	285,825	290,333
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	285,825	290,333
2.02.04.01.05	Taxes payable in installments	192,924	212,580
2.02.04.01.06	Litigation provision	92,901	77,753
2.03	Consolidated equity	5,523,362	5,337,359
2.03.01	Paid-up capital	2,773,985	2,773,985
2.03.02	Capital reserves	-8,576	-8,576
2.03.02.05	Treasury shares	-8,576	-8,576
2.03.04	Revenue reserves	2,508,330	2,508,330
2.03.04.01	Legal reserve	215,445	215,445
2.03.04.05	Profit retention reserve	2,265,400	2,265,400
2.03.04.07	Tax benefit reserve	27,485	27,485
2.03.05	Retained earnings/accumulated deficit	198,611	0
2.03.06	Carrying value adjustments	51,012	63,620

Consolidated financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 7/1/2014 to 9/30/2014	Accumulated - current year 1/1/2014 to 9/30/2014	Same quarter of prior year 7/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2013 to 9/30/2013
3.01	Revenue from sales and/or services	1,173,035	3,100,224	974,370	2,754,699
3.01.01	Water supply services	521,355	1,554,446	511,196	1,476,726
3.01.02	Sewage services	273,678	806,964	263,111	762,098
3.01.03	Construction revenue	377,197	736,658	199,464	513,444
3.01.04	Revenue from finished products	805	2,156	599	2,431
3.02	Cost of sales and/or services	-812,127	-2,020,642	-629,868	-1,720,155
3.02.01	Cost of sales and/or services	-438,907	-1,296,918	-434,821	-1,219,209
3.02.02	Construction cost	-373,220	-723,724	-195,047	-500,946
3.03	Gross profit	360,908	1,079,582	344,502	1,034,544
3.04	Operating expenses/income	-178,980	-548,559	-149,978	-493,127
3.04.01	Selling expenses	-67,020	-197,146	-59,959	-169,257
3.04.02	General and administrative expenses	-112,528	-328,553	-108,227	-313,414
3.04.04	Other operating income	34,032	78,975	45,097	68,929
3.04.05	Other operating expenses	-33,464	-101,835	-26,889	-79,385
3.04.05.01	Other operating expenses	-27,833	-84,810	-18,665	-57,776
3.04.05.02	Employee profit sharing	-5,631	-17,025	-8,224	-21,609
3.05	Profit before finance result and taxation	181,928	531,023	194,524	541,417
3.06	Finance result	-47,649	-136,140	-30,621	-111,632
3.06.01	Finance income	11,544	58,715	25,256	68,881
3.06.02	Finance costs	-59,193	-194,855	-55,877	-180,513
3.07	Profit before income tax and social contribution	134,279	394,883	163,903	429,785
3.08	Income tax and social contribution	-36,216	-98,284	-38,068	-111,358
3.08.01	Current	-31,786	-103,082	-39,271	-125,622
3.08.02	Deferred	-4,430	4,798	1,203	14,264
3.09	Profit for the period from continuing operations	98,063	296,599	125,835	318,427
3.11	Consolidated profit for the period	98,063	296,599	125,835	318,427
3.11.01	Attributable to the owners of the Company	98,063	296,599	125,835	318,427
3.99	Earnings per share (R$)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.82000	2.49000	1.05000	2.67000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.82000	2.49000	1.05000	2.67000

Consolidated financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 7/1/2014 to 9/30/2014	Accumulated - current year 1/1/2014 to 9/30/2014	Same quarter of prior year 7/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2013 to 9/30/2013
4.01	Consolidated profit for the period	98,063	296,599	125,835	318,427
4.02	Other comprehensive income (loss)	-3,513	-9,708	-11,683	-11,004
4.02.01	Fair value of investment in Foz de Jeceaba	0	741	0	679
4.02.02	Actuarial loss on retirement benefits	-3,513	-10,449	-11,683	-11,683
4.03	Consolidated comprehensive income for the period	94,550	286,891	114,152	307,423
4.03.02	Attributable to owners of the Company	94,550	286,891	114,152	307,423

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of cash flow - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2014 to 9/30/2014	Accumulated - prior year 1/1/2013 to 9/30/2013
6.01	Net cash provided by operating activities	719,880	625,444
6.01.01	Cash from operations	914,407	830,941
6.01.01.01	Profit for the period	296,599	318,427
6.01.01.02	Provision for impairment of trade receivables	70,148	49,553
6.01.01.03	Recovery of accounts written off	-40,430	-50,754
6.01.01.04	Interest and monetary and foreign exchange variations, net	5,927	10,021
6.01.01.05	Interest income and expenses	149,587	134,236
6.01.01.06	Deferred income tax and social contribution	-4,798	-14,264
6.01.01.08	Write-off of intangible assets and property, plant and equipment	48,850	17,197
6.01.01.09	Depreciation and amortization	357,282	317,422
6.01.01.10	Additions to provisions	18,743	18,601
6.01.01.11	Provision for pension plan obligations	30,660	43,012
6.01.01.12	Financial assets	0	-12
6.01.01.13	Deferred revenue	-5,227	0
6.01.01.14	Net margin of construction revenue	-12,934	-12,498
6.01.02	Changes in assets and liabilities	-194,527	-205,497
6.01.02.01	Trade receivables	10,356	-50,211
6.01.02.02	Inventories	-2,868	-338
6.01.02.03	Taxes recoverable	11,401	7,848
6.01.02.04	Banks and investments in connection with agreements	-4,755	23,186
6.01.02.05	Collateral for financing	13,712	6,350
6.01.02.06	Redemption of financial assets/ restricted financial investments	7,037	72,107
6.01.02.08	Other financial assets	-9,477	-11,863
6.01.02.09	Other	-1,766	-25,666
6.01.02.10	Trade payables	-7,895	-9,946
6.01.02.11	Taxes, fees and contributions	1,129	16,196
6.01.02.12	Provision for vacation pay and 13th month salary	48,398	45,741
6.01.02.13	Employee profit sharing	-143	7,397
6.01.02.14	Technical cooperation agreements	-11,123	-26,624
6.01.02.15	Contingencies	-3,595	-3,404
6.01.02.16	Pension plan obligations	-30,251	-29,847
6.01.02.17	Electric power and other	15,132	4,065
6.01.02.18	Interest paid	-182,284	-185,252
6.01.02.19	Payment of actuarial liability	-15,832	-17,680
6.01.02.20	Payment of tax installments	-31,703	-27,556
6.02	Net cash used in investing activities	-717,285	-642,427
6.02.05	Purchases of intangible assets and property, plant and equipment	-717,285	-642,427
6.03	Net cash used in financing activities	-121,687	-177,971
6.03.01	New borrowings and debentures	464,534	191,658
6.03.02	Repayment of borrowings and debentures	-486,496	-244,193
6.03.04	Interest on capital paid	-99,725	-120,878
6.03.08	Repayment of principal and interest on concession debts	0	-4,558
6.05	Decrease in cash and cash equivalents	-119,092	-194,954
6.05.01	Cash and cash equivalents at the beginning of the period	261,938	497,701
6.05.02	Cash and cash equivalents at the end of the period	142,846	302,747

Consolidated financial statements/statement of changes in equity - 1/1/2014 to 9/30/2014

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income (loss)	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	2,773,985	-8,576	2,508,330	0	63,620	5,337,359	0	5,337,359
5.03	Adjusted opening balances	2,773,985	-8,576	2,508,330	0	63,620	5,337,359	0	5,337,359
5.04	Capital transactions with stockholders	0	0	0	-100,888	0	-100,888	0	-100,888
5.04.07	Interest on capital	0	0	0	-100,888	0	-100,888	0	-100,888
5.05	Total comprehensive income (loss)	0	0	0	299,499	-12,608	286,891	0	286,891
5.05.01	Profit for the period	0	0	0	296,599	0	296,599	0	296,599
5.05.02	Other comprehensive income (loss)	0	0	0	2,900	-12,608	-9,708	0	-9,708
5.05.02.07	Amortization of monetary adjustments on adjusted assets - 96/97	0	0	0	4,394	-4,394	0	0	0
5.05.02.08	Deferred income tax and social contribution on adjusted assets - 96/97	0	0	0	-1,494	1,494	0	0	0
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-15,832	-15,832	0	-15,832
5.05.02.10	Fair value of available-for-sale financial assets	0	0	0	0	741	741	0	741
5.05.02.11	Deferred income tax and social contribution on actuarial loss on retirement benefits	0	0	0	0	5,383	5,383	0	5,383
5.07	Closing balances	2,773,985	-8,576	2,508,330	198,611	51,012	5,523,362	0	5,523,362

Consolidated financial statements/statement of changes in equity - 1/1/2013 to 9/30/2013

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income (loss)	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	2,773,985	-8,576	2,198,133	0	26,722	4,990,264	0	4,990,264
5.02	Prior-year adjustments	0	0	0	0	-55,376	-55,376	0	-55,376
5.02.01	Recognition of actuarial liability CPC 33 (R1)/ IAS 19	0	0	0	0	-116,578	-116,578	0	-116,578
5.02.02	Fair value of investment in Foz de Jeceaba	0	0	0	0	7,050	7,050	0	7,050
5.02.03	Anticipated recognition of concession agreements	0	0	0	0	25,625	25,625	0	25,625
5.02.05	Deferred income tax and social contribution on adjustments	0	0	0	0	28,527	28,527	0	28,527
5.03	Adjusted opening balances	2,773,985	-8,576	2,198,133	0	-28,654	4,934,888	0	4,934,888
5.04	Capital transactions with stockholders	0	0	0	-105,502	0	-105,502	0	-105,502
5.04.07	Interest on capital	0	0	0	-105,502	0	-105,502	0	-105,502
5.05	Total comprehensive income (loss)	0	0	0	321,794	-14,371	307,423	0	307,423
5.05.01	Profit for the period	0	0	0	318,427	0	318,427	0	318,427
5.05.02	Other comprehensive income (loss)	0	0	0	3,367	-14,371	-11,004	0	-11,004
5.05.02.06	Fair value of investment in Foz de Jeceaba	0	0	0	0	679	679	0	679
5.05.02.07	Amortization of monetary adjustments on adjusted assets - 96/97	0	0	0	5,102	-5,102	0	0	0
5.05.02.08	Deferred income tax and social contribution on adjusted assets - 96/97	0	0	0	-1,735	1,735	0	0	0
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-11,683	-11,683	0	-11,683
5.07	Closing balances	2,773,985	-8,576	2,198,133	216,292	-43,025	5,136,809	0	5,136,809

Consolidated financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2014 to 9/30/2014	Accumulated - prior year 1/1/2013 to 9/30/2013
7.01	Revenue	3,353,376	3,001,291
7.01.01	Sales of products and services	2,605,689	2,470,533
7.01.02	Other revenue	40,747	16,113
7.01.03	Revenue from the construction of own assets	736,658	513,444
7.01.04	Recording (reversal) of provision for impairment of trade receivables	-29,718	1,201
7.02	Inputs acquired from third parties	-1,439,059	-1,189,499
7.02.01	Cost of sales and services	-1,255,183	-1,017,802
7.02.02	Materials, energy, outsourced services and other	-122,739	-122,158
7.02.04	Other	-61,137	-49,539
7.03	Gross value added	1,914,317	1,811,792
7.04	Retentions	-357,282	-317,422
7.04.01	Depreciation, amortization and depletion	-357,282	-317,422
7.05	Net value added generated	1,557,035	1,494,370
7.06	Value added received through transfers	58,715	68,881
7.06.02	Finance income	58,715	68,881
7.07	Total value added to distribute	1,615,750	1,563,251
7.08	Distribution of value added	1,615,750	1,563,251
7.08.01	Personnel	690,934	646,383
7.08.01.01	Payroll	443,057	418,027
7.08.01.02	Benefits	185,696	158,151
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	45,156	48,596
7.08.01.04	Other	17,025	21,609
7.08.01.04.01	Employee profit sharing	17,025	21,609
7.08.02	Taxes and contributions	429,953	418,707
7.08.02.01	Federal	405,939	406,535
7.08.02.02	State	23,011	7,672
7.08.02.03	Municipal	1,003	4,500
7.08.03	Remuneration of third-party capital	198,264	179,734
7.08.03.01	Interest	194,117	176,416
7.08.03.02	Rentals	4,147	3,318
7.08.04	Remuneration of own capital	296,599	318,427
7.08.04.01	Interest on capital	100,888	105,502
7.08.04.03	Profit reinvested	195,711	212,925

Comments on company performance

01 - Concessions and Operations

In the third quarter of 2014 (3Q14), the Company started to operate the sewage system in the municipality of Capitão Enéas.
By the end of the third quarter, COPASA and its subsidiary COPANOR provided water supply services to a total of 617 municipalities and sewage services to 227 municipalities, as shown in the table below:

Concessions and operations (September 2014)	Total *	COPASA	COPANOR
Number of municipalities - water concession	631	582	49
Number of municipalities - sewage concession	288	239	49
Number of municipalities - water operation	617	572	45
Number of municipalities - sewage operation	227	198	29

* Total number of municipalities where COPASA holds or operates concessions in capital cities, villages, towns or others.

02 - Consolidated General Service Data

There was an increase of 131 thousand water connections, totaling 4.0 million, up 3.4% from 3Q13. The water distribution network was extended by 2,359 km, totaling 48,151 km, up 5.1% from 3Q13 (45,792 km).

The population covered by COPASA's water supply increased by 453 thousand people in relation to 3Q13, totaling 14.9 million inhabitants in September 2014.

As regards sewage services, there were 101 thousand new connections, representing a 4.2% increase compared to September 2013, and the number of people served increased by 446 thousand in the period, totaling 9.7 million people connected to the sewer network.

Treated sewage volume reached 62.2 million m³ in the quarter, up 8.1% from the same period of the previous year, mainly due to the commencement of operations of new Sewage Treatment Plants (ETEs).

Operating Highlights[1]:

ITEMS	UNITS	3Q14	3Q13	Changes	
				Amount	%
Population served - Water	thousand people	14,887	14,434	453	3.14
Population served - Sewage	thousand people	9,680	9,234	446	4.83
Number of connections - Water	thousand connections	4,010	3,879	131	3.38
Number of connections - Sewage	thousand connections	2,483	2,382	101	4.24
Network extension - Water	Km	48,151	45,792	2,359	5.15
Network extension - Sewage	Km	23,092	21,524	1,568	7.28
Billed volume - Water	1,000 m³/quarter	169,222	168,563	659	0.39
Billed volume - Sewage	1,000 m³/quarter	111,399	110,727	672	0.61
Volume produced - Water	1,000 m³/quarter	243,520	247,138	-3,618	-1.46
Volume treated - Sewage[2]	1,000 m³/quarter	62,202	57,522	4,680	8.14

1. Consolidated data includes the subsidiary COPANOR.

2. Parent company data only.

Comments on company performance

03 - Consolidated Performance Indicators

The volume billed for water and sewage services increased by 1.3 million m³ compared to 3Q13. This growth was due to the increase in the number of people covered by water and sewage services in the locations where the Company already operated these systems, as well as the commencement of billing in new locations.

A key performance indicator is the productivity of employees, measured using the employees/1,000 connections (water + sewage) ratio, which decreased from 1.95 employees/1,000 connections in 3Q13 to 1.92 in 3Q14, especially considering the increased number of connections resulting from the Company's Expansion Plan.

COPASA MG
Operating/Commercial Performance Indicators
3rd quarter of 2014 and 2013

ITEMS	UNITS	3Q14	3Q13	Changes	
				Amount	%
1 - Employees	Number	12,444	12,193	251	2.06
2 - Employees/connections (A+E)	employee/1,000 connections	1.92	1.95	-0.03	-1.54
3 - Billed volume					
Water	1,000m³/quarter	169,222	168,563	659	0.39
Sewage	1,000m³/quarter	111,399	110,727	672	0.61
Total	1,000m³/quarter	280,621	279,290	1,331	0.48
4 - Water volume produced	1,000m³/quarter	243,520	247,138	-3,618	-1.46
5 - Water metering rate*	%	99.89	99.91	-0.02	-0.02
6 - Water not converted into revenue - ANCR (¹) *	l/connection/day	231.02	239.32	-8.3	-3.47

(1) Average for the past 12 months.
* Parent company data only.

The rate of water metered connections, which reached 99.89% in September 2014, is one of the best rates recorded by any sanitation company.

The Water not Converted into Revenue (ANCR) rate, which represents the difference between the volume distributed and that actually used by consumers, reached 231.02 l/connection/day in 3Q14, that is, a decrease of 3.47% when compared to 3Q13. This is one of the lowest rates in the industry.

Comments on company performance

04 - Investments in the 3rd quarter of 2014

INVESTMENTS (IN R$ MILLION)	Estimate - 2014	Actual - 3Q14	Accumulated up to September 2014
WATER	353.2	63.5	218.2
SEWAGE	610.5	134.3	429.0
OTHER	19.3	7.4	25.4
TOTAL	**983.0**	**205.2**	**672.6**

As regards investments in Water Supply Systems, we can highlight the following:

- Work to improve the connection of the Northwest water main in the metropolitan region of Belo Horizonte;

- Expansion of the production capacity of the Rio das Velhas System in the metropolitan region of Belo Horizonte;

- Expansion of the water supply system capacity in several municipalities, mainly: Belo Horizonte, Caputira, Caetanópolis, Cataguases, Cássia, Contagem, Coromandel, Itamarandiba, Juatuba, Mateus Leme, Santa Juliana, Santa Vitória and Taiobeiras;

- Implementation of the water supply system in Martinho Campos.

Regarding Sewage Systems (SES), we can highlight:

- Expansion of the Sewage Systems of Belo Horizonte, Betim, Contagem/Imbiruçu, Nanuque, Pedro Leopoldo, Ribeirão das Neves and Sabará and the Sewage Treatment Plant of Ribeirão Arrudas (ETE Arrudas).

- Construction of Sewage Treatment Plants in Barbacena, Caratinga, Camanducaia, Capelinha, Cataguases, Carmo do Rio Claro, Conceição do Mato Dentro, Congonhas, Conselheiro Lafaiete, Ibirité, Itamarandiba, Jequitinhonha, Martinho Campos, Mateus Leme, Minas Novas, Nova Serrana, Pedro Leopoldo, Prados, Raposos, Resende Costa, Santa Luzia, Santo Antônio do Monte, Santos Dumont, São Gotardo, São Joaquim de Bicas, São Sebastião do Paraíso; Três Corações; Vazante.

- Implementation of the Sewage Systems of Alfenas, Camanducaia, Capitão Enéas, Espinosa, Estrela do Indaiá, Fama, Francisco Dumont, Itacarambi, Juvenília, Lontra, Manga, Pedras de Maria da Cruz, Prudente de Morais, São João da Ponte, Serra dos Aimorés and Várzea da Palma.

Comments on company performance

05 - Financial Performance - Parent Company

The Company's net result in 3Q14 decreased significantly by 22.07% in comparison with the same period of the previous year, as a result of the moderate growth in revenue from water-and sewage-related services and the decrease in operating and finance income. Another important fact is the significant increase in the cost of the operating, management and financial services sold, even though taxes decreased in relation to the same period of the prior period. There was a decrease in the profitability level from 12.97% in the third quarter of 2013 to 8.40% in third quarter of 2014.

The analysis of the tables and explanations below will permit the understanding of the performance of the result of the Parent company in the period:

Statement of income

Parent company	9/30/2014		9/30/2013		Changes	
	R$	%	R$	%	R$	%
Revenue from water services	516,931	44.27	507,451	52.31	9,480	1.87
Revenue from sewage services	273,678	23.43	263,111	27.13	10,567	4.02
Construction revenue	377,197	32.30	199,464	20.56	177,733	89.11
Net operating revenue from services	**1,167,806**	**100.00**	**970,026**	**100.00**	**197,780**	**20.39**
Cost of services rendered	(433,250)	-37.10	(430,364)	-44.37	(2,886)	0.67
Construction costs	(373,220)	-31.96	(195,047)	-20.11	(178,173)	91.35
Cost of services rendered	**(806,470)**	**-69.06**	**(625,411)**	**-64.48**	**(181,059)**	**28.95**
Gross profit	**361,336**	**30.95**	**344,615**	**35.52**	**16,721**	**4.85**
Selling expenses	(66,262)	-5.67	(59,122)	-6.09	(7,140)	12.08
General and administrative expenses	(110,720)	-9.48	(106,590)	-10.99	(4,130)	3.87
Other operating income	33,449	2.86	43,661	4.50	(10,212)	-23.39
Other operating expenses	(25,086)	-2.15	(17,058)	-1.76	(8,028)	47.06
Employee profit sharing	(5,631)	-0.48	(8,224)	-0.85	2,593	-31.53
Equity in the results of subsidiaries	(4,468)	-0.38	(3,098)	-0.32	(1,370)	44.22
Operating income/expenses	**(178,718)**	**-15.30**	**(150,431)**	**-15.51**	**(28,287)**	**18.80**
Profit before finance result and taxation	**182,618**	**15.65**	**194,184**	**20.01**	**(11,566)**	**-5.96**
Finance income	11,851	1.01	25,563	2.64	(13,712)	-53.64
Finance costs	(60,253)	-5.16	(55,843)	-5.76	(4,410)	7.90
Finance result	**(48,402)**	**-4.15**	**(30,280)**	**-3.12**	**(18,122)**	**59.85**
Profit before income tax and social contribution	**134,216**	**11.50**	**163,904**	**16.90**	**(29,688)**	**-18.11**
Provision for income tax	(26,246)	-2.25	(27,942)	-2.88	1,696	-6.07
Provision for social contribution on net income	(9,907)	-0.85	(10,127)	-1.04	220	-2.17
Profit for the period	**98,063**	**8.40**	**125,835**	**12.97**	**(27,772)**	**-22.07**

a. Net operating revenue from services - Net revenue from water and sewage services increased 2.6%, considering the following:

- ✓ the water and sewage connections increased 3.2% and 3.9%, respectively;

Comments on company performance

- ✓ the average tariff adjustment applied to consumption as from May 13, 2014 was 6.18%; and

- ✓ the percentage of the sewage tariff increased from 50% to 90% of the water tariff because of the beginning of operations of the Sewage Treatment Plants in the following municipalities: Conceição do Mato Dentro and Santa Rita do Sapucaí (Oct/2013); Pará de Minas, Desterro do Melo and Resplendor (Feb/2014); Brasília de Minas, Campina Verde, Serra dos Aimorés and Pedra Azul (Mar/2014); Bom Despacho, Borda da Mata, Nova Serrana and Santo Antônio do Monte (Apr/2014) and Santana da Vargem (Aug/2014).

- ✓ However, the performance of revenue in 3Q14, in comparison with 3Q13, was affected by the following factors:

- ✓ reduction in the billed volume by connection, which, in some cases, led to the transfer of a number of the customers to lower-consumption levels, whose tariffs are also lower. Such fact might be related to the campaign carried out by the Company to raise the awareness of the population regarding the conscious consumption of water, due to the long drought period, as the Company has been disclosing in its monthly Operating Releases.

- ✓ decrease in industrial billed volume, which might be related to the connections performance. Even though such category represents only 0.7% of the total connections, the impact on the Company's total billing was felt since the average rates of this group are higher than those of the other categories.

- ✓ change in the manner in which the sewage services are charged to a portion of the customers located in the municipalities of Betim and to the customers of Coronel Fabriciano, following the decision of the Regulatory Agency. Accordingly, the charged tariff changed from collection and treatment services to collection services only.

- ✓ suspension of the charging for sewage services in the cities of Três Corações due to judicial decisions, as disclosed in the 1Q14 Results Release. This fact has a negative impact on the amount billed per sewage connection, taking into consideration that the number of connections in this municipality (approximately 25 thousand) is still included in the Company's connections base without the related billings.

- ✓ change, as from January 2014, due to the enactment of Resolution ARSAE 40/2013, of the systematic used to send second notification of default to customers, which is now included directly in the customer's invoice. Because the debit notification will not be sent with a Receipt Notification, the indirect revenues and the offsetting entry of the expense accounted for in outsourced services will no longer be recorded (the effect in the results is null). Consequently, these amounts were not recorded in 3Q14 as indirect revenue or costs. In 3Q13, R$ 4.4 million was accounted for.

Comments on company performance

b. Construction revenue and costs - There was an increase in the construction revenue and costs as a result of the water supply system Rio Manso, due to the beginning of the works of the public-private partnership, which was offset by the decrease in revenue from and costs incurred with sewage systems resulting from the lower investments in the period.

c. Costs of services rendered and expenses - Costs of services rendered and selling and administrative expenses in 3Q14 totaled R$ 983.5 million, that is, an increase of 24.3% when compared to 3Q13 (R$ 791.1 million).

Operating, selling and administrative costs

Parent company	9/30/2014		9/30/2013		Changes	
	R$	%	R$	%	R$	%
Personnel	271,785	27.64	266,013	33.62	5,772	2.17
Materials	31,751	3.23	30,492	3.86	1,259	4.13
Electric power	63,982	6.51	57,210	7.23	6,772	11.84
Outsourced services	91,395	9.29	103,069	13.03	(11,674)	-11.33
Tariffs transferred to municipalities	18,777	1.91	18,697	2.36	80	0.43
General expenditures	11,794	1.19	13,364	1.69	(1,570)	-11.75
Depreciation and amortization	122,520	12.46	111,924	14.15	10,596	9.47
Construction costs	373,220	37.95	195,047	24.66	178,173	91.35
Recovered tax credits (PIS-PASEP/COFINS)	(24,617)	-2.50	(22,274)	-2.82	(2,343)	10.52
Impairment of trade receivables	22,800	2.32	17,581	2.22	5,219	29.69
Provision for losses	45	0.00	-	0.00	45	n.m
*** Cost of services rendered and expenses**	**983,452**	**100.00**	**791,123**	**100.00**	**192,329**	**24.31**

COFINS - Social Contribution on Revenues
PIS - Social Integration Program
PASEP - Public Services Employee Savings Program

- **Personnel** - This item increased 2.2% in relation to 3Q13. The increase of 1.9% in the number of employees and the impacts of the 2014 Collective Labor Agreement, whose base date is May 1, were offset by the following factors:

  - ✓ decrease in the expenses with the Voluntary Termination Program for Retirees and/or Employees Eligible for Retirement (PDV), from R$ 7.5 million in 3Q13 to R$ 4.8 million in 3Q14; and

  - ✓ the provisions for the Collective Labor Agreement recorded as from May 2014 (base date) included all the items comprising the payroll. In the previous year, the vacation pay and related charges were not included in the provisions. Accordingly, in 3Q14, the amount recorded for the settlement of the Collective Labor Agreement was lower than the amount recorded in 3Q13.

- **Materials** - When comparing 3Q14 with 3Q13, an increase of 4.1% was recorded in expenses with materials. The item with the most significant increase was "treatment-related materials" due to the price adjustments and the higher consumption of chemicals due to the deterioration of the quality of the water in certain regions.

Comments on company performance

- **Services** - The reduction of 11.3% was mainly due to:

  - ✓ decrease in expenditures with conservation and maintenance of assets and systems associated to the optimization of expenditures and the period of drought;

  - ✓ decrease in expenditures with professional and technical services; and

  - ✓ the elimination of the second notification of default with Receipt Notification, as explained above.

- **Electric power** - The energy expense in 3Q14, in comparison with 3Q13, increased 11.8%, mainly due to the readjustment of 14.6% in the electric power rates in April 2014.

d. **Depreciation and amortization** - The increase of 9.5% in depreciation and amortization in 3Q14 compared to 3Q13 is due to the start of depreciation/amortization of assets that were "under construction" and began to be recorded as investments "in operation" because the related construction work had been completed, which means that they were incorporated into the Company's asset base.

e. **Provision for impairment of trade receivables** - The current increase in the provision for impairment of trade receivables is a result of the growth of accounts classified as potentially impaired mainly because of the changes made by the Regulatory Agency in the criteria for linking the debts, which changed from the related property to the user.

f. • **Recovered tax credits (PIS-PASEP/COFINS)** - The increase of 10.5% in the tax credits occurred due to:

  - ✓ the change in the criterion of appropriation of the credits as from September 2013. Until then, those credits were appropriated upon the effective consumption of the products, and as from September 2013, they started to be considered upon the acquisition of the products, thus affecting comparability; and

  - ✓ increase in the costs with electric power, inputs and depreciation, which are the main items that generate such credits.

Comments on company performance

g. Other operating income/expenses

Other operating income/expenses

Parent company	9/30/2014		9/30/2013		Changes	
	R$	%	R$	%	R$	%
Revenue from technical services	60	0.18	(60)	-0.14	120	n.m
Reversal of non-deductible provisions	11,528	34.46	6,624	15.17	4,904	74.03
Recovery of accounts written off	17,369	51.93	34,236	78.42	(16,868)	-49.27
Other income	4,492	13.43	2,861	6.55	1,632	57.01
Other operating income	**33,449**	**100.00**	**43,661**	**100.00**	**(10,212)**	**-23.39**
Equity in the results of investees	(9)	-0.03	-	0.00	(9)	n.m
Total other operating income	**33,440**	99.97	**43,661**	100.00	**(10,221)**	-23.41
Non-recurring or unusual losses	(16,761)	66.81	(11,043)	64.74	(5,718)	51.78
Other expenses	(8,325)	33.19	(6,015)	35.26	(2,310)	38.40
Other operating expenses	**(25,086)**	**100.00**	**(17,058)**	**100.00**	**(8,028)**	**47.06**
Employee profit sharing	(5,631)	16.01	(8,224)	28.98	2,593	-31.53
Equity in the results of subsidiaries - Copanor	(1,283)	28.72	(380)	12.27	(903)	n.m
Equity in the results of subsidiaries - Águas Minerais	(3,115)	69.72	(2,418)	78.05	(697)	28.83
Equity in the results of subsidiaries - Serviços Irrigação	(61)	1.37	(300)	9.68	239	-79.67
Total equity in results of subsidiaries	**(4,468)**	**100.00**	**(3,098)**	**100.00**	**(1,370)**	**44.22**
Total other operating expenses	**(35,176)**	**100.00**	**(28,380)**	**100.00**	**(6,796)**	**23.95**
Total other operating income/expenses	**(1,736)**	**100.00**	**15,281**	**100.00**	**(17,017)**	**n.m**

Other operating income - In 3Q13 there was an extraordinary amount of R$ 20.4 million recorded as "recovery of accounts written off" due to the negotiation of water and sewage invoice debts with the Municipality of Teófilo Otoni, which impacts comparability.

In addition, the following items also affected this group:

- ✓ increase in the amount of reversal of provisions for lawsuits due to reclassification and conclusion of proceedings; and

- ✓ donations and incentives for investments in the Betim Sewage Treatment Plant which referred to tax incentive funds from the Water Basin Depollution Program (PRODES), which did not happen in 3Q13.

Other operating expenses - The increase of 47.1% in 3Q14 when compared to 3Q13 is mainly a result of:

- ✓ increase in the Inspection Fee of ARSAE MG, whose amount recorded in 3Q14 totaled R$ 6.1 million (R$ 821 thousand in 3Q13). This increase is a result of the amendment to the law that created ARSAE MG, as described in page 2 of the 4Q13 Results Release;

- ✓ increase in the provision for lawsuits due to new cases, in addition to the monetary readjustment and reclassification of existing lawsuits; and

Comments on company performance

- ✓ losses in the water operation systems.

h. Finance income and costs

Finance income and costs

Parent company	9/30/2014		9/30/2013		Changes	
	R$	%	R$	%	R$	%
Monetary and foreign exchange variation	872	7.36	1,784	6.98	(912)	-51.12
Interest	1,392	11.74	2,175	8.51	(783)	-36.00
Income on short-term investments	7,324	61.80	9,949	38.92	(2,625)	-26.38
Capitalization of financial assets/other	2,263	19.10	11,655	45.59	(9,392)	-80.58
Total finance income	**11,851**	**100.00**	**25,563**	**100.00**	**(13,712)**	**-53.64**
Monetary and foreign exchange variation	(5,170)	8.58	(6,671)	11.95	1,501	-22.50
Interest expenses	(53,512)	88.81	(45,767)	81.95	(7,745)	16.92
Other costs	(1,571)	2.61	(3,405)	6.10	1,834	-53.86
Total finance costs	**(60,253)**	**100.00**	**(55,843)**	**100.00**	**(4,410)**	**7.90**
Finance result, net	**(48,402)**	**100.00**	**(30,280)**	**100.00**	**(18,122)**	**59.85**

Finance income - Finance income decreased 53.6% mainly due to:

- ✓ decrease in the actual interest gain on financial investments due to the lower volume of cash available.

Finance costs - The increase in finance costs mainly reflects the increase in the Company's indebtedness.

It should also be pointed out that, in addition to the finance costs shown above, the Company recorded interest and other financial charges of R$ 33.5 million under permanent assets in 3Q14 (R$ 43.8 million in 3Q13), considering that the construction work related to these accounts is still in progress.

i. Income tax and social contribution

The decrease in current income tax and social contribution mainly reflects the reduction of the taxable income in 3Q14, when compared to 3Q13, according to the following table.

Comments on company performance

j. Cash generation or EBITDA - The table below shows EBITDA calculations:

Parent company	9/30/2014	9/30/2013	Changes	
	R$	R$	R$	%
Profit for the period	**98,063**	**125,835**	**(27,772)**	**-22.07**
(+) Taxes on income	36,153	38,069	(1,916)	-5.03
(+) Net finance income	48,402	30,280	18,122	59.85
(+) Depreciation and amortization	122,520	111,924	10,596	9.47
(+) Non-operating result of subsidiaries	(49)	980	(1,029)	n.m
(=) EBITDA	**305,089**	**307,088**	**(1,999)**	**-0.65**
EBITDA margin	**25.28**	**30.12**	**-4.85**	

(1) EBITDA represents the profit (loss) before income tax and social contribution, net finance result and depreciation and amortization expenses. Given that interest (finance) income and expenses, income tax and social contribution and depreciation and amortization are not included in its calculation, EBITDA is an indicator of the Company's overall economic performance, which is not affected by changes in interest rates, in income tax and social contribution rates or depreciation and amortization levels. Accordingly, EBITDA is believed to be a useful tool for comparing the Company's operating performance on a regular basis, and serves as a basis for certain managerial decisions. We believe that EBITDA provides a better understanding not only of our financial performance but also of our capacity to meet our obligations and to obtain funds for capital expenditure and working capital requirements. However, there are limitations on the use of EBITDA as a measure of our profitability, since it does not take into account certain costs arising from our business activities, which could significantly affect our profits, such as finance costs, taxes, depreciation, capital expenses and other related charges.

(2) EBITDA margin is calculated with reference to net services revenue, which represents net operating revenue plus other operating income.

Comments on company performance

06 - Balance sheet -Parent company

Parent company	9/30/2014	12/31/2013	Changes	
			R$	%
Current assets	983,158	1,079,708	(96,550)	-8.94
Non-current assets	8,817,718	8,376,593	441,125	5.27
Total assets	**9,800,876**	**9,456,301**	**344,575**	**3.64**
Current liabilities	933,959	914,633	19,326	2.11
Non-current liabilities	3,343,555	3,204,309	139,246	4.35
Equity	5,523,362	5,337,359	186,003	3.48
Total liabilities and equity	**9,800,876**	**9,456,301**	**344,575**	**3.64**

a. Current assets

Parent company	9/30/2014	12/31/2013	Changes	
			R$	%
Cash and cash equivalents	142,451	260,481	(118,030)	-45.31
Trade receivables	696,852	697,105	(253)	-0.04
Inventories	36,850	34,486	2,364	6.85
Taxes to be offset	11,726	23,283	(11,557)	-49.64
Technical cooperation agreements	24,006	-	24,006	n.m
Banks and investments in connection with agreements	38,943	36,688	2,255	6.15
Sundry receivables	32,330	27,665	4,665	16.86
Total current assets	**983,158**	**1,079,708**	**(96,550)**	**-8.94**

- **Cash and cash equivalents -** The decrease in cash and cash equivalents is basically a result of the redemptions having exceeded the new investments by R$ 134,363 thousand, with the purpose of meeting the Company's cash needs offset by the earnings of R$ 17,563 thousand.

- **Technical cooperation agreements -** The changes in agreements were due to the significant increase in construction expenditures of approximately R$ 17,603 thousand in the second quarter and R$ 24,674 thousand in the third quarter, mainly with agreements entered into with the Company for the Development of São Francisco and Parnaíba Valleys (CODEVASF).

- **Sundry receivables -** Changes in this account are mainly due to the increase in the number of lawsuits filed by the Company against contractors and service providers, whose employees are claiming in court labor contingencies paid by COPASA-MG as joint responsible, the recording of a provision for payment in advance of the 13th month salary to the Company's employees, in addition to rights regarding loans granted to COPANOR.

Comments on company performance

- **Taxes to be offset -** The change in these accounts was mainly due to the offset of IRPJ and CSLL credits in 2014, as declared in the Federal Income Tax Return (DIPJ) referring to 2013.

b. Non-current assets

Parent company	9/30/2014	12/31/2013	Changes	
			R$	%
Trade receivables	192,924	212,580	(19,656)	-9.25
Deferred income tax and social contribution	128,743	118,944	9,799	8.24
Restricted investments	97,802	97,380	422	0.43
Collateral for financing	128,389	133,410	(5,021)	-3.76
Receivables from subsidiaries	16,937	109,790	(92,853)	-84.57
Available-for-sale assets	49,761	48,638	1,123	2.31
Financial assets	573,181	494,836	78,345	15.83
Sundry receivables	48,854	54,524	(5,670)	-10.40
Total long-term receivables	**1,236,591**	**1,270,102**	**(33,511)**	**2.64**
Investments	15,506	260	15,246	n.m.
Intangible assets	7,366,607	6,900,753	465,854	6.75
Property, plant and equipment	199,014	205,478	(6,464)	-3.15
Total permanent assets	**7,581,127**	**7,106,491**	**474,636**	**6.68**
Total non-current assets	**8,817,718**	**8,376,593**	**441,125**	**5.27**

- **Receivables from subsidiaries -** The decrease in this account is due to the payment of capital with funds from advances for capital increase. In April, the amount of R$ 96,178 thousand was paid.

- **Trade receivables -** The changes in this account of the offsetting of accounts between the Government of the City of Belo Horizonte and the Company refer to the transfer of R$ 34,240 thousand to current, net of monetary adjustment amounting to R$ 14,584 thousand.

- **Deferred income tax and social contribution -** The variation in this account refers to the deferred IRPJ and CSLL on temporary differences which, upon realization, affected the results of future years. The main provisions are the following: provision for impairment of trade receivables and litigation provision, provisions for CPC-related adjustments and provisions for tax contingencies.

- **Financial assets -** The increase in this account was due to the recognition of the right to reimbursement for investments made in concessions operated by the Company, in the approximate amount of R$ 78,344 thousand.

- **Investments -** The change in this account is related to the payment of capital of R$ 96,178 thousand in the subsidiary Águas Minerais with funds from advances for capital increase, which was offset by the transfer of R$ 76,581 from "provision for losses on investments" to the net balance of changes in this investment.

Comments on company performance

- **Intangible assets -** The increase in this account reflects the Company's investments in the infrastructure required for the provision of services. In September, a public-private partnership was established for the expansion and improvement of Rio Manso system.

c. Current liabilities

Parent company	9/30/2014	12/31/2013	Changes	
			R$	%
Borrowings	167,790	196,259	(28,469)	-14.51
Debentures	261,300	275,267	(13,967)	-5.07
Trade payables	144,673	135,338	9,335	6.90
Taxes and contributions	54,901	53,764	1,137	2.11
Taxes payable in installments	43,681	41,144	2,537	6.17
Provision for vacation pay and 13th month salary	139,977	92,023	47,953	52.11
Employee profit sharing	32,944	33,087	(143)	-0.43
Interest on capital	32,809	31,646	1,163	3.68
Technical cooperation agreements	-	6,547	(6,547)	-100.00
Retirement benefit obligations	23,697	26,409	(2,712)	-10.27
Electric power	4,004	10,832	(6,828)	-63.04
Other obligations	28,183	12,317	15,866	n.m.
Total current liabilities	**933,959**	**914,633**	**19,327**	**2.11**

- **Borrowings -** The decrease in this account is a result of the repayment of the debt in the amount of R$ 257,887 thousand and of interest of R$ 68,796 thousand, as offset by the provision for interest of R$ 69,969 thousand and the transfer of R$ 228,245 thousand from non-current.

- **Debentures -** The decrease in this account is a result of the repayment of principal amounting to R$ 228,309 thousand and interest amounting to R$ 113,414 thousand, as offset by the provision for interest of R$ 113,063 thousand, and the transfer of R$ 214,693 thousand from non-current.

- **Interest on capital -** The increase in this account is due to interest declared of R$ 100,888 thousand offset against payments to stockholders amounting to R$ 94,930 thousand and payment of Income Tax Withheld at Source (IRRF) amounting to R$ 4,795 thousand.

- **Technical cooperation agreements -** These are related to non-onerous agreements mainly entered into with the Company for Development of São Francisco and Parnaíba Valleys (Codevasf), which are related to the investment in sewage-related works in a number of locations in the countryside of the State of Minas Gerais. The decrease in the amounts is related to the increase in the construction expenditures of approximately R$ 17,603 thousand in the second quarter and R$ 24,674 thousand in the third quarter.

- **Electric power -** This account decreased due to the payment of bills to the electrical energy company.

Comments on company performance

- **Other obligations -** The variation in this account is due to the increase in the PDV provision, in addition to the renewals of concession with the cities of Ipatinga and Almenara.

d. Non-current liabilities

Parent company	9/30/2014	12/31/2013	Changes	
			R$	%
Caixa Econômica Federal	407,506	508,499	(100,993)	-19.86
State government/BDMG	-	1,032	(1,032)	-100.00
BNDES/BNE	478,240	485,572	(7,332)	-1.51
Finame	89,670	72,042	17,628	24.47
In local currency	**975,416**	**1,067,145**	**(91,727)**	**-8.60**
Federal government - bonus	61,507	59,654	1,853	3.11
KfW Bank	130,990	65,670	65,320	99.47
In foreign currency	**192,497**	**125,324**	**67,173**	**53.60**
Total borrowings	**1,167,913**	**1,192,469**	**(24,556)**	**-2.06**
Debentures	1,563,866	1,492,272	71,594	4.80
Provision for contingencies	90,484	76,474	14,010	18.32
Public-private partnership	163,878	-	163,878	n.m
Provision for investment losses	14,251	86,346	(72,095)	-83.50
Taxes payable in installments	192,924	212,580	(19,656)	-9.25
Retirement benefit obligations	109,131	106,010	3,121	2.94
Other obligations	41,108	38,158	2,950	7.73
Total non-current liabilities	**3,343,555**	**3,204,309**	**139,245**	**4.35**

BDMG - Bank for the Development of Minas Gerais
BNDES - National Bank for Economic and Social Development
FINAME - Government Agency for Machinery and Equipment Financing

- **Debentures -** The increase in this account is due to the new debentures amounting to R$ 261,076 thousand and monetary restatement of R$ 25,211 thousand, as offset by the transfer of R$ 214,693 thousand to current.

- **Borrowings** - The decrease in this account is due to the addition of R$ 203,458 thousand and monetary restatement of R$ 231 thousand, as offset by the transfer of R$ 228,245 thousand to current.

- **Provision for contingencies -** The increase in this account is due to the new civil and labor lawsuits amounting to R$ 20,309 thousand and R$ 11,789 thousand, respectively, as offset by the reversal of provisions amounting to R$ 14,779 thousand and the losses on lawsuits amounting to R$ 3,026 thousand.

- **Public-private partnership -** This account refers to the expenditures with the improvement and expansion works in the Rio Manso system through a public-private partnership.

- **Taxes payable in installments -** The decrease in this account refers to a Credits Offset Agreement between the Government of the City of Belo Horizonte and COPASA MG, relating to water and sewage invoices already taxed and Services Tax (ISSQN) debits of COPASA with the Government of the City of Belo Horizonte, which originated the deferred assets to be realized in 120 months. This change represents the derecognition of the offset installments.

Comments on company performance

- **Provision for losses on investments -** The decrease is due to the transfer of R$ 76,581 thousand from this provision related to the subsidiary Águas Minerais to the investment account, in permanent assets.

e. Equity

Parent company	9/30/2014	12/31/2013	Changes	
			R$	%
Previous balance	**5,337,359**	**4,934,888**	**402,471**	**8.16**
Profit	296,599	419,795	(123,196)	-29.35
Interest on capital	(100,888)	(139,582)	38,694	-27.72
Actuarial loss on retirement benefits	(15,832)	100,485	(116,317)	n.m.
Income tax and social contribution on actuarial loss - retirement benefits	5,383	-	5,383	n.m
Other changes in equity	-	8,713	(8,713)	-100.00
Fair value of available-for-sale assets	741	13,060	(12,319)	-94.33
Closing balance	**5,523,362**	**5,337,359**	**186,003**	**3.48**

Comments on company performance

07 - Financial Performance - Consolidated

The Company's net result in 3Q14 decreased significantly by 22.07% in comparison with the same period of the previous year, as a result of the moderate growth in revenue from water-and sewage-related services and the decrease in operating and finance income. Another important fact is the significant increase in the cost of the operating, management and financial services sold, even though taxes decreased in relation to the same period of the prior period. There was a decrease in the profitability level from 12.91% in the third quarter of 2013 to 8.36% in third quarter of 2014.

The analysis of the tables and explanations below will permit the understanding of the performance of the consolidated result in the period:

Consolidated	Statement of income 9/30/2014 R$	%	9/30/2013 R$	%	Changes R$	%
Revenue from water services	521,355	44.44	511,196	52.46	10,159	1.99
Revenue from sewage services	273,678	23.33	263,111	27.01	10,567	4.02
Construction revenue	377,197	32.16	199,464	20.47	177,733	89.11
Revenue from finished products	805	0.07	599	0.06	206	34.39
Net operating revenue from services	**1,173,035**	**100.00**	**974,370**	**100.00**	**198,665**	**20.39**
Cost of services rendered	(438,907)	-37.42	(434,821)	-44.63	(4,086)	0.94
Construction costs	(373,220)	-31.81	(195,047)	-20.02	(178,173)	91.35
Cost of services rendered	**(812,127)**	**-69.23**	**(629,868)**	**-64.64**	**(182,259)**	**28.94**
Gross profit	**360,908**	**30.77**	**344,502**	**35.36**	**16,406**	**4.76**
Selling expenses	(67,020)	-5.71	(59,959)	-6.15	(7,061)	11.78
General and administrative expenses	(112,528)	-9.59	(108,227)	-11.11	(4,301)	3.97
Other operating income	34,032	2.90	45,097	4.63	(11,065)	-24.54
Other operating expenses	(27,833)	-2.37	(18,665)	-1.92	(9,168)	49.12
Employee profit sharing	(5,631)	-0.48	(8,224)	-0.84	2,593	-31.53
Operating income/expenses	**(178,980)**	**-15.26**	**(149,978)**	**-15.39**	**(29,002)**	**19.34**
Profit before finance result and taxation	**181,928**	**15.51**	**194,524**	**19.96**	**(12,596)**	**-6.48**
Finance income	11,544	0.98	25,256	2.59	(13,712)	-54.29
Finance costs	(59,193)	-5.05	(55,877)	-5.73	(3,316)	5.93
Finance result	**(47,649)**	**-4.07**	**(30,621)**	**-3.14**	**(17,028)**	**55.61**
Profit before income tax and social contribution	**134,279**	**11.45**	**163,903**	**16.82**	**(29,624)**	**-18.07**
Provision for income tax	(26,291)	-2.24	(27,941)	-2.87	1,650	-5.91
Provision for social contribution on net income	(9,925)	-0.85	(10,127)	-1.04	202	-1.99
Profit for the period	**98,063**	**8.36**	**125,835**	**12.91**	**(27,772)**	**-22.07**

k. Net operating revenue from services - Net revenue from water and sewage services increased 2.7%, considering the following:

- ✓ the water and sewage connections increased 3.2% and 3.9%, respectively;
- ✓ the average tariff adjustment applied to consumption as from May 13, 2014 was 6.18%; and

Comments on company performance

- ✓ the percentage of the sewage tariff increased from 50% to 90% of the water tariff because of the beginning of operations of the Sewage Treatment Plants in the following municipalities: Conceição do Mato Dentro and Santa Rita do Sapucaí (Oct/2013); Pará de Minas, Desterro do Melo and Resplendor (Feb/2014); Brasília de Minas, Campina Verde, Serra dos Aimorés and Pedra Azul (Mar/2014); Bom Despacho, Borda da Mata, Nova Serrana and Santo Antônio do Monte (Apr/2014) and Santana da Vargem (Aug/2014).

- ✓ However, the performance of revenue in 3Q14, in comparison with 3Q13, was affected by the following factors:

- ✓ reduction in the billed volume by connection, which, in some cases, led to the transfer of a number of the customers to lower-consumption levels, whose tariffs are also lower. Such fact might be related to the campaign carried out by the Company to raise the awareness of the population regarding the conscious consumption of water, due to the long drought period, as the Company has been disclosing in its monthly Operating Releases.

- ✓ decrease in industrial billed volume, which might be related to the connections performance. Even though such category represents only 0.7% of the total connections, the impact on the Company's total billing was felt since the average rates of this group are higher than those of the other categories.

- ✓ change in the manner in which the sewage services are charged to a portion of the customers located in the municipalities of Betim and to the customers of Coronel Fabriciano, following the decision of the Regulatory Agency. Accordingly, the charged tariff changed from collection and treatment services to collection services only.

- ✓ suspension of the charging for sewage services in the cities of Três Corações due to judicial decisions, as disclosed in the 1Q14 Results Release. This fact has a negative impact on the amount billed per sewage connection, taking into consideration that the number of connections in this municipality (approximately 25 thousand) is still included in the Company's connections base without the related billings.

- ✓ change, as from January 2014, due to the enactment of Resolution ARSAE 40/2013, in the systematic used to send second notification of default to customers, which is now included directly in the customer's invoice. Because the debit notification will not be sent with a Receipt Notification, the indirect revenues and the offsetting entry of the expense accounted for in outsourced services will no longer be recorded (the effect in the results is null). Consequently, these amounts were not recorded in 3Q14 as indirect revenue or costs. In 3Q13, R$ 4.4 million was accounted for.

l. Construction revenue and costs - There was an increase in the construction revenue and costs as a result of the water supply system Rio Manso, due to the beginning of the works of the public-private partnership, which was offset by the decrease in revenue from and costs incurred with sewage systems resulting from the lower investments in the period.

Comments on company performance

m. Costs of services rendered and expenses - Costs of services rendered and general and administrative expenses in 3Q14 totaled R$ 991.7 million, that is, an increase of 24.3% when compared to 3Q13 (R$ 798.1 million).

Operating, selling and administrative costs

Consolidated	9/30/2014		9/30/2013		Changes	
	R$	%	R$	%	R$	%
Personnel	274,728	27.70	268,595	33.66	6,133	2.28
Materials	32,540	3.28	31,090	3.90	1,450	4.66
Electric power	65,288	6.58	58,268	7.30	7,020	12.05
Outsourced services	92,603	9.34	104,163	13.05	(11,560)	-11.10
Tariffs transferred to municipalities	18,777	1.89	18,697	2.34	80	0.43
General expenditures	11,985	1.21	13,614	1.71	(1,629)	-11.97
Depreciation and amortization	123,161	12.42	112,564	14.10	10,597	9.41
Construction costs	373,220	37.64	195,047	24.44	178,173	91.35
Cost of products sold	763	0.08	254	0.03	509	n.m
Recovered tax credits (PIS-PASEP/COFINS)	(24,877)	-2.51	(22,447)	-2.81	(2,430)	10.83
Impairment of trade receivables	23,423	2.36	18,209	2.28	5,214	28.63
Provision for losses	64	0.01	-	0.00	64	n.m
*** Cost of services rendered and expenses**	**991,675**	**100.00**	**798,054**	**100.00**	**193,621**	**24.26**

- **Personnel** - This item increased 2.3% in relation to 3Q13. The increase of 1.9% in the number of employees and the impacts of the 2014 Collective Labor Agreement, whose base date is May 1, were offset by the following factors:

  - ✓ decrease in the expenses with the Voluntary Termination Program for Retirees and/or Employees Eligible for Retirement (PDV), from R$ 7.5 million in 3Q13 to R$ 4.8 million in 3Q14; and

  - ✓ the provisions for the Collective Labor Agreement recorded as from May 2014 (base date) included all the items comprising the payroll. In the previous year, the vacation pay and related charges were not included in the provisions. Accordingly, in 3Q14, the amount recorded for the settlement of the Collective Labor Agreement was lower than the amount recorded in 3Q13.

- **Materials** - When comparing 3Q14 with 3Q13, an increase of 4.7% was recorded in expenses with materials. The item with the most significant increase was "treatment-related materials" due to the price adjustments and the higher consumption of chemicals due to the deterioration of the quality of the water in certain regions.

- **Services** - The reduction of 11.1% was mainly due to:

  - ✓ decrease in expenditures with conservation and maintenance of assets and systems associated to the optimization of expenditures and the period of drought;

Comments on company performance

- ✓ decrease in expenditures with professional and technical services; and

- ✓ the elimination of the second notification of default with Receipt Notification, as explained above.

- **Electric power** - The energy expense in 3Q14, in comparison with 3Q13, increased 12.1%, mainly due to the readjustment of 14.6% in the electric power rates in April 2014.

n. Depreciation and amortization - The increase of 9.4% in depreciation and amortization in 3Q14 compared to 3Q13 is due to the start of depreciation/amortization of assets that were "under construction" and began to be recorded as investments "in operation" because the related construction work had been completed, which means that they were incorporated into the Company's asset base.

o. Provision for impairment of trade receivables - The current increase in the provision for impairment of trade receivables is a result of the growth of accounts classified as potentially impaired mainly because of the changes made by the Regulatory Agency in the criteria for linking the debts, which changed from the related property to the user.

p. • **Recovered tax credits (PIS-PASEP/COFINS)** - The increase of 10.8% in the tax credits occurred due to:

- ✓ the change in the criterion of appropriation of the credits as from September 2013. Until then, those credits were appropriated upon the effective consumption of the products, and as from September 2013, they started to be considered upon the acquisition of the products, thus affecting comparability; and

- ✓ increase in the costs with electric power, inputs and depreciation, which are the main items that generate such credits.

Comments on company performance

q. Other operating income/expenses

Other operating income/expenses

Consolidated	9/30/2014 R$	%	9/30/2013 R$	%	Changes R$	%
Revenue from technical services	63	0.19	(60)	-0.13	123	n.m
Reversal of non-deductible provisions	11,432	33.59	6,724	14.91	4,708	70.02
Recovery of accounts written off	17,332	50.93	34,394	76.27	(17,062)	-49.61
Other income	5,205	15.29	4,039	8.96	1,166	28.87
Total other operating income	**34,032**	**100.00**	**45,097**	**100.00**	**(11,065)**	**-24.54**
Non-recurring or unusual losses	(18,020)	53.85	(12,456)	46.33	(5,564)	44.67
Other expenses	(9,813)	29.32	(6,209)	23.09	(3,604)	58.04
Other operating expenses	**(27,833)**	**83.17**	**(18,665)**	**69.42**	**(9,168)**	**49.12**
Employee profit sharing	(5,631)	16.83	(8,224)	30.58	2,593	-31.53
Total other operating expenses	**(33,464)**	**100.00**	**(26,889)**	**100.00**	**(6,575)**	**24.45**
Total other operating income/expenses	**568**	**100.00**	**18,208**	**100.00**	**(17,640)**	**-96.88**

Other operating income - In 3Q13 there was an extraordinary amount of R$ 20.4 million recorded as "recovery of accounts written off" due to the negotiation of water and sewage invoice debts with the Municipality of Teófilo Otoni, which impacts comparability.

In addition, the following items also affected this group:

- ✓ increase in the amount of reversal of provisions for lawsuits due to reclassification and conclusion of proceedings; and

- ✓ donations and incentives for investments in the Betim Sewage Treatment Plant which referred to tax incentive funds from the Water Basin Depollution Program (PRODES), which did not happen in 3Q13;

Other operating expenses - The increase of 49.1% in 3Q14 when compared to 3Q13 is mainly a result of:

- ✓ increase in the Inspection Fee of ARSAE MG, whose amount recorded in 3Q14 totaled R$ 6.1 million (R$ 821 thousand in 3Q13). This increase is a result of the amendment to the law that created ARSAE MG, as described in page 2 of the 4Q13 Results Release;

- ✓ increase in the provision for lawsuits due to new cases, in addition to the monetary readjustment and reclassification of existing lawsuits;

- ✓ losses in the water operation systems.

Comments on company performance

r. Finance income and costs

Finance income and costs

Consolidated	9/30/2014		9/30/2013		Changes	
	R$	%	R$	%	R$	%
Monetary and foreign exchange variation	864	7.48	2,387	9.45	(1,523)	-63.80
Interest	1,094	9.48	1,244	4.93	(150)	-12.06
Income on short-term investments	7,323	63.44	9,969	39.47	(2,646)	-26.54
Capitalization of financial assets/other	2,263	19.60	11,656	46.15	(9,393)	-80.59
Total finance income	**11,544**	**100.00**	**25,256**	**100.00**	**(13,712)**	**-54.29**
Monetary and foreign exchange variation	(5,170)	8.73	(6,671)	11.94	1,501	-22.50
Interest expenses	(53,537)	90.45	(45,794)	81.95	(7,743)	16.91
Other costs	(486)	0.82	(3,412)	6.11	2,926	-85.76
Total finance costs	**(59,193)**	**100.00**	**(55,877)**	**100.00**	**(3,316)**	**5.93**
Finance result, net	**(47,649)**	**100.00**	**(30,621)**	**100.00**	**(17,028)**	**55.61**

Finance income - Finance income decreased 54.3% mainly due to:

- ✓ decrease in the actual interest gain on financial investments due to the lower volume of cash available.

Finance costs - The increase in finance costs mainly reflects the increase in the Company's indebtedness.

It should also be pointed out that, in addition to the finance costs shown above, the Company recorded interest and other financial charges of R$ 33.5 million under permanent assets in 3Q14 (R$ 43.8 million in 3Q13), considering that the construction work related to these accounts is still in progress.

s. Income tax and social contribution

The decrease in current income tax and social contribution mainly reflects the reduction of the taxable income in 3Q13, according to the following table.

Comments on company performance

t. Cash generation or EBITDA - The table below shows EBITDA calculations:

Consolidated	9/30/2014	9/30/2013	Changes	
	R$	R$	R$	%
Profit for the period	**98,063**	**125,835**	**(27,772)**	**-22.07**
(+) Taxes on income	36,216	38,068	(1,852)	-4.86
(+) Net finance result	47,649	30,621	17,028	55.61
(+) Depreciation and amortization	123,161	112,564	10,597	9.41
(=) EBITDA	**305,089**	**307,088**	**(1,999)**	**-0.65**
EBITDA margin	**25.28**	**30.12**	**- 4.84**	

(1) EBITDA represents the profit (loss) before income tax and social contribution, net finance result and depreciation and amortization expenses. Given that interest (finance) income and expenses, income tax and social contribution and depreciation and amortization are not included in its calculation, EBITDA is an indicator of the Company's overall economic performance, which is not affected by changes in interest rates, in income tax and social contribution rates or depreciation and amortization levels. Accordingly, EBITDA is believed to be a useful tool for comparing the Company's operating performance on a regular basis, and serves as a basis for certain managerial decisions. We believe that EBITDA provides a better understanding not only of our financial performance but also of our capacity to meet our obligations and to obtain funds for capital expenditure and working capital requirements. However, there are limitations on the use of EBITDA as a measure of our profitability, since it does not take into account certain costs arising from our business activities, which could significantly affect our profits, such as finance costs, taxes, depreciation, capital expenses and other related charges.

(2) EBITDA margin is calculated with reference to net service revenue, which represents net operating revenue plus other operating income.

Comments on company performance

08 - Balance sheet -Consolidated

Consolidated	9/30/2014	12/31/2013	Changes R$	Changes %
Current assets	991,820	1,100,038	(108,218)	-9.84
Non-current assets	8,804,038	8,288,432	515,606	6.22
Total assets	**9,795,858**	**9,388,470**	**407,388**	**4.34**
Current liabilities	940,043	930,837	9,206	0.99
Non-current liabilities	3,332,453	3,120,274	212,179	6.80
Equity	5,523,362	5,337,359	186,003	3.48
Total liabilities and equity	**9,795,858**	**9,388,470**	**407,388**	**4.34**

a. Current assets

Consolidated	9/30/2014	12/31/2013	Changes R$	Changes %
Cash and cash equivalents	142,844	261,938	(119,094)	-45.47
Trade receivables	701,973	702,205	(232)	-0.03
Inventories	40,034	37,166	2,868	7.72
Taxes recoverable	13,037	24,436	(11,399)	-46.65
Technical cooperation agreements	23,420	12,298	11,122	90.44
Banks and investments in connection with agreements	41,550	36,794	4,756	12.92
Sundry receivables	28,961	25,201	3,760	14.92
Total current assets	**991,820**	**1,100,038**	**(108,218)**	**-9.84**

- **Cash and cash equivalents** - The decrease in cash and cash equivalents is basically a result of the redemptions having exceeded the new investments by R$ 134,363 thousand, with the purpose of meeting the Company's cash needs offset by the earnings of R$ 17,563 thousand.

- **Technical cooperation agreements -** The changes in agreements were due to the significant increase in construction expenditures of approximately R$ 17,603 thousand in the second quarter and R$ 24,674 thousand in the third quarter, mainly with agreements entered into with the Company for the Development of São Francisco and Parnaíba Valleys (CODEVASF).

- **Banks and investments in connection with agreements** - The increase in this account is a result of a larger volume of investments made by agencies participating in the agreements, with R$ 6,545 thousand invested in June.

- **Sundry receivables -** Changes in this account are mainly due to the increase in the number of lawsuits filed by the Company against contractors and service providers, whose employees are claiming in court labor contingencies paid by COPASA-MG as joint responsible, in addition to the recording of a provision for payment in advance of the 13th month salary to the Company's employees, in addition to rights regarding loans granted to COPANOR.

Comments on company performance

- **Taxes recoverable** - The change in these accounts was mainly due to the offset of IRPJ and CSLL credits in 2014, as declared in the Federal Income Tax Return (DIPJ) referring to 2013.

b. Non-current assets

Consolidated	9/30/2014	12/31/2013	Changes	
			R$	%
Trade receivables	192,924	212,580	(19,656)	-9.25
Deferred income tax and social contribution	128,743	118,944	9,799	8.24
Restricted investments	97,802	97,380	422	0.43
Collateral for financing	128,389	133,410	(5,021)	-3.76
Available-for-sale assets	49,761	48,638	1,123	2.31
Financial assets	573,181	494,836	78,344	15.83
Sundry receivables	49,133	54,835	(5,702)	-10.40
Total long-term receivables	**1,219,933**	**1,160,623**	**59,310**	**5.11**
Investments	260	260	-	-
Intangible assets	7,366,608	6,900,755	465,853	6.75
Property, plant and equipment	217,237	226,794	(9,557)	-4.21
Total permanent assets	**7,584,105**	**7,127,810**	**456,295**	**6.40**
Total non-current assets	**8,804,038**	**8,288,432**	**515,606**	**6.22**

- **Trade receivables** - The changes in this account of the offsetting of accounts between the Government of the City of Belo Horizonte and the Company refer to the transfer of R$ 34,240 thousand to current, net of monetary adjustment amounting to R$ 14,584 thousand.

- **Deferred income tax and social contribution** - The variation in this account refers to the deferred IRPJ and CSLL on temporary differences which, upon realization, affected the results of future years. The main provisions are the following: provision for impairment of trade receivables and litigation provision, provisions for CPC-related adjustments and provisions for tax contingencies.

- **Financial assets** - The increase in this account was due to the recognition of the right to reimbursement for investments made in concessions operated by the Company, in the approximate amount of R$ 78,344 thousand.

- **Intangible assets** - The increase in this account reflects the Company's investments in the infrastructure required for the provision of services. In September, a public-private partnership was established for the expansion and improvement of Rio Manso system.

Comments on company performance

c. Current liabilities

Consolidated	9/30/2014	12/31/2013	Changes	
			R$	%
Borrowings	168,196	196,663	(28,467)	-14.48
Debentures	261,300	275,267	(13,967)	-5.07
Trade payables	148,209	156,104	(7,895)	-5.06
Taxes and contributions	55,421	54,293	1,128	2.08
Taxes payable in installments	43,681	41,144	2,536	6.16
Provision for vacation pay and 13th month salary	141,079	92,679	48,400	52.22
Employee profit sharing	32,944	33,087	(143)	-0.43
Interest on capital	32,809	31,646	1,163	3.68
Retirement benefit obligations	23,697	26,409	(2,713)	-10.27
Electric power	4,469	11,202	(6,733)	-60.11
Other obligations	28,238	12,343	15,895	n.m.
Total current liabilities	**940,043**	**930,837**	**9,206**	**0.99**

- **Borrowings -** The decrease in this account is a result of the repayment of the debt in the amount of R$ 258,187 thousand and interest of R$ 68,868 thousand, as offset by the provision for interest of R$ 70,043 thousand and the transfer of R$ 228,545 thousand to non-current.

- **Debentures -** The decrease in this account is a result of the repayment of principal amounting to R$ 228,309 thousand and interest amounting to R$ 113,414 thousand, as offset by the provision for interest of R$ 113,063 thousand, and the transfer of R$ 214,693 thousand from non-current.

- **Interest on capital -** The increase in this account is due to interest declared of R$ 100,888 thousand offset against payments to stockholders amounting to R$ 94,930 thousand and payment of Income Tax Withheld at Source (IRRF) amounting to R$ 4,795 thousand.

- **Electric power -** This account decreased due to the payment of bills to the electrical energy company.

- **Other obligations -** The variation in this account is due to the increase in the PDV provision, in addition to the renewals of concession with the cities of Ipatinga and Almenara.

Comments on company performance

d. Non-current liabilities

Consolidated	9/30/2014	12/31/2013	Changes	
			R$	%
Caixa Econômica Federal	407,506	509,061	(101,555)	-19.95
State government/BDMG	-	1,032	-1,032	-100.00
BNDES/BNE	478,240	485,572	-7,332	-1.51
Finame	90,233	72,042	18,191	25.25
Banco do Brasil	166	467	-301	-64.50
In local currency	**976,144**	**1,068,174**	**-92,030**	**-8.62**
Federal government - bonus	61,507	59,654	1,853	3.11
KfW Bank	130,990	65,670	65,320	n.m.
In foreign currency	**192,496**	**125,324**	**67,172**	**53.60**
Total borrowings	**1,168,642**	**1,193,498**	**(24,856)**	**-2.08**
Debentures	1,563,866	1,492,272	71,594	4.80
Provision for contingencies	92,901	77,753	15,148	19.48
Taxes payable in installments	192,924	212,580	(19,656)	-9.25
Public-private partnership	163,878	-	163,878	n.m
Retirement benefit obligations	109,131	106,010	3,121	2.94
Other obligations	41,111	38,161	2,950	7.73
Total non-current liabilities	**3,332,453**	**3,120,274**	**212,179**	**6.80**

- **Debentures** - The increase in this account is due to the new debentures amounting to R$ 261,076 thousand and monetary restatement of R$ 25,211 thousand, as offset by the transfer of R$ 214,693 thousand to current.

- **Borrowings** - The decrease in this account is due to the addition of R$ 203,458 thousand and monetary restatement of R$ 231 thousand, as offset by the transfer of R$ 228,545 thousand to current.

- **Provision for contingencies** - The increase in this account is due to the new civil and labor lawsuits amounting to R$ 20,309 thousand and R$ 11,789 thousand, respectively, as offset by the reversal of provisions amounting to R$ 14,779 thousand and the losses on lawsuits amounting to R$ 3,026 thousand.

- **Public-private partnership** - This account refers to the expenditures with the improvement and expansion works in the Rio Manso system through a public-private partnership.

- **Taxes payable in installments** - The decrease in this account refers to a Credits Offset Agreement between the Government of the City of Belo Horizonte and COPASA MG, relating to water and sewage invoices already taxed and Services Tax (ISSQN) debits of COPASA with the Government of the City of Belo Horizonte, which originated the deferred assets to be realized in 120 months. This change represents the derecognition of the offset installments.

Comments on company performance

e. Equity

Consolidated	9/30/2013	12/31/2013	Changes	
			R$	%
Previous balance	**5,337,359**	**4,934,888**	**402,471**	**8.16**
Profit	296,599	419,795	(123,196)	-29.35
Interest on capital	(100,888)	(139,582)	38,694	-27.72
Actuarial loss on retirement benefits	(15,832)	100,485	(116,317)	n.m.
Income tax and social contribution on actuarial loss - retirement benefits	5,383	-	5,383	n.m.
Other changes in equity	-	8,713	(8,713)	-100.00
Fair value of available-for-sale assets	741	13,060	(12,319)	-94.33
Closing balance	**5,523,362**	**5,337,359**	**186,003**	**3.48**

Explanatory Notes

Companhia de Saneamento de Minas Gerais - COPASA MG

Notes to the quarterly information for the period ended September 30, 2014
(All amounts in thousands of reais unless otherwise stated)

01. Operations

Companhia de Saneamento de Minas Gerais ("COPASA MG", "Parent Company" or "Company") is a publicly-traded corporation with state and private capital, controlled by the Government of the State of Minas Gerais, having its registered office in the city of Belo Horizonte at Rua Mar de Espanha 525, Bairro Santo Antônio. The Company is engaged in planning, designing, performing, expanding, remodeling, managing and providing public services comprising water supply and sewage services, and is authorized to operate in Brazil and abroad. The Company is subject to the arbitration of the São Paulo Stock Exchange's Market Arbitration Chamber, as set forth in an arbitration clause included in its Bylaws.

At September 30, 2014, COPASA MG had the following wholly-owned subsidiaries:

Copasa Águas Minerais de Minas S/A ("Águas Minerais") - established by State Law 16,693, of January 11, 2007, is engaged in the production, bottling, distribution and sale of mineral water from the springs it owns or has license to explore, and managing and exploring the water and spring parks of Caxambu, Araxá, Cambuquira and Lambari.

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

Copasa Serviços de Irrigação S/A ("Serviços de Irrigação") - established by State Law 16,698, of April 17, 2007, is engaged in managing, executing and exploring the irrigation systems of the Jaíba Project, and conducting its maintenance, using both its own and outsourced personnel and resources. This subsidiary may contract, whenever economically viable, through regular bidding processes, services and construction work necessary to the operation of the system, and may purchase products, equipment and materials required for the performance of its activities.

In compliance with Minas Gerais State Government Decree 46,080, dated November 12, 2012, the Executive Board of COPASA Serviços de Irrigação considered that the responsibilities imposed by State Law 16,698, dated April 17, 2007, had been met. Therefore, the necessary measures for the transfer of management of the Jaíba II Project to Distrito de Irrigação do Jaíba - DIJ were concluded on March 2, 2013, upon termination of service agreement 460/12 entered into with RURALMINAS on September 3, 2012. Complete termination of the activities is pending because of labor lawsuits and judicial claims against customers, in which this subsidiary is the defendant and the plaintiff, respectively.

Explanatory Notes

At September 30, 2014, the Company operates in 892 places in the State of Minas Gerais (888 in December 2013) providing water supply or sewage services, totaling approximately 4,750,591 connections (4,647,083 in December 2013). The twenty main water supply and sewage service concessions that the Company holds are as follows:

Water concessions			Sewage concessions		
Location	Number of connections	Expiry	Location	Number of connections	Expiry
Belo Horizonte	989,883	2034	Belo Horizonte	954,334	2034
Contagem	234,366	2073	Contagem	208,136	2073
Betim	141,617	2042	Montes Claros	134,753	2028
Montes Claros	134,016	2028	Betim	114,960	2042
Ribeirão das Neves	100,264	2034	Ipatinga	89,874	2022
Divinópolis	91,855	2041	Divinópolis	81,791	2041
Ipatinga	83,279	2022	Ribeirão das Neves	76,405	2034
Santa Luzia **(i)**	70,241	2013	Patos de Minas	56,184	2038
Patos de Minas	56,592	2038	Santa Luzia **(i)**	54,728	2013
Ibirité	53,167	2034	Pouso Alegre	51,383	2046
Pouso Alegre	51,838	2046	Varginha **(i)**	49,939	2013
Varginha **(i)**	51,024	2013	Conselheiro Lafaiete **(ii)**	44,018	2044
Conselheiro Lafaiete **(ii)**	50,719	2044	Ibirité	41,525	2034
Teófilo Otoni	42,750	2034	Araxá	39,493	2032
Sabará	42,612	2042	Lavras	38,620	2034
Lavras	40,760	2034	Teófilo Otoni	37,196	2034
Araxá	40,600	2032	Itajubá	33,921	2034
Nova Lima	36,406	2028	Sabará	32,844	2042
Ubá **(i)**	36,279	2014	Alfenas	32,284	2033
Itajubá	36,173	2034	Coronel Fabriciano	31,506	2033

(i) The concession agreements entered into with some aforementioned municipalities have expired, and the Company is currently negotiating the renewal of these agreements with the related municipalities. The data related to the water and sewage billing from January to September in these municipalities is as follows:

Municipality	Maturity	Water and sewage billing (R$)		% on billing	
		9/30/2014	12/31/2013	9/30/2014	12/31/2013
Pará de Minas	10/11/2009	23,454	22,946	0.86	0.88
Varginha	9/1/2013	36,995	34,310	1.35	1.32
Santa Luzia	12/1/2013	37,834	35,625	1.38	1.37
Ubá	2/1/2014	13,148	12,085	0.48	0.46

(ii) The program agreement with the Municipality of Conselheiro Lafaiete was signed on July 1, 2014 for a period of thirty years.

Explanatory Notes

At September 30, 2014, 79 concessions had expired, which represented 8.86% of the Company's total locations and whose renewal procedures are currently under negotiation with the related municipalities. Management expects that new concession agreements will be entered into for all expired concessions that are yet to be renewed. Therefore, there is no risk of discontinuation of water supply and sewage services rendered in these municipalities.

The Executive Board of the Company authorized on October 28, 2014 the issue of the parent company and consolidated quarterly information for the quarter ended September 30, 2014.

02. Presentation of interim accounting information

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

2.1 Basis of preparation

a) Individual interim accounting information - Parent company

The individual interim accounting information of COPASA MG, presented as "Parent Company", has been prepared in accordance with the accounting standard CPC 21, "Interim Financial Reporting", issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the standards issued by the Brazilian Securities Commission (CVM).

This interim accounting information should be read in conjunction with the financial statements of the Company for the year ended December 31, 2013.

b) Consolidated interim accounting information - Consolidated

The consolidated interim accounting information, referred to herein as "Consolidated", has been prepared and is being presented in accordance with the accounting standard CPC 21, "Interim Financial Reporting" issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the standards issued by the Brazilian Securities Commission (CVM).

The consolidated interim accounting information, referred to herein as "Consolidated", has also been prepared in accordance with the International Accounting Standard (IAS) 34, "Interim Financial Reporting", as well as according to the standards issued by the Brazilian Securities Commission (CVM).

This interim accounting information should be read in conjunction with the financial statements of the Company for the year ended December 31, 2013.

03. Summary of significant accounting policies

The main accounting policies applied to the preparation of this interim accounting information are consistent with the policies described in Note 3 to the financial statements of the Company for the year ended December 31, 2013, filed with the CVM. These policies have been consistently applied in the periods presented, unless otherwise stated.

Explanatory Notes

04. Evaluation of the impacts of Law 12,973/14

On May 13, 2014, Provisional Measure (MP) 627 was converted into Law 12,973/14, revoking the Transitional Tax System (RTT), among other provisions. It is effective as from 2015, but may be early adopted in 2014. The Company prepared a study of the possible effects that could arise from the early or normal adoption of this new MP and concluded that the effects on its financial information would be immaterial in either case, especially with respect to interest on capital.

Accordingly, and within the established period, the Company is assessing the impacts of early adoption in 2014 or normal adoption in 2015.

05. Public service concession agreements

At September 30, 2014, the Company holds public utility concessions for water supply and sewage services in 892 locations in the State of Minas Gerais. The concession agreements and/or program agreements are executed with each municipality for periods ranging from 30 to 99 years, and all are fairly similar in terms of the rights and obligations of the holder and grantor.

The tariff system for water supply and sewage services is controlled by the Minas Gerais State Regulatory Water and Wastewater Agency (ARSAE-MG). These tariffs are intended to maintain the Company's financial and economic balance, pursuant to Federal Law 11,445/07. Therefore, ARSAE-MG is responsible for periodically reviewing these tariffs and for annually determining any required readjustments, in order to realign tariff prices with inflation. Services are charged directly to users, based on the volume of water consumed and sewage collected multiplied by the authorized tariff.

The main concession terms and major changes in concession agreements for the period ended September 30, 2014 are described in Note 1.

At September 30, 2014, the Company had accounts receivable from grantors (the municipalities) totaling R$ 573,181, which correspond to the amounts expected to be received at the end of the concession period (R$ 494,836 at December 31, 2013) for assets which were not depreciated over the concession period. These amounts were discounted to their present value upon initial recognition using the weighted average cost of capital (WACC) rates linked to the respective accounts receivable. Intangible assets were accounted for based on the difference between the fair value of the assets constructed or acquired for the purpose of the concession services and the carrying value of the financial assets recognized.

Explanatory Notes

Below are the results of the construction services performed by the Company during the periods:

	Parent company/Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Construction revenue	377,197	199,464	736,658	513,444
Construction costs	(373,220)	(195,047)	(723,724)	(500,946)

06. Cash and cash equivalents

	Parent company	
	9/30/2014	12/31/2013
Cash and banks	38,895	40,125
Short-term bank deposit certificates	103,556	220,356
Total	**142,451**	**260,481**

	Consolidated	
	9/30/2014	12/31/2013
Cash and banks	39,289	41,582
Short-term bank deposit certificates	103,556	220,356
Total	**142,845**	**261,938**

At September 30, 2014, there were no changes in the nature and conditions of cash and cash equivalents compared to the disclosures made in Note 6 to the financial statements for the year ended December 31, 2013 and accordingly management has decided not to include these in this interim accounting information.

Explanatory Notes

07. Trade and other receivables

a) Trade receivables

The aging of trade receivables is as follows:

	Parent company	
	9/30/2014	**12/31/2013**
Not yet due	203,405	253,415
Overdue up to 30 days	73,228	51,071
Overdue from 31 to 60 days	34,044	32,778
Overdue from 61 to 90 days	17,172	22,598
Overdue from 91 to 180 days	31,569	32,919
Overdue for more than 180 days	13,157	16,186
Billed amounts	372,575	408,967
Unbilled amounts	349,691	311,474
Trade receivables	722,266	720,441
(-) Provision for impairment of trade receivables	(25,414)	(23,336)
	696,852	697,105
Accounts receivable - non-current	192,924	212,580
Trade receivables, net	**889,776**	**909,685**

	Consolidated	
	9/30/2014	**12/31/2013**
Not yet due	206,620	256,176
Overdue up to 30 days	74,004	51,627
Overdue from 31 to 60 days	34,527	33,135
Overdue from 61 to 90 days	17,905	22,844
Overdue from 91 to 180 days	32,111	33,278
Overdue for more than 180 days	13,309	16,362
Billed amounts	378,476	413,422
Unbilled amounts	350,234	312,787
Trade receivables	728,710	726,209
(-) Provision for impairment of trade receivables	(26,737)	(24,004)
	701,973	702,205
Accounts receivable - non-current	192,924	212,580
Trade receivables, net	**894,897**	**914,785**

Trade and other receivables are denominated only in Brazilian reais, and there are no accounts receivable in foreign currencies.

Explanatory Notes

At September 30, 2014, trade receivables of the parent company of R$ 746,020 (R$ 777,469 at December 31, 2013) and consolidated trade receivables of R$ 749,778 (R$ 781,543 at December 31, 2013) were fully performing.

At September 30, 2014, trade receivables of the parent company totaling R$ 143,756 (R$ 132,216 at December 31, 2013) and consolidated trade receivables totaling R$ 145,119 (R$ 133,242 at December 31, 2013) were past due, but not provisioned. These include a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Parent company	
	9/30/2014	**12/31/2013**
Up to 3 months	110,230	100,298
3 to 6 months	29,242	24,575
Over 6 months	4,284	7,343
Total	**143,756**	**132,216**

	Consolidated	
	9/30/2014	**12/31/2013**
Up to 3 months	110,937	101,014
3 to 6 months	29,826	24,863
Over 6 months	4,356	7,365
Total	**145,119**	**133,242**

At September 30, 2014, parent company trade receivables, in the amount of R$ 25,414 (R$ 23,336 at December 31, 2013) and consolidated trade receivables of R$ 26,737 (R$ 24,004 at December 31, 2013) are impaired. The individually impaired receivables mainly relate to customers who are healthcare providers and for whom COPASA, in accordance with current legislation, cannot interrupt water supply and sewage services. Based on management's assessment, a portion of these accounts receivable may be recovered.

The ageing of these receivables is as follows:

	Parent company	
	9/30/2014	**12/31/2013**
Not yet due	1,372	1,650
Overdue up to 30 days	1,542	1,423
Overdue from 31 to 60 days	1,738	1,418
Overdue from 61 to 90 days	1,423	1,333
Overdue from 91 to 180 days	4,626	4,432
Overdue from 181 to 360 days	8,997	8,431
Overdue for more than 360 days	5,716	4,649
Total	**25,414**	**23,336**

Explanatory Notes

	Consolidated	
	9/30/2014	**12/31/2013**
Not yet due	1,444	1,697
Overdue up to 30 days	1,623	1,463
Overdue from 31 to 60 days	1,828	1,458
Overdue from 61 to 90 days	1,498	1,373
Overdue from 91 to 180 days	4,867	4,559
Overdue from 181 to 360 days	9,464	8,671
Overdue for more than 360 days	6,013	4,783
Total	**26,737**	**24,004**

The following table summarizes the changes in the provision for impairment of trade receivables:

	Parent company	
	9/30/2014	**12/31/2013**
At January 1	**23,336**	**19,517**
Provision for impairment of trade receivables	67,996	73,672
Receivables written off during the period as uncollectible	(65,918)	(69,853)
At September 30	**25,414**	**23,336**

	Consolidated	
	9/30/2014	**12/31/2013**
At January 1	**24,004**	**19,910**
Provision for impairment of trade receivables	70,148	75,648
Receivables written off during the period as uncollectible	(67,415)	(71,554)
At September 30	**26,737**	**24,004**

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

b) Other receivables

The other classes of receivables have no impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Company maintains revenue from tariffs as a guarantee for borrowings (Note 20.1 (e) of the Company's financial statements for the year ended December 31, 2013).

Explanatory Notes

	Parent company	
	9/30/2014	**12/31/2013**
Collateral for financing and debentures	128,389	133,410
Receivables from subsidiaries **(i)**	16,937	109,790
Restricted investments - PRODES	28,164	28,936
Restricted investments - debentures	69,638	68,444
Available-for-sale financial assets	49,761	48,638
Other	48,853	54,524
Total	**341,742**	**443,742**
Non-current assets	**(341,742)**	**(443,742)**
Current assets	**-**	**-**

	Consolidated	
	9/30/2014	**12/31/2013**
Collateral for financing and debentures	128,389	133,410
Restricted investments - PRODES	28,164	28,936
Restricted investments - debentures	69,638	68,444
Available-for-sale assets	49,761	48,638
Other	49,133	54,835
Total	**325,085**	**334,263**
Non-current assets	**(325,085)**	**(334,263)**
Current assets	**-**	**-**

PRODES - Water Basin Depollution Program (PRODES)

(i) In accordance with the General Meeting of Stockholders of the subsidiary Águas Minerais held on April 14, 2014, the amount of the "Receivables from subsidiaries" account decreased by R$ 96,178 as a result of the payment of capital in this subsidiary through the balance of advances for capital increase existing at December 31, 2013.

At September 30, 2014, there were no other changes in the nature and conditions of trade and other receivables compared to the disclosures made in Note 7 to the Company's financial statements for the year ended December 31, 2013.

08. Investments

At September 30, 2014, the equity of the subsidiary Águas Minerais amounted to R$ 15,246 and was recorded in the "investments" account within permanent assets (at December 31, 2013 - net capital deficiency of R$ 73,699 recorded in the "provision for losses on investments" account within non-current liabilities). The subsidiaries COPANOR and Serviços de Irrigação had a net capital deficiency of R$ 14,251 (R$ 12,647 at December 31, 2013), for which the parent company recorded a provision for losses in non-current related-party liabilities as "Provision for investment losses".

Explanatory Notes

The changes in the investments and in the provisions for losses on investments are as follows:

	12/31/2013	Transfer of advances for capital increase	Equity in the results	9/30/2014
Águas Minerais	(73,699)	96,178	(7,233)	15,246
COPANOR	(11,884)	-	(1,282)	(13,166)
Serviços de Irrigação	(763)	-	(322)	(1,085)
Total	**(86,346)**	**96,178**	**(8,837)**	**995**

In accordance with the General Meeting of Stockholders of the subsidiary Águas Minerais held on April 14, 2014, the capital of this subsidiary was increased with the balance of advances for capital increase existing at December 31, 2013, in the amount of R$ 96,178.

At September 30, 2014, there were no other changes in the nature and conditions of investments in relation to the disclosures made in Note 8 to the financial statements for the year ended December 31, 2013.

09. Intangible assets

a) The changes in intangible assets were as follows:

	Parent company						
	Systems of						
	Water	Sewage	Common use (i)	Rights of use	Other	In progress	Total
At December 31, 2013	**2,078,741**	**2,575,420**	**183,288**	**221,320**	**70,118**	**1,771,866**	**6,900,753**
Additions	52,248	54,613	24,913	11,081	14,564	560,165	**717,584**
Write-offs	(55)	-	(252)	-	(1,464)	(45,391)	**(47,162)**
Amortization	(125,656)	(136,712)	(50,719)	(10,600)	(2,256)	-	**(325,943)**
Public-Private Partnership (PPP) - Rio Manso	-	-	-	-	-	163,878	**163,878**
Capitalized interest	-	-	-	-	-	33,492	**33,492**
Transfer to financial assets	(10,758)	(55,488)	(3,170)	121	427	-	**(68,868)**
Transfers	58,084	606,300	103,826	10,160	(4,336)	(784,956)	**(10,922)**
Other	1,776	1,583	86	24	327	(1)	**3,795**
At September 30, 2014	**2,054,380**	**3,045,716**	**257,972**	**232,106**	**77,380**	**1,699,053**	**7,366,607**

Explanatory Notes

The amortization for the nine-month period ended September 30, 2014, allocated to the statement of income, amounted to R$ 323,114 as cost of services rendered, R$ 181 as selling expenses, and R$ 2,648 as administrative expenses (R$ 288,970, R$ 153 and R$ 724, respectively, in the nine-month period ended September 30, 2013).

	Consolidated						
	Systems of						
	Water	Sewage	Common use (i)	Rights of use	Other	In progress	Total
At December 31, 2013	**2,078,741**	**2,575,420**	**183,288**	**221,322**	**70,118**	**1,771,866**	**6,900,755**
Additions	52,248	54,613	24,913	11,081	14,564	560,166	**717,585**
Write-offs	(55)	-	(252)	-	(1,464)	(45,391)	**(47,162)**
Amortization	(125,656)	(136,712)	(50,719)	(10,602)	(2,256)	-	**(325,945)**
Public-Private Partnership (PPP) - Rio Manso	-	-	-	-	-	163,878	**163,878**
Capitalized interest	-	-	-	-	-	33,492	**33,492**
Transfer to financial assets	(10,758)	(55,488)	(3,170)	121	427	-	**(68,868)**
Transfers	58,084	606,300	103,826	10,160	(4,336)	(784,956)	**(10,922)**
Other	1,776	1,583	86	24	327	(1)	**3,795**
At September 30, 2014	**2,054,380**	**3,045,716**	**257,972**	**232,106**	**77,380**	**1,699,054**	**7,366,608**

The amortization for the nine-month period ended September 30, 2014, allocated to the statement of income, amounted to R$ 323,115 as cost of services rendered, R$ 180 as selling expenses, and R$ 2,650 as administrative expenses (R$ 288,971, R$ 153 and R$ 731, respectively, in the nine-month period ended September 30, 2013).

At September 30, 2014, the additions to intangible assets amounting to R$ 717,585 substantially referred to the construction works for the expansion of the sewage treatment plant of Ribeirão Arrudas; the implementation of the sewage treatment system of Ibirité, and improvements in the sewage system of Caratinga, Contagem and Betim.

(i) Considering that common use systems have specific economic useful lives, these assets are controlled in a separate group as from 2012.

Explanatory Notes

b) Public-Private Partnership (PPP)

Rio Manso Production System

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

This contract is effectiveness for 15 years, as from the signature date, that is, December 20, 2013.

The contract effectiveness includes (i) the period for completion of works of, at most, 24 months, and (ii) the subsequent period for the provision of services, which corresponds to 13 years. The established term may be extended under the terms of law, exclusively for the adjustment of the financial and economic balance of the agreement.

The consideration to which the Special Purpose Entity (SPE) is entitled will be paid as from the date of issuance of the authorization for the beginning of the operation.

The progress assessments of the works carried out up to the third quarter of 2014 were recorded as a debit in the Company's intangible assets in the amount of R$ 163,877 and as a credit in non-current liabilities/ Public-Private Partnership (PPP) - Rio Manso.

10. Property, plant and equipment

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

	Parent company				
	Land and buildings	**Machinery and equipment**	**Vehicles**	**Other**	**Total**
At December 31, 2013	**82,815**	**87,429**	**35,215**	**19**	**205,478**
Additions	1,389	11,047	-	-	**12,436**
Disposals	(18)	(336)	-	-	**(354)**
Depreciation	(2,621)	(18,890)	(7,941)	(3)	**(29,455)**
Transfers	1,014	6,017	3,891	-	**10,922**
Other	-	(13)	-	-	**(13)**
At September 30, 2014	**82,579**	**85,254**	**31,165**	**16**	**199,014**

The depreciation for the nine-month period ended September 30, 2014, allocated to the statement of income, amounted to R$ 16,683 as cost of services rendered, R$ 4,511 as selling expenses, and R$ 8,261 as administrative expenses (R$ 15,735, R$ 3,097 and R$ 6,789, respectively, in the nine-month period ended September 30, 2013).

Explanatory Notes

	Consolidated				
	Land and buildings	**Machinery and equipment**	**Vehicles**	**Other**	**Total**
At December 31, 2013	**87,855**	**103,654**	**35,232**	**53**	**226,794**
Additions	1,569	11,065	-	-	**12,634**
Disposals	(18)	(1,671)	-	-	**(1,689)**
Depreciation	(2,889)	(20,495)	(7,947)	(6)	**(31,337)**
Transfers	1,014	6,017	3,891	-	**10,922**
Other	(23)	(65)	(1)	2	**(87)**
At September 30, 2014	**87,508**	**98,505**	**31,175**	**49**	**217,237**

The depreciation for the nine-month period ended September 30, 2014, allocated to the statement of income, amounted to R$ 18,507 as cost of services rendered, R$ 4,511 as selling expenses, and R$ 8,319 as administrative expenses (R$ 17,558, R$ 3,097 and R$ 6,912, respectively, in the nine-month period ended September 30, 2013).

11. Trade and other payables

	Parent company		Consolidated	
	9/30/2014	**12/31/2013**	**9/30/2014**	**12/31/2013**
Trade payables	144,673	135,338	148,209	156,104
Public-private partnership **(i)**	163,878	-	163,878	-
Taxes and contributions	54,901	53,764	55,421	54,293
Taxes payable in installments	236,605	253,724	236,605	253,724
Provision for vacation pay and 13th month salary	139,977	92,023	141,079	92,679
Electric power	4,004	10,832	4,469	11,202
Deposit for construction **(ii)**	25,527	30,389	25,530	30,392
Provision for investment losses (Note 8)	14,251	86,346	-	-
Other obligations	43,764	20,086	43,819	20,112
Total	**827,580**	**682,502**	**819,010**	**618,506**
Non-current liabilities	**(412,160)**	**(337,084)**	**(397,913)**	**(250,741)**
Current liabilities	**415,420**	**345,418**	**421,097**	**367,765**

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

At September 30, 2014, except for the item described below, there were no other changes in the nature and conditions of obligations in relation to the disclosures made in Note 11 to the financial statements for the year ended December 31, 2013.

(i) See letter (b) of Note 09

Explanatory Notes

(ii) In the nine-month period ended September 30, 2014, the right to the amount transferred by the National Water Agency (ANA) was recognized, with credit of R$ 6,542 in deferred income, of which R$ 1,367 refers to the remaining amount of the ETE Onça, and R$ 5,175 upon completion of the 1st phase established in the agreement referring to ETE Betim Central.

12. Borrowings and debentures

These accounts did not change significantly in comparison to the disclosures made in Note 12 to the financial statements for the year ended December 31, 2013, except for the funds arising from the 7th issue of debentures described in item "b" of this Note. Accordingly, management has decided not to include them in this interim accounting information at September 30, 2014.

a) Borrowings

At September 30, 2014, the book values of the Company's borrowings in foreign currency total R$ 202,182 (R$ 127,332 at December 31, 2013), of which R$ 62,691 is in U.S. dollars and R$ 139,491 in euros (R$ 61,658 in U.S. dollars and R$ 65,674 in euros at December 31, 2013).

Amounts recorded under non-current liabilities fall due as follows:

	Parent company		Consolidated	
Maturity year	**9/30/2014**	**12/31/2013**	**9/30/2014**	**12/31/2013**
2015	45,553	173,935	45,717	174,399
2016	139,438	137,345	139,575	137,483
2017	108,720	100,523	108,790	100,593
2018	109,504	101,708	109,574	101,778
2019	109,293	103,395	109,364	103,465
2020	103,211	97,934	103,281	98,004
2021 to 2037	552,194	477,629	552,341	477,776
Total	**1,167,913**	**1,192,469**	**1,168,642**	**1,193,498**

Changes in borrowings are as follows:

	Parent company
At December 31, 2013	**1,388,728**
New borrowings	203,458
Accrued charges	69,969
Monetary and foreign exchange variation	231
Repayment of principal	(257,887)
Payment of charges	(68,796)
At September 30, 2014	**1,335,703**
Current liabilities	**(167,790)**
Non-current liabilities	**1,167,913**

Explanatory Notes

	Consolidated
At December 31, 2013	**1,390,161**
New borrowings	203,458
Accrued charges	70,043
Monetary and foreign exchange variation	231
Repayment of principal	(258,187)
Payment of charges	(68,868)
At September 30, 2014	**1,336,838**
Current liabilities	**(168,196)**
Non-current liabilities	**1,168,642**

Bank borrowings mature through 2037 and bear average coupons of 7.56% p.a. (7.66% p.a. at December 31, 2013). The balances of financing lines are subject to specific rates, as follows:

	Parent company/Consolidated
Financing lines	**Rates**
State government/BDMG	General Market Price Index (IGP-M)
Caixa Econômica Federal	Referential Rate (TR)
National Treasury	Referential Rate (TR)
BNDES - BNE	Exceeding 6% of Long-term Interest Rate (TJLP)
Federal government - bonus	U.S. dollar
KfW Bank	Euro
Banco do Brasil - COPANOR	Interbank Deposit Certificate (CDI)
Debentures	**(i)**

(i) See item "c" of Note 12 to the financial statements for the year ended December 31, 2013.

b) Debentures

Changes in debentures are as follows:

	Parent company/Consolidated
At December 31, 2013	**1,767,539**
New debentures	261,076
Accrued charges	113,063
Monetary variation	25,211
Repayment of principal	(228,309)
Payment of charges	(113,414)
At September 30, 2014	**1,825,166**
Current liabilities	**(261,300)**
Non-current liabilities	**1,563,866**

Explanatory Notes

On April 15, 2014, the Company issued 25,000 unsecured non-convertible simple debentures of R$ 10,000 each, in a public placement, through exclusive subscription by Pentágono Distribuidora de Títulos e Valores Mobiliários. These debentures were issued in a series of 13,000 (1st series) and another series of 12,000 (2nd series), totaling R$ 250,000, under the following contractual terms and conditions:

Date of issue	April 15, 2014
Term	60 months for the 1st series and 84 months for the 2nd series
Grace period of the principal	36 months
Repayment	Single installment at the maturity date for the 1st series, and 5 equal and consecutive annual installments for the 2nd series
Final maturity	April 15, 2019 for the 1st series and April 15, 2021 for the 2nd series
Finance charges	Interest of 108.50% of the Interbank Deposit (ID) rate for the 1st series, and Consumer Price Index (IPCA) plus fixed interest of 7.39% p.a., with a basis of 252 business days, for the 2nd series.
Guarantee	Unsecured

The funds from this issue will be used in the Company's investment program, being allocated to non-financed investments, such as the acquisition of land, indemnities of assets from new concessions and in the debt rescheduling process.

c) Other significant information on borrowings

Guarantees for bank borrowings

There were no significant changes in the guarantees provided by the Company for its borrowings in relation to those disclosed in the financial statements for the year ended December 31, 2013. Accordingly, management has decided not to include them in this interim accounting information at September 30, 2014.

Restrictive contractual clauses - Covenants

The Company has borrowing agreements that contain restrictive covenants requiring it to maintain certain financial ratios, as specified below:

- Net debt/EBITDA
- EBITDA/net operating revenue
- EBITDA/debt service

None of the covenants above had been breached through September 30, 2014.

Explanatory Notes

13. Provision for contingencies

a) Probable loss contingencies

Provisions are as follows:

	Parent company					
	9/30/2014			12/31/2013		
	Contingencies	**Judicial deposits**	**Net balance**	**Contingencies**	**Judicial deposits**	**Net balance**
Civil	47,806	(1,220)	46,586	37,164	(1,153)	36,011
Labor	37,199	(1,070)	36,129	33,542	(824)	32,718
Tax	878	(432)	446	828	(414)	414
Environmental	7,323	-	7,323	7,331	-	7,331
Total	**93,206**	**(2,722)**	**90,484**	**78,865**	**(2,391)**	**76,474**

	Consolidated					
	9/30/2014			12/31/2013		
	Contingencies	**Judicial deposits**	**Net balance**	**Contingencies**	**Judicial deposits**	**Net balance**
Civil	47,836	(1,220)	46,616	37,194	(1,153)	36,041
Labor	40,299	(1,783)	38,516	35,406	(1,439)	33,967
Tax	878	(432)	446	828	(414)	414
Environmental	7,323	-	7,323	7,331	-	7,331
Total	**96,336**	**(3,435)**	**92,901**	**80,759**	**(3,006)**	**77,753**

The changes in provisions are as follows:

	Parent company	**Consolidated**
Balance at December 31, 2013 net of judicial deposits	**76,474**	**77,753**
Additions	32,147	33,654
Uses	(3,026)	(3,172)
Reversals	(14,780)	(14,905)
(-) Offset of judicial deposits	(331)	(429)
At September 30, 2014	**90,484**	**92,901**

Uses refer to provisions settled or litigation lost by the Company and classified as accounts payable.

Explanatory Notes

The provisions for contingencies recorded are considered sufficient by management to cover probable losses on administrative and judicial proceedings involving tax, labor and civil matters, taking into account the advice of the legal advisors.

b) Possible loss contingencies

COPASA MG is a party to other lawsuits for which the likelihood of loss is estimated as possible. No provision for losses on these lawsuits was recognized, as the Company believes it has a solid, legitimate defense.

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

	Parent company/Consolidated	
Nature	**9/30/2014**	**12/31/2013**
Civil	412,465	376,057
Tax	36,238	34,239
Environmental	6,510	-
Total	**455,213**	**410,296**

At September 30, 2014, the information concerning the status of proceedings, the likelihood success and the contingent assets had not changed significantly compared to the disclosures made in Note 13 to the financial statements for the year ended December 31, 2013 and, accordingly, management has decided not to include these in this interim accounting information.

14. Profit sharing

As resolved by the Company's Board of Directors in a meeting held on March 1, 2011 and in accordance with prevailing legislation, the amount to be distributed as Employee Profit Sharing is equivalent to 25% of the mandatory minimum dividends paid to stockholders, after deduction of the legal reserve, and will have as computation basis for measurement of goals achievement, the percentage of completion of the Investment Program approved by the Company for the year, the number of connections per employee and its operating income.

The 2008/2010 Collective Agreement, formally approved at the meeting held on July 25, 2008 and ratified by the 2013 Collective Agreement, signed on July 10, 2013, determines that the computed amount of profit sharing shall be distributed among all employees, in two equal installments (50% each), the first payable in April and the second in October.

Up to September 30, 2014, the Company recognized R$ 17,025 as a provision for the employee profit sharing (R$ 21,609 in the nine-month period ended September 30, 2013).

Explanatory Notes

15. Income tax and social contribution

a) Current income tax and social contribution

In Brazil, income taxes include both federal income tax and social contribution. The statutory tax rates applicable to income tax and social contribution are 25% and 9%, respectively, representing a combined 34% rate for September 2014 and 2013. The amounts reported as income tax expenses in the statements of income of the Company are reconciled with the statutory tax rates as follows:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Profit before income tax and social contribution	134,216	163,904	394,820	429,722
Statutory rate	34%	34%	34%	34%
Estimated expenses at statutory rate	**(45,633)**	**(55,727)**	**(134,239)**	**(146,105)**
Income tax and social contribution on:				
(Additions)/exclusions				
Equity in the results of investees	(1,519)	5,527	(3,005)	(3,996)
Realization of special monetary restatement reserve	(101)	(95)	(170)	(501)
Donations and incentives	597	-	1,777	-
Other (additions)/exclusions	(1,916)	613	(869)	631
Other reconciling items				
Interest on capital	11,135	10,562	34,302	35,871
Tax incentives	1,284	1,051	3,983	2,805
Income tax and social contribution	**(36,153)**	**(38,069)**	**(98,221)**	**(111,295)**
Current income tax and social contribution	(31,723)	(39,272)	(103,019)	(125,559)
Deferred income tax and social contribution	(4,430)	1,203	4,798	14,264
	(36,153)	**(38,069)**	**(98,221)**	**(111,295)**
Effective rate	26.9%	23.2%	24.9%	25.9%

Explanatory Notes

	Consolidated			
	Quarters ended September30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Profit before income tax and social contribution	134,279	163,903	394,883	429,785
Statutory rate	34%	34%	34%	34%
Estimated expenses at statutory rate	**(45,655)**	**(55,727)**	**(134,260)**	**(146,127)**
Income tax and social contribution on:				
(Additions)/exclusions				
Realization of special monetary restatement reserve	(101)	(95)	(170)	(501)
Donations and incentives	597	-	1,777	-
Other (additions)/exclusions	(3,476)	6,141	(3,916)	(3,406)
Other reconciling items				
Interest on capital	11,135	10,562	34,302	35,871
Tax incentives	1,284	1,051	3,983	2,805
Income tax and social contribution	**(36,216)**	**(38,068)**	**(98,284)**	**(111,358)**
Current income tax and social contribution	(31,786)	(39,271)	(103,082)	(125,622)
Deferred income tax and social contribution	(4,430)	1,203	4,798	14,264
	(36,216)	**(38,068)**	**(98,284)**	**(111,358)**
Effective rate	27.0%	23.2%	24.9%	25.9%

b) Deferred income tax and social contribution

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

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

Explanatory Notes

The amounts of temporary differences and related deferred taxes are as follows:

	Parent company/Consolidated	
Balances	**9/30/2014**	**12/31/2013**
In non-current assets		
Temporary differences:		
Provision for impairment of trade receivables and litigation provision	118,620	102,200
Provisions for adjustments required under CPCs	426,713	403,141
Provision for actuarial liability losses - comprehensive income	17,552	1,720
Provisions for tax contingencies	110,427	125,717
Other temporary provisions - sundry	37,437	24,069
Total	**710,749**	**656,847**
Deferred income tax	177,688	164,212
Deferred social contribution	63,967	59,116
	241,655	**223,328**
In non-current liabilities		
Temporary differences:		
Provisions for adjustments required under CPCs	228,240	204,281
Provision for adjustments of CPCs in the comprehensive income	68,182	67,060
Provision for actuarial liabilities	35,672	35,672
Total	**332,094**	**307,013**
Deferred income tax	83,024	76,753
Deferred social contribution	29,888	27,631
	112,912	**104,384**
Deferred income tax and social contribution, net	**128,743**	**118,944**

At September 30, 2014 there were no changes in the nature and conditions of income tax and social contribution compared to the disclosures made in Note 15 to the financial statements for the year ended December 31, 2013 and accordingly management has decided not to include these in this interim accounting information.

Explanatory Notes

16. Technical cooperation agreements

The net balance of these agreements is as follows:

	Parent company		
	Receivables (assets)	**Advances (liabilities)**	**Net**
September 30, 2014			
State of Minas Gerais	235,455	(222,014)	**13,441**
Other	114,638	(104,073)	**10,565**
Total	**350,093**	**(326,087)**	**24,006**
December 31, 2013			
State of Minas Gerais	229,229	(217,981)	**11,248**
Other	68,823	(86,618)	**(17,795)**
Total	**298,052**	**(304,599)**	**(6,547)**

	Consolidated		
	Receivables (assets)	**Advances (liabilities)**	**Net**
September 30, 2014			
State of Minas Gerais	732,579	(719,724)	**12,855**
Other	114,638	(104,073)	**10,565**
Total	**847,217**	**(823,797)**	**23,420**
December 31, 2013			
State of Minas Gerais	674,359	(644,266)	**30,093**
Other	68,823	(86,618)	**(17,795)**
Total	**743,182**	**(730,884)**	**12,298**

At September 30, 2014 there were no changes in the nature and conditions of technical cooperation agreements compared to the disclosures made in Note 16 to the financial statements for the year ended December 31, 2013 and accordingly management has decided not to include these in this interim accounting information.

17. Pension plan

	Parent company/Consolidated	
	9/30/2014	**12/31/2013**
Non-current liabilities	109,131	106,010
Current liabilities	15,689	14,342
	124,820	**120,352**
Normal contributions	8,008	12,067
Total obligations recorded in the balance sheet	**132,828**	**132,419**

Explanatory Notes

Changes in net liabilities are as follows:

	Parent company/Consolidated
Net liabilities at December 31, 2013	**132,419**
Amounts recognized in the statement of income	4,469
Actuarial losses recognized directly in other comprehensive income	15,832
Payment of interest on debt	(5,006)
Payment of the principal	(10,826)
Expenses recognized in the statement of income - contributions from COPASA	26,191
Provision for monthly contributions	33,192
Amortization of monthly contributions	(63,443)
Net liabilities at September 30, 2014	**132,828**
Current liabilities	**(23,697)**
Non-current liabilities	**109,131**

At September 30, 2014 there were no other changes in the nature and conditions of retirement benefit plans compared to the disclosures made in Note 17 to the financial statements for the year ended December 31, 2013.

18. Equity and dividends

a) Capital

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

The Company is allowed to issue common shares, debentures convertible into common shares and subscription warrants within the authorized capital limit. Capital increases over the authorized capital are subject to approval at General Meetings of Stockholders based on capital increase proposals submitted by the Board of Directors. This procedure is also adopted when payment is made with assets.

Concerning the Company's capital increases, the stockholders may exclude at the General Meetings the preferential rights or reduce the period for them to be exercised in the issue of shares, debentures convertible into shares and subscription warrants, placed through sale in stock markets or public subscription, according to the pertinent legislation, and within the authorized capital limit.

Explanatory Notes

Stockholders have preference in the subscription of capital increases according to the number of shares they hold, pursuant to articles 171 and 172 of Law 6,404/76.

In addition, in accordance with the Constitution of the State of Minas Gerais, if the Company's controlling stockholder - that is, the State of Minas Gerais - includes COPASA MG in a privatization process, such process will only occur after a public referendum approves it. After the privatization is approved through this public referendum, the State Legislature of the State of Minas Gerais will enact a law authorizing the transfer of ownership control by the State, according to the applicable state legislation.

The Company is controlled by the Government of Minas Gerais, which holds 51.1% of the Company's shares. The Company also holds 357 thousand common shares of its own shares in treasury, amounting to R$ 8,576, mostly acquired from the State of Minas Gerais through transactions related to the settlement of debts originating from the provision of water supply and sewage services and technical cooperation agreements. The Company has the right to reissue these shares on a subsequent date.

The remaining 48.6% of the shares, which represent the Company's free float, are held by various stockholders.

At September 30, 2014, the breakdown of capital is as follows:

Stockholders	Number of shares (thousands)	Percentage of interest
State of Minas Gerais	61,189	51.13
Management	2	-
Other stockholders	58,136	48.57
Treasury shares	357	0.30
Total	**119,684**	**100.00**

b) Revenue reserves

At September 30, 2014, there were no changes in the nature and conditions of reserves in relation to the disclosures made in Note 18(b) to the financial statements for the year ended December 31, 2013 and accordingly management has decided not to include these in this interim accounting information.

c) Carrying value adjustments

Carrying value adjustments are related to:

(i) Actuarial gains and losses: calculated in conformity with CPC 33 (R1) and IAS 19 (R1) (Note 17). At September 30, 2014, the credit balance on this account was R$ 13,094 (R$ 23,543 at December 31, 2013).

Explanatory Notes

(ii) Monetary restatement of assets: application of IAS 29 for the period during which it was considered that Brazil had a hyper-inflationary economy. This restatement is amortized based on the useful lives of property, plant and equipment items and intangible assets against retained earnings. At September 30, 2014, the credit balance on this account was R$ 19,464 (R$ 22,364 at December 31, 2013).

(iii) Fair value of available-for-sale financial assets: fair value of the investments without significant influence relating to Foz de Jeceaba. At September 30, 2014, the credit balance on this account was R$ 18,454 (R$ 17,713 at December 31, 2013).

d) Dividends and interest on capital to stockholders

Under the bylaws, stockholders of any class are entitled to a mandatory minimum dividend of 25% of the profit for the year, adjusted for the deduction or addition of the amounts specified in items I, II and III of Article 202 of Law 6,404/76. The approved dividend amounts bear no interest and any dividends not claimed within three years after the date when they are made available to the stockholders become time-barred in favor of the Company.

As resolved at the Extraordinary General Meeting of Stockholders held on April 28, 2009, the Company's Board of Directors has the power to define the annual percentage to be paid as interest on capital. Accordingly, the Company's Board of Directors approved on March 21, 2014 the dividend distribution for 2014 as interest on capital equivalent to 35% of the profit for the year adjusted by the deduction or addition of the amounts specified in Items I, II and III of Article 202 of Law 6,404/76.

The Company's Board of Directors approved the payment of interest on capital to stockholders, as resolved at the following meetings:

Date	Gross amount declared	Value per share
3/21/2014	34,757	0.29
6/23/2014	33,380	0.28
9/19/2014	32,751	0.27
	100,888	

Declared interest on capital will be deducted from the mandatory dividends for 2014.

As provided for in Article 9 of Law 9,249/95, and based on the Long-term Interest Rate (TJLP), interest on capital was recorded as finance costs deductible for income tax and social contribution purposes, thereby generating a tax benefit of R$ 34,302. Under Brazilian corporation law, interest on capital is reclassified as a charge to retained earnings, in equity, for financial statement purposes.

Explanatory Notes

Changes in the balance of interest on capital payable are as follows:

	9/30/2014	12/31/2013
Opening balance	**31,646**	**46,469**
Proposed interest on capital	100,888	139,582
Withholding Income Tax (IRRF) on interest on capital	(4,795)	(12,971)
Interest on capital paid	(94,930)	(141,434)
Balance of interest on capital in current liabilities	**32,809**	**31,646**

e) Earnings per share

(i) Basic

Basic earnings per share are calculated by dividing the profit attributable to the stockholders of the Company by the weighted average number of outstanding common shares during the year, excluding common shares purchased by the Company and held as treasury shares (item "a" of this Note).

	Parent company/Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Profit attributable to stockholders of the Company	98,063	125,835	296,599	318,427
Weighted average number of outstanding common shares (thousands)	119,327	119,327	119,327	119,327
Basic earnings per share	**0.82**	**1.05**	**2.49**	**2.67**

(ii) Diluted

At September 30, 2014 and 2013, diluted earnings per share were equivalent to the basic earnings per share, as in September 2012 the convertible debentures were converted into shares, eliminating the potential dilutive common shares.

Explanatory Notes

19. Segment information

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

	Consolidated		
	Nine-month period ended September 30, 2014		
	Water and sewage	Sales of products	Financial statement balance
Gross sales and services revenue	3,339,803	2,544	3,342,347
Deductions from gross revenue	(241,735)	(388)	(242,123)
Net sales and services revenue	3,098,068	2,156	3,100,224
Costs and selling and administrative expenses	(2,539,722)	(6,619)	(2,546,341)
Operating profit (loss) before other net operating expenses	558,346	(4,463)	553,883
Other operating expenses, net			(22,860)
Finance result, net			(136,140)
Operating profit before taxes			394,883

Explanatory Notes

	Consolidated		
	3rd quarter of 2014		
	Water and sewage	Sales of products	Financial statement balance
Gross sales and services revenue	1,253,567	948	1,254,515
Deductions from gross revenue	(81,337)	(143)	(81,480)
Net sales and services revenue	1,172,230	805	1,173,035
Costs and selling and administrative expenses	(989,056)	(2,619)	(991,675)
Operating profit (loss) before other net operating expenses	183,174	(1,814)	181,360
Other operating expenses, net			568
Finance result, net			(47,649)
Operating profit before taxes			134,279

	Consolidated		
	Nine-month period ended September 30, 2013		
	Water and sewage	Sales of products	Financial statement balance
Gross sales and services revenue	2,981,130	2,847	2,983,977
Deductions from gross revenue	(228,862)	(416)	(229,278)
Net sales and services revenue	2,752,268	2,431	2,754,699
Costs and selling and administrative expenses	(2,193,615)	(9,211)	(2,202,826)
Operating profit (loss) before other net operating expenses	558,653	(6,780)	551,873
Other operating expenses, net			(10,456)
Finance result, net			(111,632)
Operating profit before taxes			429,785

Consolidated

Explanatory Notes

	3rd quarter of 2013		
	Water and sewage	**Sales of products**	**Financial statement balance**
Gross sales and services revenue	1,052,967	705	1,053,672
Deductions from gross revenue	(79,196)	(106)	(79,302)
Net sales and services revenue	973,771	599	974,370
Costs and selling and administrative expenses	(795,635)	(2,419)	(798,054)
Operating profit (loss) before other net operating expenses	178,136	(1,820)	176,316
Other operating income, net			18,208
Finance result, net			(30,621)
Operating profit before taxes			163,903

20. Financial risk management

At September 30, 2014, there were no changes in the financial risk policies and management in relation to the disclosures made in Note 20 to the financial statements for the year ended December 31, 2013.

The information relating to: (a) liabilities subject to foreign exchange rate variations, (b) the credit quality of financial assets, (c) the cash flow from financial instruments, and (d) financial leverage ratios did not change significantly compared to the disclosures made in Note 20 to the financial statements for the year ended December 31, 2013 and accordingly management has decided not to include these items in the interim accounting information at September 30, 2014.

20.1 Sensitivity analysis

a) Interest rate sensitivity

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

Explanatory Notes

	Parent company	
	Increase/decrease in basis points	**Effect on profit before taxes (R$)**
9/30/2014		
	+ 0.5%	(1,217)
	- 0.5%	1,217
12/31/2013		
	+ 0.5%	(1,233)
	- 0.5%	1,233

	Consolidated	
	Increase/decrease in basis points	**Effect on profit before taxes (R$)**
9/30/2014		
	+ 0.5%	(1,217)
	- 0.5%	1,217
12/31/2013		
	+ 0.5%	(1,233)
	- 0.5%	1,233

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

b) Foreign exchange sensitivity

The Company analyzed the sensitivity to the effects of fluctuations in the U.S. dollar and Euro exchange rates on the Company's income and equity. With all other variables held constant, the Company's profit before taxes is affected by the impact on borrowings payable subject to foreign exchange rate variations, as shown below:

	Parent company/Consolidated	
	Change in U.S. Dollar/Euro rate	**Effect on profit before taxes (R$)**
9/30/2014	+ 20%	(27,739)
	- 20%	27,739
	+10%	(13,869)
	-10%	13,869
12/31/2013	+ 20%	(25,363)
	- 20%	25,363
	+10%	(12,682)
	-10%	12,682

Changes in income and equity derive from U.S. Dollar and Euro borrowings.

Explanatory Notes

20.2 Fair value estimation

The carrying values of trade receivables and payables, less an impairment provision in the case of trade receivables, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flow at the current market interest rate that is available to the Company for similar financial instruments.

a) Financial instruments measured in the balance sheet at fair value

The Company and its subsidiaries adopted CPC 40/IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires the disclosure of fair value measurements according to their level of the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's and its subsidiaries' assets and liabilities measured at fair value at September 30, 2014 and December 31, 2013:

Parent company/Consolidated		
	9/30/2014	
	Assets	
	Available-for-sale financial assets	Total assets
Prices quoted in active markets (Level 1)	-	-
Other significant observable data (Level 2)	-	-
Significant unobservable data (Level 3)	49,761	49,761
Total balance	**49,761**	**49,761**

Parent company/Consolidated		
	12/31/2013	
	Assets	
	Available-for-sale financial assets	Total assets
Prices quoted in active markets (Level 1)	-	-
Other significant observable data (Level 2)	-	-
Significant unobservable data (Level 3)	48,638	48,638
Total balance	**48,638**	**48,638**

Explanatory Notes

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. At September 30, 2014 and December 31, 2013, the Company and its subsidiaries did not have financial instruments whose fair value had been measured at Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data when available, and rely as little as possible on Company-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. At September 30, 2014 and December 31, 2013, the Company and its subsidiaries did not have financial instruments whose fair value had been measured at Level 1.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair values of the remaining financial instruments.

b) Fair value of borrowings

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

Parent company

	Amounts			
	Carrying amount	Fair value	Carrying amount	Fair value
	9/30/2014	9/30/2014	12/31/2013	12/31/2013
Bank borrowings	1,335,703	1,361,225	1,388,728	1,430,504
Simple debentures	1,825,166	1,805,567	1,767,539	1,727,836
Total	**3,160,869**	**3,166,792**	**3,156,267**	**3,158,340**

Consolidated

	Amounts			
	Carrying amount	Fair value	Carrying amount	Fair value
	9/30/2014	9/30/2014	12/31/2013	12/31/2013
Bank borrowings	1,336,838	1,362,355	1,390,161	1,431,932
Simple debentures	1,825,166	1,805,567	1,767,539	1,727,836
Total	**3,162,004**	**3,167,922**	**3,157,700**	**3,159,768**

Explanatory Notes

The market values of liabilities are calculated on a projected debit balance, restated at their contractual rates over the remaining months up to maturity. The amount obtained is adjusted to the present value, using the following market rates:

	Parent company/Consolidated			
Lines	**Contractual rates**	**Period (months)**	**Market rate**	**Comments**
State government/BDMG	9.03%	06	7.33%	CEF rate since there is no similar one
CEF/FGTS	8.64%	167	7.33%	Quoted CEF rate in September 2014
BNDES/BNE	6.57%	92	6.55%	Quoted BNDES/BNE rate in September 2014
FINAME	3.32%	113	3.00%	Quoted FINAME rate in September 2014
Federal government	4.27%	116	7.33%	CEF rate since there is no similar one
Simple debentures	8.33%	86	8.72%	Quoted BNDES/BND rate in September 2014
KfW Bank	2.07%	112	2.07%	Quoted KfW rate in September 2014
FINAME - AGMM	2.50%	101	3.00%	Quoted FINAME rate in September 2014
Banco do Brasil - COPANOR	12.16%	17	7.33%	CEF rate since there is no similar one

21. Financial instruments by category

a) Parent company

	9/30/2014		
	Loans and receivables	**Available-for-sale assets**	**Total**
Assets			
Cash and cash equivalents	142,451	-	142,451
Trade receivables	889,776	-	889,776
Banks and investments in connection with agreements	38,943	-	38,943
Restricted investments	97,802	-	97,802
Financial assets - concession agreements	573,181	-	573,181
Equity securities	-	49,761	49,761
Receivables from subsidiaries	16,937	-	16,937
Other receivables (excluding prepayments)	160,719	-	160,719
Total	**1,919,809**	**49,761**	**1,969,570**

	9/30/2014	
	Other financial liabilities	**Total**
Liabilities		
Borrowings and debentures	3,160,869	3,160,869
Trade payables	144,673	144,673
Public-Private Partnership (PPP) - Rio Manso	163,878	163,878
Contract with IBM	7,769	7,769
Total	**3,477,189**	**3,477,189**

Explanatory Notes

	12/31/2013		
	Loans and receivables	Available-for-sale assets	Total
Assets			
Cash and cash equivalents	260,481	-	260,481
Trade receivables	909,685	-	909,685
Banks and investments in connection with agreements	36,688	-	36,688
Restricted investments	97,380	-	97,380
Financial assets - concession agreements	494,836	-	494,836
Equity securities	-	48,638	48,638
Receivables from subsidiaries	109,790	-	109,790
Other receivables (excluding prepayments)	161,075	-	161,075
Total	**2,069,935**	**48,638**	**2,118,573**

	12/31/2013	
	Other financial liabilities	Total
Liabilities		
Borrowings and debentures	3,156,267	3,156,267
Trade payables	135,338	135,338
Finance lease	7,769	7,769
Total	**3,299,374**	**3,299,374**

b) Consolidated

	9/30/2014		
	Loans and receivables	Available-for-sale assets	Total
Assets			
Cash and cash equivalents	142,845	-	142,845
Trade receivables	894,897	-	894,897
Banks and investments in connection with agreements	41,550	-	41,550
Restricted investments	97,802	-	97,802
Financial assets - concession agreements	573,181	-	573,181
Equity securities	-	49,761	49,761
Other receivables (excluding prepayments)	157,350	-	157,350
Total	**1,907,625**	**49,761**	**1,957,386**

Explanatory Notes

	9/30/2014	
	Other financial liabilities	**Total**
Liabilities		
Borrowings and debentures	3,162,004	3,162,004
Trade payables	148,209	148,209
Public-Private Partnership (PPP) - Rio Manso	163,878	163,878
Contract with IBM	7,769	7,769
Total	**3,481,860**	**3,481,860**

	12/31/2013		
	Loans and receivables	**Available-for-sale assets**	**Total**
Assets			
Cash and cash equivalents	261,938	-	261,938
Trade receivables	914,785	-	914,785
Banks and investments in connection with agreements	36,794	-	36,794
Restricted investments	97,380	-	97,380
Financial assets - concession agreements	494,836	-	494,836
Equity securities	-	48,638	48,638
Other receivables (excluding prepayments)	158,611	-	158,611
Total	**1,964,344**	**48,638**	**2,012,982**

	12/31/2013	
	Other financial liabilities	**Total**
Liabilities		
Borrowings and debentures	3,157,700	3,157,700
Trade payables	156,104	156,104
Finance lease	7,769	7,769
Total	**3,321,573**	**3,321,573**

Explanatory Notes

22. Revenue

The reconciliation between gross and net revenue is as follows:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Revenue from water supply and sewage services	871,459	849,375	2,588,817	2,455,009
Construction revenue	377,197	199,464	736,658	513,444
Total revenue	1,248,656	1,048,839	3,325,475	2,968,453
Taxes on sales	(80,850)	(78,813)	(240,359)	(227,655)
Net revenue	**1,167,806**	**970,026**	**3,085,116**	**2,740,798**

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Revenue from water supply and sewage services	876,370	853,503	2,603,145	2,467,686
Revenue from sales of products	948	705	2,544	2,847
Construction revenue	377,197	199,464	736,658	513,444
Total revenue	1,254,515	1,053,672	3,342,347	2,983,977
Taxes on sales	(81,480)	(79,302)	(242,123)	(229,278)
Net revenue	**1,173,035**	**974,370**	**3,100,224**	**2,754,699**

The Company's other operating income for the periods ended September 30, 2014 and 2013 is set out below:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Reversal of non-deductible provisions	11,528	6,624	21,225	8,509
Recovery of accounts written off	17,369	34,236	40,315	50,501
Other income	4,552	2,801	15,558	7,544
Total other operating income	**33,449**	**43,661**	**77,098**	**66,554**

Explanatory Notes

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Reversal of non-deductible provisions	11,432	6,724	21,403	8,926
Recovery of accounts written off	17,332	34,394	40,431	50,754
Other income	5,268	3,979	17,141	9,249
Total other operating income	**34,032**	**45,097**	**78,975**	**68,929**

23. Expenses by nature

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Salaries and social charges	271,785	266,013	802,176	743,860
Materials	31,751	30,492	95,407	89,295
Outsourced services	155,377	160,279	464,701	452,115
General expenses	30,571	32,061	88,621	88,509
Depreciation and amortization	122,520	111,924	355,398	315,468
Provision for impairment of trade receivables	22,800	17,581	67,996	50,115
Provision for obsolescence	45	-	172	-
Construction costs **(i)**	373,220	195,047	723,724	500,946
Litigation provision	11,101	6,571	32,147	23,834
Equity in the results of investees	4,468	3,098	8,837	11,752
Employee profit sharing	5,631	8,224	17,025	21,609
Other	13,985	10,487	47,813	30,099
Operating expenses	**1,043,254**	**841,777**	**2,704,017**	**2,327,602**
(-) Tax credits	**(24,617)**	**(22,274)**	**(72,801)**	**(60,680)**
Operating expenses, net	**1,018,637**	**819,503**	**2,631,216**	**2,266,922**
Costs	**806,470**	**625,411**	**2,006,453**	**1,705,721**
Expenses	**212,167**	**194,092**	**624,763**	**561,201**

Explanatory Notes

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Salaries and social charges	274,728	268,595	810,156	751,710
Materials	32,540	31,090	97,291	91,076
Outsourced services	157,891	162,431	471,058	460,115
General expenses	30,762	32,311	89,198	90,076
Depreciation and amortization	123,161	112,564	357,282	317,422
Provision for impairment of trade receivables	23,423	18,209	70,148	51,616
Provision for obsolescence	64	-	199	-
Construction costs **(i)**	373,220	195,047	723,724	500,946
Cost of products sold	763	254	798	1,066
Litigation provision	11,859	7,337	33,654	24,921
Employee profit sharing	5,631	8,224	17,025	21,609
Other	15,974	11,328	51,156	32,855
Operating expenses	**1,050,016**	**847,390**	**2,721,689**	**2,343,412**
(-) Tax credits	**(24,877)**	**(22,447)**	**(73,513)**	**(61,201)**
Operating expenses, net	**1,025,139**	**824,943**	**2,648,176**	**2,282,211**
Costs	**812,127**	**629,868**	**2,020,642**	**1,720,155**
Expenses	**213,012**	**195,075**	**627,534**	**562,056**

(i) Breakdown of construction costs:

	Parent company/Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Salaries and social charges	7,465	6,679	21,569	21,317
Materials	19,092	13,470	56,716	46,101
Equipment	11,694	13,909	54,021	31,238
Outsourced services	323,459	144,568	554,207	350,636
Financing costs	9,926	13,771	34,130	44,540
Other	1,584	2,650	3,081	7,114
Total construction costs	**373,220**	**195,047**	**723,724**	**500,946**

Explanatory Notes

24. Employee benefit expenses

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Salaries	147,439	145,639	437,732	412,662
Social security costs	44,467	44,258	134,935	125,877
FGTS	12,740	17,296	44,800	48,289
Pension plan contributions	9,003	8,558	26,191	24,914
Workers' meal program	36,201	31,460	96,887	84,915
Healthcare plan	13,123	13,449	37,444	33,653
Other benefits	8,812	5,353	24,187	13,550
Total	**271,785**	**266,013**	**802,176**	**743,860**
Number of employees (not reviewed by the independent accountants)	12,373	11,911	12,373	11,911

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Salaries	149,499	147,514	443,057	418,027
Social security costs	44,932	44,633	136,248	126,936
FGTS	12,873	17,405	45,156	48,596
Pension plan contributions	9,004	8,558	26,192	24,914
Workers' meal program	36,457	31,643	97,785	85,921
Healthcare plan	13,145	13,480	37,507	33,741
Other benefits	8,818	5,362	24,211	13,575
Total	**274,728**	**268,595**	**810,156**	**751,710**
Number of employees (not reviewed by the independent accountants)	12,740	12,257	12,740	12,257

Explanatory Notes

25. Finance income and costs

Finance income and costs can be summarized as follows:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Interest income	1,392	2,175	3,840	9,659
Income on short-term investments	7,324	9,949	22,813	30,151
Monetary and foreign exchange gains	872	1,784	21,121	9,791
Capitalization of financial assets/other	2,263	11,655	11,847	20,090
Total income	**11,851**	**25,563**	**59,621**	**69,691**
Interest expenses	(53,512)	(45,767)	(157,987)	(137,009)
Monetary and foreign exchange losses	(5,170)	(6,671)	(36,034)	(39,356)
Other costs	(1,571)	(3,405)	(1,778)	(4,034)
Total costs	**(60,253)**	**(55,843)**	**(195,799)**	**(180,399)**
Finance result	**(48,402)**	**(30,280)**	**(136,178)**	**(110,708)**

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2014	2013	2014	2013
Interest income	1,094	1,244	2,967	8,882
Income on short-term investments	7,323	9,969	22,814	30,171
Monetary and foreign exchange gains	864	2,387	21,088	9,738
Capitalization of financial assets/other	2,263	11,656	11,846	20,090
Total income	**11,544**	**25,256**	**58,715**	**68,881**
Interest expenses	(53,537)	(45,794)	(158,084)	(137,048)
Monetary and foreign exchange losses	(5,170)	(6,671)	(36,034)	(39,367)
Other costs	(486)	(3,412)	(737)	(4,098)
Total costs	**(59,193)**	**(55,877)**	**(194,855)**	**(180,513)**
Finance result	**(47,649)**	**(30,621)**	**(136,140)**	**(111,632)**

Explanatory Notes

26. Related-party transactions

The Company is controlled by the State of Minas Gerais, which holds 51.13% of its shares (Note 18).

a) Assets, liabilities, income and expenses

In addition to the agreements described in Note 16, other transactions with related parties substantially represent those carried out with the State of Minas Gerais, CEMIG, Foz de Jeceaba and subsidiaries.
Significant balances and transactions with related parties are set out below:

	Parent company						
	9/30/2014						
	Subsidiaries				Other		
	Águas Minerais	COPANOR	Serviços de Irrigação	Total	State MG	CEMIG	Foz de Jeceaba
Assets							
Current							
Trade receivables							
Billed amounts	-	-	-	-	22,282	-	-
Agreements	-	-	-	-	13,441	-	-
Sundry receivables							
Receivables from subsidiaries	70	3,369	-	3,439	-	-	-
Non-current							
Borrowings	-	12,220	996	13,216	-	-	-
Advances for capital increase	3,721	-	-	3,721	-	-	-
Available-for-sale assets	-	-	-	-	-	-	49,761
Investments	15,246	-	-	15,246	-	-	-
Total assets	**19,037**	**15,589**	**996**	**35,622**	**35,723**	**-**	**49,761**
Liabilities							
Current							
Interest on capital	-	-	-	-	16,794	-	-
Electric power	-	-	-	-	-	4,004	-
Non-current							
Provision for investment losses	-	13,166	1,085	14,251	-	-	-
Total liabilities	**-**	**13,166**	**1,085**	**14,251**	**16,794**	**4,004**	**-**
Results	**Quarter ended September 30, 2014**						
Revenue from water supply and sewage services	-	-	-	-	28,626	-	-
Interest and income from monetary variations	-	338	25	363	-	-	-
Dividends/interest on capital received	-	-	-	-	-	-	-
	Nine-month period ended September 30, 2014						
Revenue from water supply and sewage services	-	-	-	-	83,951	-	-
Interest and income from monetary variations	-	965	71	1,036	-	-	-
Dividends/interest on capital received	-	-	-	-	-	-	3,259

Explanatory Notes

	Parent company						
	12/31/2013						
	Subsidiaries				Other		
	Águas Minerais	COPANOR	Serviços de Irrigação	Total	State MG	CEMIG	Foz de Jeceaba
Assets							
Current							
Trade receivables							
Billed amounts	-	-	-	-	47,072	-	-
Sundry receivables							
Receivables from subsidiaries	398	2,125	-	2,523	-	-	-
Non-current							
Borrowings	-	12,734	878	13,612	-	-	-
Advances for capital increase	96,178	-	-	96,178	-	-	-
Available-for-sale assets	-	-	-	-	-	-	48,638
Total assets	**96,576**	**14,859**	**878**	**112,313**	**47,072**	**-**	**48,638**
Liabilities							
Current							
Agreements	-	-	-	-	11,248	-	-
Interest on capital	-	-	-	-	17,476	-	-
Electric power	-	-	-	-	-	10,832	-
Non-current							
Provision for investment losses	73,699	11,884	763	86,346	-	-	-
Total liabilities	**73,699**	**11,884**	**763**	**86,346**	**28,724**	**10,832**	**-**
Results							
	Quarter ended September 30, 2013						
Revenue from water supply and sewage services	-	-	-	-	27,155	-	-
Interest and income from monetary variations	-	372	21	393	-	-	-
Dividends received	-	-	-	-	-	-	6,649
	Nine-month period ended September 30, 2013						
Revenue from water supply and sewage services	-	-	-	-	55,347	-	-
Interest and income from monetary variations	-	995	54	1,049	-	-	-
Dividends received	-	-	-	-	-	-	8,914

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

At September 30, 2014 there were no changes in the nature and conditions of related-party transactions compared to the disclosures made in Note 26 to the financial statements for the year ended December 31, 2013 and accordingly management has decided not to include these in this interim accounting information.

Explanatory Notes

b) Key management compensation

	Quarters ended September 30		Nine-month periods ended September 30	
	2014	**2013**	**2014**	**2013**
Compensation	1,261	1,151	3,736	3,351
Employee benefits	188	168	509	475
Post-employment benefits		-	14	-
Total	**1,449**	**1,319**	**4,259**	**3,826**

27. Commitments

The Company has entered into contracts for new construction works, under which obligations are recorded as the services are rendered. The main outstanding contracts with contractors and suppliers at September 30, 2014 are listed below:

Contractors	Amount	Date of signature	Term in days (a)
Odebrecht Ambiental	693,731	12/20/2013	5,475
Orteng/Sonel Consortium	71,075	2/21/2013	990
Mendes Junior Trading e Engenharia S.A.	60,339	11/30/2012	810
Comim Construtora Ltda.	53,983	7/28/2014	750
Prefisan Ltda.	46,287	5/15/2014	600
Socienge Construções Ltda.	39,088	6/17/2014	540
Perfil/Presenger Consortium	34,065	11/27/2013	720
Prefisan Ltda.	28,797	5/23/2013	720
Prefisan Engenharia S.A.	21,624	3/14/2012	1,080
Infracon Engenharia e Comércio Ltda.	21,170	8/28/2013	540
Construtora Integral Ltda.	19,597	3/18/2014	720
Comim Construtora Ltda.	19,541	8/9/2013	720

(a) As from the date set in the first service order.

Upon renewal or revision of some concession agreements, the Company assumed commitments to participate financially in sewage network construction and river valley treatment works, to be carried out by the municipal governments. Among the works to be carried out, those in public sites (stream channeling, open sewage channels) are treated as intangible assets - "concession rights", and amortized over the remaining concession term. Sewage interceptors are recorded in the Company's intangible assets.

Explanatory Notes

The main committed amounts refer to the following municipalities:

	Amounts		
Municipalities	**Committed**	**Realized**	**% realization**
Belo Horizonte	261,140	83,555	32.00
Betim	80,286	73,521	91.57
Contagem	83,707	83,707	100.00
Montes Claros	121,941	61,417	50.37
Ribeirão das Neves	86,411	70,977	82.14
Teófilo Otoni	54,360	-	-

28. Transactions not involving cash and cash equivalents

During the nine-month periods ended September 30, 2014 and 2013, the Company and its subsidiaries carried out the following non-cash investing and financing activities which are not reflected in the statement of cash flow:

	Parent company/Consolidated	
Event	**9/30/2014**	**9/30/2013**
Proposed dividends (Note 18)	100,888	105,502
Transfer of PRODES/ANA agreement (Notes 7 and 11)	2,209	4,956
Renegotiation with customers through acquisition of land	-	18,527
Public-Private Partnership (PPP) - Rio Manso	163,878	-

29. Notes presented in the annual financial statements that are not repeated in this interim accounting information

Pursuant to Circular CVM/SNC/SEP 003/2011, the Company has disclosed the explanatory notes considered to be relevant in the context of the "Basic Accounting Pronouncement - Conceptual Framework for Financial Statements". All of the information whose omission or distortion could influence a user's economic decisions has been duly disclosed in this interim accounting information, which should be read in conjunction with the financial statements for the year ended December 31, 2013.

An index to the exact location of the explanatory notes in respect of which the information was not repeated in this interim financial information, because it was redundant or not significant, is set out below:

Note 4 - Critical accounting estimates and judgments
Note 27 - Water supply and sewage services in Belo Horizonte
Note 29 - Insurance
Note 30 - Value-added Tax on Sales and Services (ICMS)

Comments on the behavior of business projections

If the issuer has disclosed, during the three last years, projections on the trends of its business indicators:

a. Inform which ones are being replaced with new projections included in the CVM form and which of them are being repeated in the form.
b. With respect to projections relating to current periods, inform whether the projections remain valid at the date the form is submitted and, when applicable, explain the reason why they have been eliminated or replaced.
c. In relation to projections for periods already ended, the data projected should be compared to the effective performance of the indicators and any deviation from the initial projections should be clearly explained.

Market expansion: goals to increase the number of concessions for the period from 2010 to 2013:

In October 2010, goals for expansion of water and sewage systems concessions were disclosed for the period from 2010 to 2013, as follows:

I- Expand the sewage concessions in locations where the Company already has water supply concessions

- **Group of municipalities with population over 15 thousand inhabitants:**

Concessions to be signed up to 2013	Total
Number of municipalities	31
Population (in thousands)	1,500

Of this group, eight concessions were signed up to December 2013, including a population of approximately 600 thousand inhabitants. Concerning the others, two already have their authorizing Law voted and 21 are in the negotiation process.

Comments on the behavior of business projections

- **Group of municipalities with population below 15 thousand inhabitants:**

Concessions to be signed up to 2013	Total
Number of municipalities	93
Population (in thousands)	600

Of this group, twenty concessions were signed up to December 2013, including a population of approximately 115 thousand inhabitants. Concerning the others, 32 already have their authorizing Law voted and 41 are in the negotiation process.

II - Increase the number of water and sewage concessions

- **Group of municipalities with population over 15 thousand inhabitants, where concessions are being negotiated.**

Concessions to be signed up to 2013	Total
Number of municipalities	31
Population (in thousands)	1,400

It should be pointed out that COPASA MG does not disclose guidance about its revenue, costs and results. Accordingly, in order to provide a better understanding of the Company, the table below shows some of the indicators recorded for the past three years by COPASA MG:

Water (Parent company)	unit	2013	2012	2011
Population served	thousand (annual average)	14,054	13,600	13,197
Number of connections	unit (annual average)	4,575,197	4,423,219	4,281,626
Billed volume	m³	676,420,786	660,581,099	644,529,379
Total revenue	R$/thousand	1,980,672	1,858,366	1,783,983
Average tariff	R$/m³	2.93	2.81	2.77
Inhabitant by connection	unit (annual average)	3.07	3.07	3.08
Revenue by connection	R$/conn (annual average)	432.92	420.14	416.66

Sewage (Parent company)	unit	2013	2012	2011
Population served	thousand (annual average)	8,971	8,516	8,008
Number of connections	unit (annual average)	2,953,393	2,798,293	2,610,770
Billed volume	thousand m³	443,820,398	427,667,059	402,551,660
Total revenue	R$/thousand	1,027,064	909,999	725,627
Average tariff	R$	2.31	2.13	1.80
Inhabitant by connection	unit (annual average)	3.04	3.04	3.07
Revenue by connection	R$/conn (annual average)	347.76	325.20	277.94

Comments on the behavior of business projections

Water + Sewage (Parent company)*	unit	2013	2012	2011
Total costs and expenses	R$/thousand	2,286,482	2,012,471	1,754,301
Total costs and expenses without depreciation	R$/thousand	1,858,448	1,635,129	1,449,804
Total costs and expenses by connection	R$/conn (annual average)	303.71	278.68	254.53
Costs and expenses without depreciation by connection	R$/conn (annual average)	246.85	226.42	210.35

*Water + sewage costs are stated together, since these costs are not recorded separately.

In preparing the projections, it is important to note that operating results may be materially affected by various factors, among which the following are to be highlighted:

- **Operating revenues:** revenues may change due to tariff adjustments, changes in the consumption billed and operation of new water supply and sanitary sewage systems, expansion of existing systems, and the start of sewage treatment services in locations where only sewage collection services were previously provided.
- **Cost of products and services, administrative and selling expenses:** in accordance with the Brazilian regulations for the sanitation sector, the regulatory agency is in charge of authorizing the inclusion of such costs in the tariffs, within the limits related to inflation indices and according to the tariff adjustment methodology, which became effective in March 2011. Therefore, increases in costs and expenses that exceed the limits authorized by ARSAE MG may affect adversely the Company's operating results.
- **Tax policies:** the rules on taxes levied on the services rendered by the Company, mainly as regards the Social Contribution on Revenues (COFINS) and Social Integration Program (PIS) / Public Services Employee Savings Program (PASEP) may undergo changes over the years, which may have a direct impact on the Company's revenues, particularly if the transfer of such changes to the tariffs is not allowed.
- **Lawsuits or administrative proceedings:** in the course of its business, the Company is a party to various proceedings, which may or may not have a favorable outcome. Furthermore, the amount currently provided for may not correspond to the amounts involved in the proceedings, which may substantially exceed the provisions recorded. Where the economic value of these lawsuits exceeds the amount attributed by the parties, or if the total amount provided for is not sufficient to cover the contingencies, the costs incurred may exceed those expected and, if the amounts are material, the Company's results may be negatively affected.

In relation to the goals of market expansion, various factors affected their achievement, mainly as follows:

- Since Federal Law 11,445 - Marco Legal do Saneamento (Sanitation Regulation) started to be effective, in February 2007, the process of negotiation of concessions became more complex, requiring the completion of various steps, many of which are a responsibility of the municipalities, for the formalization of the Program's Contracts. A great part of the municipalities has difficulties carrying out some of these actions, such as the approval of Laws, preparation of the Municipal Plan of Basic Sanitation (PMSB) and performance of inquiries and public hearings.

- The possibility of access of the municipalities to non-onerous resources from the Federal Government also contributes to the delay in the negotiations of concessions, because many municipalities suspend negotiations while awaiting the definition of their requests (Consultation Letters) with Federal Bodies which hold the resources to be released.

Comments on the behavior of business projections

- Law 11,445/2007 also established the requirement of preparation of Plans of Municipal Sanitation, making this document mandatory for the Program Contracts and a condition for their validation. Most municipalities do not have the necessary structure to prepare these plans, whether due to the costs involved or the lack of personnel skilled in their preparation. Some municipalities have opted to seek support from the Basins Committees and contract the preparation of the PMS.

- The suspension of negotiations in periods of municipal, state or federal elections has become more serious in the last years, because most mayors have opted to totally paralyze their actions relating to concessions. In 2012, for example, various negotiations were stagnated up to the end of the election period. Besides this, when mayors are substituted, usually the new representatives require a relatively significant time until they are able to resume the negotiation process with COPASA.

In relation to the Company's expansion plan, new goals are being discussed, taking into consideration the Company's financial position, as well as the macroeconomic scenario, the regulatory environment and the sanitation sector's policies. These goals, when approved by management, will be disclosed to the market.

Additional information

For each concession to be contracted, an economic and financial feasibility study is prepared specifically for the concession, and the impact of this concession on the Company's overall return is verified to confirm that, as a whole, the concessions provide the Company with a minimum return equal or superior to its capital cost.
The Executive Board is responsible for approving new concessions, except for those that may present a negative Net Present Value (VPL<0), which must be submitted to the approval of the Board of Directors.
In the preparation of the feasibility study for each project, the Company adopts the criterion of income and expenses at nominal amounts, restated by indices of specific prices over the period of the concession, which is 30 years.
The present amount of the cash flows of the concession projects is calculated by discounting the expected nominal cash flows using projected inflation rates and then bringing the resulting cash flows to present value by applying the Weighted Average Cost of Capital (WACC) (real, after taxes). For the calculation of this cost, COPASA MG adopted the Capital Asset Pricing Model (CAPM) methodology.

The capital cost of the Company will be recalculated whenever there is significant change in its variables.

Report on review of quarterly information - without exceptions

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia de Saneamento de Minas Gerais - COPASA MG, included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2014, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Report on review of quarterly information - without exceptions

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2014. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, October 31, 2014

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

Carlos Augusto da Silva
Contador CRC 1SP197007/O-2 "S" MG