(“A free translation from Portuguese into English”)

Quarterly Information

Companhia de Saneamento de Minas Gerais S.A. - COPASA

Quarter ended September 30, 2012 with Review Report of Independent Auditors

Comments on Performance

01. General Service Data

The population receiving water supply services increased by 468 thousand people in the third quarter of 2012 (3Q12), totaling 13.9 million people connected to the distribution network, as compared to 13.5 million in the third quarter of 2011 (3Q11). The number of municipalities covered by water supply services increased from 606, in September 2011, to 611 in September 2012.

COPASA MG
General Service Data - Water Supply Services (Copasa-Consolidated)*
3rd quarter 2012 and 2011

Items	Units	3Q12	3Q11	Change	
				Amount	%
Municipalities with a Concession [1]	number	624	619	5	0.81
Municipalities with an Operation [2]	number	611	606	5	0.83
Population served [3]	thousand people	13,940	13,472	468	3.47
Billed connections	thousand connections	3,742	3,597	145	4.03
Network extension	Km	44,182	43,538	644	1.48
Billed water supply volume	1,000 m³/quarter	166,654	166,324	330	0.20
Produced water supply volume	1,000 m³/quarter	240,336	234,306	6,030	2.57

(1) Total number of municipalities where the company has a concession: capital cities, villages, towns or other.
(2) Total number of municipalities where the company has an operation: capital cities, villages, towns or other.
(3) Population connected to the water supply network.
(*) Consolidated data, including subsidiary COPANOR.

There was an increase of 145 thousand connections in billed water connections, totaling 3.7 million, up 4.03% from 3Q11. The water distribution network was extended by 644 km, totaling 44,182 km, up 1.48% from 3Q11 (43,538 km).

The number of municipalities covered by sewage systems grew 3.45%, from 174 in September 2011 to 180 in 3Q12, serving a total population of 8.6 million people connected to the system (8.1 million in 3Q11), representing a 5.62% increase (457 thousand people).

COPASA MG
General Service Data - Sewage Services (Copasa-Consolidated)*
3rd quarter 2012 and 2011

Items	Units	3Q12	3Q11	Change	
				Amount	%
Municipalities with a Concession (1)	Number	239	223	16	7.17
Municipalities with an Operation (2)	Number	180	174	06	3.45
Population served (3)	thousand people	8,592	8,135	457	5.62
Billed connections	thousand connections	2,205	2,043	162	7.93
Network extension	Km	19,555	17,364	2,191	12.62
Billed sewage volume	1,000 m³/quarter	107,171	102,816	4,355	4.24
Treated sewage volume (**)	1,000 m³/quarter	50,257	40,734	9,523	23.38

(1) Total number of municipalities where the company has a concession: capital cities, villages, towns or other.
(2) Total number of municipalities where the company has an operation: capital cities, villages, towns or other.
(3) Population connected to the sewage network.
(*) Consolidated data, including subsidiary (COPANOR).
(**) Company data only (COPASA).

Comments on Performance--Continued

01. General Service Data--Continued

This service is provided through 2.2 million billed sewage connections (2.0 million in 3Q11), representing an increase of 162 thousand connections (7.93%). The sewage collection network was extended by 2,191 km, totaling 19,555 km, up 12.62% from 3Q11. Treated sewage volume reached 50.2 million m³ in the quarter, up 23.38% from the same prior year period.

02. Performance indicators

The company's expansion in the period increased the volume of billed water supply and sewage services by 4.7 million m³ in relation to 3Q11. This results from the increased number of people covered by the water supply and sewage services in the locations where the Company already operated these systems.

A performance indicator to be highlighted is the productivity of employees, measured using the employees/1,000 connections (water + sewage) ratio, which increased from 2.07 employees/1,000 connections in 3Q11 to 1.98 in 3Q12, especially considering the increased number of connections.

COPASA MG
Operational/Commercial Performance Indicators (Copasa-Consolidated)*
3rd quarter 2012 and 2011

Items	Units	3Q12	3Q11	Change	
				Amount	%
1 – Employees	Number	11,793	11,654	139	1.19
2 – Employees/ connections (A+E)	emp/1,000 connections	1.98	2.07	-0.09	4.35
3 – Billed Volume					
Water	1,000m³/quarter	166,654	166,325	329	0.20
Sewage	1,000m³/quarter	107,171	102,816	4,355	4.23
Total	1,000 m³/quarter	273,825	269,141	4,684	1.74
4 – Produced water supply volume	1,000 m³/quarter	240,336	234,306	6,030	2.57
5 – Water metering rate (**)	%	99.90	99.96	-0.06	-0.06
6 – Water not Converted into Revenue (ANCR) (1) (**)	l/connection/day	230.40	231.25	-0.85	-0.37

(1) Average for the past 12 months.
(*) Consolidated data, including subsidiary (COPANOR).
(**)Company data only (COPASA).

The rate of water metered connections, which reached 99.90% in September 2012, is one of the best rates recorded by sanitation companies.

The Water not Converted into Revenue (ANCR) index, which represents the difference between the volume distributed and that actually used by consumers, divided by the average number of connections for the period, reached 230.40 l/connection/day in 3Q12, down 0.37% from 3Q11 (231.25).

Comments on Performance--Continued

02. Performance indicators--Continued

This performance results from the so-called Program to Prevent and Reduce Water Losses (PRPA), which the Company implemented in 2003 and has developed since then, based on the concepts derived from the National Program against Water Waste (PNCDA) and from the International Water Association (IWA).

03. Investments Measured in 3Q12

In 3Q12, investments were primarily allocated to the construction work of Complex R-13 at RMBH (Northwest Water Main), to the expansion of Divinópolis and Jaíba Water Supply Systems, to the implementation of the Sewage Treatment Systems in Carmo do Paranaíba, to the expansion of the Sewage Treatment Systems in Belo Horizonte/Contagem (target 2014), Contagem/Nova Contagem, Lagoa Santa and Vespasiano, to the implementation of Sewage Treatment Systems in Barbacena, Minas Novas, Nova Serrana, Patos de Minas, Pedra Azul, Santa Luzia (headquarters), Santo Antonio do Monte, São Sebastião do Paraíso and also to the expansion of Sewage Treatment Supply Stations in Ribeirão Arrudas-ETE Arrudas, Ibirité and Betim (ETE Central).

INVESTMENTS (IN R$ MILLION)	2011	3Q12	3Q11
WATER	**270.4**	**54.6**	**61.8**
SEWAGE	**390.6**	**117.1**	**97.5**
OTHER	**21.9**	**3.0**	**7.1**
TOTAL	**682.9**	**174.7**	**166.4**

04. Financial Performance - Company

The tables below show the performance of the Company's results for the third quarter of 2012 as compared to the same prior year period:

Income statement

	9/30/2012		9/30/2011		Change	
Company						**%**
Revenue from water services	468,981	53.94	463,992	56.29	4,989	1.08
Revenue from sewage services	241,736	27.80	197,760	23.99	43,976	22.24
Construction revenue	158,757	18.26	162,501	19.71	(3,744)	-2.30
Net operating revenue from services	**869,474**	**100.00**	**824,253**	**100.00**	**45,221**	**5.49**
Cost of services rendered	(352,081)	-40.49	(317,796)	-38.56	(34,285)	10.79
Construction costs	(155,219)	-17.85	(159,182)	-19.31	3,963	-2.49
Cost of services rendered	**(507,300)**	**-58.35**	**(476,978)**	**-57.87**	**(30,322)**	**6.36**
Gross profit	**362,174**	**41.65**	**347,275**	**42.13**	**14,899**	**4.29**
Selling expenses	(56,719)	-6.52	(45,786)	-5.55	(10,933)	23.88
General and administrative expenses	(102,307)	-11.77	(97,131)	-11.78	(5,176)	5.33
Other operating income	12,235	1.41	19,477	2.36	(7,242)	-37.18
Other operating expenses	(12,839)	-1.48	(16,446)	-2.00	3,607	-21.93
Employees' profit sharing	(7,809)	-0.90	(8,353)	-1.01	544	-6.52
Equity pickup	(4,468)	-0.51	(4,158)	-0.50	(310)	7.46
Operating income/expenses	**(171,907)**	**-19.77**	**(152,397)**	**-18.49**	**(19,510)**	**12.80**
Income before financial income (expenses) and taxes	**190,267**	**21.88**	**194,878**	**23.64**	**(4,611)**	**-2.37**
Financial income	46,539	5.35	24,639	2.99	21,900	88.89
Financial expenses	(69,950)	-8.05	(48,952)	-5.94	(20,998)	42.90
Financial income (expenses)	**(23,411)**	**-2.69**	**(24,313)**	**-2.95**	**902**	**-3.71**
Income before taxes	**166,856**	**19.19**	**170,565**	**20.69**	**(3,709)**	**-2.17**
Income and social contribution taxes - current	(49,030)	-5.64	(51,949)	-6.30	2,919	5.62
Income and social contribution taxes - deferred	10,155	1.17	1,487	0.18	8,668	n.m.
Net income for the year	**127,981**	**14.72**	**120,103**	**14.57**	**7,878**	**6.56**

Comments on Performance--Continued

04. Financial Performance - Company--Continued

a. Net operating revenue from services – In 3Q12, net revenue from the Company's water services was R$469.0 million and from sewage services was R$241.7 million, totaling R$710.7 million, up 7.4% from 3Q11. This increase results from:

- 1.7% increase in the Company's billed volume, impacted by the fact that the average monthly consumption period was 30.5 days in 3Q12, 1.8% down from the 31.0 days recorded for 3Q11.

- 4.34% average tariff adjustment, prorated for consumption between May 14 and June 13 and fully applied for consumption thereafter.

- Change in the percentage of sewage tariff collection, after the start-up of operations of Sewage Treatment Plants (ETEs) in the municipalities of Alfenas, Araçuaí and Itaobim (September 2011); Itacarambi (October 2011); Coronel Murta (January 2012); Cláudio and Divisópolis (February 2012); Mata Verde (March 2012); Lavras (May 2012); Pouso Alegre (June 2012); and Pará de Minas (September 2012).

- Indirect revenue from water services in the amount of R$4.5 million in 3Q12 (R$7.2 thousand in 3Q11).

As noted, the increase in revenue from water and sewage services was different in the period under review. The increased percentage of sewage tariff collection from 60% to 75% and then to 90% of the water tariff, due to the start-up of sewage treatment plants, was offset by the decrease in the water tariff, resulting in a substantial increase in sewage service revenue as compared to water service revenue.

b. Construction revenue – Considering the role of COPASA MG in public utility concessions, construction revenue refers to the cost of investments in infrastructure, plus the profit margin defined by the Company. While no immediate cash effect is identified, construction revenue generates implications for the year in which it is recognized, given that its result is part of the calculation of interest on equity/dividends and employees' profit sharing. The Company does not consider construction revenue for EBITDA purposes.

Comments on Performance--Continued

04. Financial Performance - Company--Continued

c. Cost of services rendered – Cost of services rendered, selling and administrative expenses totaled R$511.1 million in 3Q12, vis-à-vis R$460.7 million in 3Q11 (+10.9%). Disregarding depreciation and amortization, costs and expenses increased 7.3%, as shown below:

Company	9/30/2012		9/30/2011		Change	
						%
Personnel	223,831	33.59	219,557	35.42	4,274	1.95
Material	25,550	3.83	24,730	3.99	820	3.32
Electric energy	61,391	9.21	60,175	9.71	1,216	2.02
Outsourced services	78,043	11.71	62,746	10.12	15,297	24.38
Tariff transferred to municipalities	18,147	2.72	17,077	2.75	1,070	6.27
General costs	10,687	1.60	7,230	1.17	3,457	47.83
Depreciation and amortization	97,613	14.65	75,396	12.16	22,217	29.47
Construction costs	155,219	23.29	159,182	25.68	(3,963)	-2.49
Recovered tax credits (PIS-PASEP/COFINS)	(23,812)	-3.57	(18,111)	-2.92	(5,701)	31.48
Allowance for doubtful accounts	19,588	2.94	11,166	1.80	8,422	75.43
Provision for losses	69	0.01	747	0.12	(678)	-90.76
*** Cost of services rendered**	**666,326**	**100.00**	**619,895**	**100.00**	**46,431**	**7.49**

- **Personnel –** Comparable data were adversely impacted since 3Q11 accounted for prior quarter figures referring to the Collective Bargaining Agreement, which increased expenses on this item. Salary negotiations (the base date is May) were still in progress as at June 30, 2011, and thus the difference between the related provision and the actual amount for May and June was recorded in 3Q11, therefore increasing the figures for that quarter.

  - ✓ In 2012, however, the Collective Bargaining Agreement was executed on October 18, 2012, with part of the amounts having been recorded in a provision since May 2012. Nevertheless, differences between the related provision and the actual amount for the period May to September, if any, will be recognized in the next quarter.

  - ✓ Moreover, 3Q11 recorded expenses of R$3.8 million in connection with the Voluntary Termination Program for Retirees and/or Employees Eligible for Retirement (PDV), with the termination of 78 employees. It is worth noting that no employees were terminated on account of this program in 3Q12 because of the electoral legislation. Thus new terminations will only occur in 2013.

Comments on Performance--Continued

04. Financial Performance - Company--Continued

- **Construction costs** – The decrease in this account refers to reduced investments by the Company during the period.

- **Services –** The 24.4% increase in this item in 3Q12 over 3Q11 was mainly due to the following aspects:

  - ✓ Expenses on upkeep and maintenance of assets and systems increased R$6.1 million (+23.6%), especially because of new contracts for water and sewage network maintenance services, as well as adjustment of contract prices.

  - ✓ Postal and pouch service costs increased R$2.7 million (+121.8%) because in April 2012 a new payment reminder system with advice of delivery was implemented for defaulting customers in accordance with regulatory requirements. The related amounts are fully passed on to customers.

  - ✓ Institutional communication costs increased R$1.3 million due to communications sent to the population regarding service rendering, as well as media efforts in strategic markets with a view to winning new concessions or renewing existing ones.

  - ✓ Telephone costs increased R$1.0 million because of the execution of a new service agreement, in view of the call center implementation, in accordance with regulatory requirements.

- **Depreciation and amortization** – The 29.5% increase in this item in 3Q12 over 3Q11 refers to the initial depreciation/amortization of assets that were “under construction” and started to be recorded as investments “in operation” when the related construction work was completed.

- **Allowance for doubtful accounts –** The increase in this item refers to the recognition of an automatic provision for recently issued water and sewage bills for government sector customers with a history of default, and the write-off of customer bills in that category, as a result of filing a suit for collection procedures.

- **Tax credits** - Tax credits arise from applying PIS/PASEP and COFINS rates on expenses with Electric energy , outsourced services retained from legal entities, lease of chattel and property, acquired materials and depreciation/amortization. These amounts aim at offsetting COFINS and PIS/PASEP amounts included in the price of goods and services acquired by an entity, thus reducing net tax amounts payable. The increase in tax credits in 3Q12 (R$5.7 million or 31.5%) is due to the inclusion assets and recently completed work.

Comments on Performance--Continued

04. Financial Performance - Company--Continued

- **Sundry operating costs** – The R$2.8 million (+34.8%) increase in this item from 3Q12 to 3Q11 is mainly due to:

  ✓ The collection of R$2.4 million (R$1.2 million in 3Q11) for the use of water resources. It is worth noting that this amount is fully passed on to customers, as identified in a specific item in water supply and sewage service bills, and it is part of indirect revenue from water and sewage services.

  ✓ The change in accounting for event-related costs, which have been recorded as sundry operating costs as of the second half of 2011.

d. Other operating income/expenses:

Company	9/30/2012		9/30/2011		Change	
						%
Revenue from technical services	258	2.11	264	1.36	(6)	-2.27
Reversal of non-deductible provision	3,699	30.23	7,822	40.16	(4,123)	-52.71
Recovery of written-off accounts	9,933	81.19	7,911	40.62	2,022	25.56
Other revenue	(1,655)	-13.53	3,480	17.87	(5,135)	n.m.
Total other operating income	**12,235**	**100.00**	**19,477**	**100.00**	**(7,242)**	**-37.18**
Non-recurring or windfall losses	(9,565)	46.33	(12,801)	51.62	3,236	-25.30
Other expenses	(3,274)	15.86	(3,645)	14.70	371	-10.20
Employees' profit sharing	(7,809)	37.82	(8,353)	33.68	544	-6.54
	(20,648)	100.00	(24,799)	100.00	4,151	-16.74
Equity pickup - Copanor	(449)	10.05	(185)	4.45	(264)	n.m.
Equity pickup - Águas Minerais	(4,339)	97.11	(4,084)	98.22	(255)	6.24
Equity pickup - Serviços Irrigação	320	-7.16	111	-2.67	209	n.m.
Total equity pickup	**(4,468)**	**100.00**	**(4,158)**	**100.00**	**(310)**	**7.46**
Total other operating expenses	**(25,116)**	**100.00**	**(28,957)**	**100.00**	**3,841**	**-13.27**
Total other operating income/expenses	**(12,881)**	**100.00**	**(9,480)**	**100.00**	**(3,401)**	**35.88**

- **Other operating income** – The R$7.2 million (-37.2%) decrease in other operating income is mainly due to:

  ✓ R$4.1 million decrease in reversal of non-deductible provisions.

  ✓ Reversal of the provision for corporate income tax credit recognized in 2Q12. This was due to the retention of an advisory firm to validate carryforward credits, and the final result will be recognized once the services have been completed.

  ✓ Conversely, the recovery of written-off accounts increased in 3Q12 over 3Q11.

Comments on Performance--Continued

04. Financial Performance - Company--Continued

d. Other operating income/expenses--Continued

- **Other operating expenses** – Other operating expenses decreased R$3.6 million (-21.9%) especially because of:

  - ✓ Lower provisions for litigation in 3Q12 over 3Q11.

  - ✓ Lower amounts relating to agreements with city governments.

e. Financial income and expenses:

Company	9/30/2012		9/30/2011		Change	
						%
Monetary and exchange differences	24,015	51.60	6,609	26.82	17,406	n.m.
Interest	8,481	18.22	6,003	24.36	2,478	41.30
Net gain on short-term investments	8,287	17.81	7,287	29.58	1,000	13.72
Capitalization of financial assets	3,410	7.33	4,738	19.23	(1,328)	-28.06
Other revenue	2,346	5.04	2	0.01	2,344	n.m.
Total financial income	**46,539**	**100.00**	**24,639**	**100.00**	**21,900**	**88.89**
Monetary and exchange differences	(25,246)	36.09	(9,442)	19.29	(15,804)	n.m.
Interest on financing	(43,695)	62.47	(38,730)	79.12	(4,965)	12.82
Other expenses	(1,009)	1.44	(780)	1.59	(229)	29.49
Total financial expenses	**(69,950)**	**100.00**	**(48,952)**	**100.00**	**(20,998)**	**42.90**
Financial income (expenses), net	**(23,411)**	**100.00**	**(24,313)**	**100.00**	**902**	**-3.71**

- **Financial income (expenses) –** In 3Q12, monetary and exchange gains significantly increased in relation to 3Q11 as a result of accounting for R$23.1 million in connection with the adjustment of funds obtained from BNDES - 4th Issuance of Debentures in July 2010. This is because the contractual amounts are adjusted by reference to the rates agreed in the financing arrangement between the contract date and the date the funds are actually disbursed, as investments are made.

  In turn, this amount was recognized as monetary and exchange losses, thus increasing financial expenses in 3Q12 over 3Q11. Accordingly, the impact on net income was nil.

  Moreover, financial income relating to interest and net gain on short-term investments increased in 3Q12 over 3Q11, especially because of investment yields, short-term securities and cash available.

  Finally, it should be noted that the increase in interest expenses on financing results from higher indebtedness.

  It is worth noting that, in addition to financial expenses appropriated to net income for 3Q12, interest and charges in the amount of R$12.3 million were capitalized in assets for 3Q12 (R$17.8 million in 3Q11), due to financed construction work still in progress.

Comments on Performance--Continued

04. Financial Performance - Company--Continued

f. Provision for income and social contribution taxes – Decrease in current income and social contribution taxes in 3Q12 over 3Q11 results from reduced taxable profit in 3Q12.

Deferred taxes decreased substantially because of the deferral of provisions for litigation and for the Collective Bargaining Agreement.

g. Net income – Net income for 3Q12 totaled R$128.0 million, up 6.6% from 3Q11. Nonoperating income was favorably impacted by a lower provision for income and social contribution taxes. Operating income, in turn, showed a slight decrease especially because of increased depreciation and amortization expenses.

h. Cash generation or EBITDA – The table below shows EBITDA calculations:

			Change	
Company	**9/30/2012**	**9/30/2011**		**%**
(+) Net revenue from water and sewage services	710,717	661,752	48,965	7.40
(+) Net revenue from water and sewage services - subsidiaries	4,312	4,677	(365)	-7.80
(+) Other operating income	12,235	19,477	(7,242)	-37.18
(a) Net service revenue	**727,264**	**685,906**	**41,358**	**6.03**
Operating, administrative and selling costs and expenses	(511,107)	(460,713)	(50,394)	10.94
Other operating expenses	(12,839)	(16,446)	3,607	21.93
Depreciation and amortization	97,613	75,396	22,217	29.47
(b) Total operating costs and expenses (excl. depreciation)	(426,333)	(401,763)	(24,570)	6.12
(c) Operating income (expenses) of subsidiaries (c)	(7,649)	(7,386)	(263)	-3.56
(=) EBITDA (a) + (b) + (c)	**293,282**	**276,757**	**16,525**	**5.97**
EBITDA margin	**40.33**	**40.35**	**(3.84)**	

(1) EBITDA represents net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization expenses. Given that interest (financial) income and expenses, income and social contribution taxes and amortization and depreciation are not included in its calculation, EBITDA indicates the Company's overall economic performance, which is not affected by changes in interest rates, in income and social contribution tax rates or depreciation and amortization levels. Accordingly, EBITDA is believed to be a useful tool in 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 expenditures and for working capital requirements. Yet, there are limitations on the use of EBITDA as a measure of our profitability since it does not consider certain costs arising from our business activities, which could significantly affect our profits, such as financial expenses, taxes, depreciation, capital expenditures and other related charges.

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

Comments on Performance--Continued

05. Balance Sheet – Company

Company	9/30/2012	12/31/2011	Change	
				%
Current assets	1,281,790	814,630	467,160	57.35
Noncurrent assets	7,620,651	7,459,571	161,080	2.16
Total assets	**8,902,441**	**8,274,201**	**628,240**	**7.59**
Current liabilities	864,218	967,962	(103,744)	-10.72
Noncurrent liabilities	3,154,392	2,804,562	349,830	12.47
Equity	4,883,831	4,501,677	382,154	8.49
Total liabilities and equity	**8,902,441**	**8,274,201**	**628,240**	**7.59**

a. Current assets

Company	9/30/2012	12/31/2011	Change	
				%
Cash and cash equivalents	537,514	241,536	295,978	n.m.
Trade accounts receivable	550,737	471,797	78,940	16.73
Financial assets held to maturity	63,161	0	63,161	100.00
Inventories	32,331	29,074	3,257	11.20
Recoverable taxes	28,884	36,236	(7,352)	-20.29
Technical cooperation agreement	0	5,085	(5,085)	-100.00
Banks and agreements	48,508	9,161	39,347	n.m.
Sundry receivables	20,655	21,741	(1,086)	-5.00
Total current assets	**1,281,790**	**814,630**	**467,160**	**57.35**

- **Cash and cash equivalents –** This group of accounts increased in September 2012 as compared to December 2011, due to financial investments in the amount of R$2,300,156, including R$400,000 and R$159,000 from the 6th issuance of debentures in February and September 2012, respectively, and for yield amounting to R$28,387, offset by R$2,116,832 redeemed in the period.

- **Trade accounts receivable** – This group of accounts increased in September 2012 as compared to December 2011. This change refers to an increase in unbilled days and in unbilled consumption of water and sewage services in various locations.

- **Recoverable taxes** – The decrease in balance was due to the use of recoverable taxes against federal tax debts paid via PERD/COMP.

- **Banks and agreements** – The increase refers to the investment, as of April 2012, of R$37,000 deriving from new agreements entered into with CODEVASF.

Comments on Performance--Continued

05. Balance Sheet – **Company**--Continued

b. Noncurrent assets

Company	9/30/2012	12/31/2011	Change	
				%
Trade accounts receivable	211,566	220,060	(8,494)	-3.86
Income and social contribution taxes - deferred	176,264	165,661	10,603	6.40
Restricted use investment	198,016	328,891	(130,875)	-39.79
Collateral on financing arrangements	133,706	131,778	1,928	1.46
Receivables from subsidiaries	19,514	76,048	(56,534)	-74.34
Financial assets	359,370	321,179	38,191	11.89
Sundry receivables	39,022	16,534	22,489	n.m.
Total long-term receivables	**1,137,458**	**1,260,151**	**(122,693)**	**-9.74**
Investments	46,310	22,063	24,247	n.m.
Intangible assets	6,256,245	6,015,805	240,440	3.84
Property, plant and equipment	180,638	161,552	19,086	11.81
Total permanent assets	**6,483,193**	**6,199,420**	**283,773**	**4.38**
Total noncurrent assets	**7,620,651**	**7,459,571**	**161,080**	**2.11**

- **Restricted use investment –** The decrease in September 2012 over December 2011 is due to R$46,000, R$21,000 and R$65,000 redeemed in February, June and August 2012, respectively, from investments in CEF debentures, offset by the related yield.

- **Receivables from subsidiaries** – The decrease in this group of accounts is due to the transfer of balances referring to intercompany loans made to Companhia de Águas Minerais for future capital increase (AFAC).

- **Sundry receivables –** The increase in this account refers to judicial deposits of R$18,000 made by the Company in the second quarter.

- **Investments** – The increase in this account in the third quarter of 2012 refers basically to intercompany loan balances received from Companhia de Águas Minerais and transferred to AFAC.

c. Current liabilities

Company	9/30/2012	12/31/2011	Change	
				%
Loans and financing	225,642	371,225	(145,583)	-39.22
Debentures	114,825	172,457	(57,632)	-33.42
Contractors and suppliers	145,987	108,068	37,919	35.09
Taxes, fees and contributions	52,186	49,801	2,385	4.79
Tax installments	32,971	41,239	(8,268)	-20.05
Provision for vacation pay and 13h month salary	113,407	76,587	36,820	48.08
Employees' profit sharing	36,220	28,317	7,903	27.91
Interest on equity	36,843	26,921	9,922	36.86
Technical cooperation agreement	37,554	0	37,554	100.00
Pension plan	12,893	12,119	774	6.39
Electric energy	6,561	24,670	(18,109)	-73.40
Sundry liabilities	49,129	56,558	(7,429)	-13.14
Total current liabilities	**864,218**	**967,962**	**(103,744)**	**-10.72**

Comments on Performance--Continued

05. Balance Sheet – **Company**--Continued

c. Current liabilities--Continued

- **Loans and financing –** The decrease in this account is due to the payment of promissory notes last July.

- **Debentures –** The decrease in this group of accounts is due to the conversion of debentures and transfer to Advance for Future Capital Increase (AFAC).

- **Tax installments** – The decrease in this account is due to the amortization of installment payments of tax liabilities regarding Federal VAT (IPI) premium credit. Payment ended in September 2012.

- **Interest on equity –** The increase in this account is due to amounts declared totaling R$113,000 offset by payments to shareholders in the amount of R$98,000 and payment of individual income tax (IRRF) in the amount of R$5,000.

- **Technical cooperation agreement** - This group of accounts received approximately R$37,000 thousand in April in investments from new agreements with CODEVASF.

- **Electric energy –** The increase in this account is due to the amortization of debt amounts payable to the electric energy company.

- **Sundry liabilities –** The decrease in this account is due to the offset of amounts payable to city governments.

Company	9/30/2012	12/31/2011	Change	
				%
Tariff transfers	3	7	(4)	-57.14
Concession debts	23,202	50,536	(27,334)	-54.09
Total city governments	**23,205**	**50,543**	**(27,338)**	**-54.09**
Other	25,924	6,015	19,909	n.m.
Total sundry liabilities	**49,129**	**56,558**	**(7,429)**	**-13.14**

Comments on Performance--Continued

05. Balance Sheet – **Company**--Continued

d. Noncurrent liabilities

Company	9/30/2012	12/31/2011	Change	
				%
Caixa Econômica Federal	568,688	613,804	(45,116)	-7.35
State government / BDMG	6,024	7,756	(1,732)	-22.33
National Treasury	13,156	41,806	(28,650)	-68.53
BNDES/BNE	533,605	533,973	(368)	-0.07
In local currency	1,121,474	1,197,339	(75,865)	-6.34
Federal government – bonds	53,441	51,031	2,410	4.72
KfW Bank	3,186	0	3,185	100.00
In foreign currency	56,627	51,031	5,596	10.97
Total loans and financing	**1,178,101**	**1,248,370**	**(70,269)**	**-5.63**
Nonconvertible debentures	1,498,027	952,614	545,413	57.25
Convertible debentures	0	65,293	(65,293)	-100.00
Total debentures	**1,498,027**	**1,017,907**	**480,120**	**47.17**
Provision for contingencies	51,333	43,956	7,377	16.78
Provision for taxes	27,328	44,619	(17,291)	-38.75
Tax installments	211,566	220,060	(8,494)	-3.86
Pension plan	138,238	145,235	(6,997)	-4.82
Other liabilities	49,799	84,415	(34,616)	-41.01
Total noncurrent liabilities	**3,154,392**	**2,804,562**	**349,830**	**12.47**

- **Debentures –** The increase in this account is due to the 6th issuance of debentures in the amount of R$400,000 and R$159,000 in February and September 2012, respectively, offset by the conversion of debentures in the amount of R$65,293 transferred to Advance for Future Capital Increase (AFAC) and the amount of R$14,000 transferred to noncurrent liabilities.

- **Provision for contingencies –** The increase in this account is due to the start of new civil proceedings and the reclassification of other cases from possible losses to probable losses.

- **Provision for taxes –** The decrease in this account is due to the write-off of the provision recorded in 2006, with the use of PIS/PASEP/COFINS matching credits, in the amount of R$17,417. This tax obligation has expired under the statute of limitations, i.e. 5 years following the date the company filed an application for tax offset.

- **Other liabilities** – The decrease in this account is due to the transfer of R$6,763 in deferred income referring to PRODES/ANA to an income statement account, and of R$31,047 referring to the provision for losses of AGMM, which has been stated as a reduction in investments, under noncurrent assets.

Comments on Performance--Continued

05. Balance Sheet – **Company**--Continued

e. Equity

Company	9/30/2012	12/31/2011	Change	
				%
Opening balance	**4,501,677**	**4,184,328**	**317,349**	**7.58**
Inflow of convertible debentures	0	39	(39)	-100.00
Conversion of debentures	133,703	0	133,703	100.00
Net income	360,753	470,437	(109,684)	-23.32
Interest on equity	(112,916)	(153,127)	40,211	-26.26
Acquisition of intangible assets	614	0	614	100.00
Closing balance	**4,883,831**	**4,501,677**	**382,154**	**8.49**

The increase in equity is due to the conversion of debentures and to the Company's profit for the period January to September 2012.

06. Financial performance - Consolidated

The tables below show the performance of the Consolidated results for the third quarter of 2012 as compared to the same prior year period:

Income statement						
Consolidated	9/30/2012		9/30/2011		Change	
						%
Revenue from water services	472,883	54.12	467,928	56.48	4,955	1.06
Revenue from sewage services	241,736	27.67	197,761	23.87	43,975	22.24
Construction revenue	158,757	18.17	162,501	19.61	(3,744)	-2.30
Revenue from finished products	409	-0.04	291	-0.04	118	40.55
Net operating revenue from services	**873,785**	**100.00**	**828,481**	**100.00**	**45,304**	**5.47**
Cost of services rendered	(360,570)	(41.27)	(323,208)	-39.01	(37,362)	11.56
Construction costs	(155,219)	(17.76)	(159,182)	-19.21	3,963	-2.49
Cost of services rendered	**(515,789)**	**(59.03)**	**(482,390)**	**-58.23**	**(33,399)**	**6.92**
Gross profit	**357,996**	**40.97**	**346,091**	**41.77**	**11,905**	**3.44**
Selling expenses	(57,394)	-6.57	(47,262)	-5.70	(10,132)	21.44
General and administrative expenses	(103,682)	-11.87	(99,300)	-11.99	(4,382)	4.41
Other operating income	14,656	1.68	19,927	2.41	(5,271)	-26.45
Other operating expenses	(14,973)	-1.71	(17,827)	-2.15	2,854	-16.01
Employees' profit sharing	(7,809)	-0.89	(8,353)	-1.01	544	-6.51
Operating income/expenses	**(169,202)**	**-19.36**	**(152,815)**	**-18.45**	**(16,387)**	**10.72**
Income before financial income (expenses) and taxes	**188,794**	**21.61**	**193,276**	**23.33**	**(4,482)**	**-2.32**
Financial income	46,286	5.30	23,947	2.89	22,339	93.29
Financial expenses	(69,968)	-8.01	(49,025)	-5.92	(20,943)	42.72
Financial income (expenses)	**(23,682)**	**-2.71**	**(25,078)**	**-3.03**	**1,396**	**-5.57**
Income before taxes	**165,112**	**18.90**	**168,198**	**20.30**	**(3,086)**	**-1.83**
Income and social contribution taxes - current	(49,136)	-5.62	(51,966)	-6.27	2,830	5.46
Income and social contribution taxes - deferred	10,782	1.23	2,285	0.28	8,497	n.m.
Net income for the year	**126,758**	**14.51**	**118,517**	**14.31**	**8,241**	**6.95**

a. Net operating revenue from services – In 3Q12, Consolidated net revenue from water services was R$472.8 million and from sewage services was R$241.7 million, totaling R$714.6 million, up 7.4% from 3Q11. This increase results from:

Comments on Performance--Continued

06. Financial performance - Consolidated--Continued

- 1.7% increase in the Consolidated billed volume, impacted by the fact that the average monthly consumption period was 30.5 days in 3Q12, 1.8% down from the 31.0 days recorded for 3Q11.

- 4.34% average tariff adjustment, prorated for consumption between May 14 and June 13 and fully applied for consumption thereafter.

- Change in the percentage of sewage tariff collection, after the start-up of operations of Sewage Treatment Plants (ETEs) in the municipalities of Alfenas, Araçuaí and Itaobim (September 2011); Itacarambi (October 2011); Coronel Murta (January 2012); Cláudio and Divisópolis (February 2012); Mata Verde (March 2012); Lavras (May 2012); Pouso Alegre (June 2012); and Pará de Minas (September 2012).

- Indirect revenue from water services in the amount of R$4.5 million in 3Q12 (R$7.2 thousand in 3Q11).

As noted, the increase in revenue from water and sewage services was different in the period under review. The increased percentage of sewage tariff collection from 60% to 75% and then to 90% of the water tariff, due to the start-up of sewage treatment plants, was offset by the decrease in the water tariff, resulting in a substantial increase in sewage service revenue as compared to water service revenue.

b. Construction revenue – Considering the role of COPASA MG in public utility concessions, construction revenue refers to the cost of investments in infrastructure, plus the profit margin defined by the Company. While no immediate cash effect is identified, construction revenue generates implications for the year in which it is recognized, given that its result is part of the calculation of interest on equity/dividends and employees' profit sharing. The Company does not consider construction revenue for EBITDA purposes.

c. Cost of services rendered – Cost of services rendered, selling and administrative expenses totaled R$521.6 million in 3Q12, vis-à-vis R$469.8 million in 3Q11 (+11.04%). Disregarding depreciation and amortization, costs and expenses increased 7.7%, as shown below:

Comments on Performance--Continued

06. Financial performance - Consolidated--Continued

Operating, selling and administrative costs

Consolidated	9/30/2012		9/30/2011		Change	
						%
Personnel	227,683	33.64	221,421	35.20	6,262	2.83
Material	26,188	3.87	25,086	3.99	1,102	4.39
Electric energy	62,661	9.26	60,175	9.57	2,486	4.13
Outsourced services	79,658	11.77	65,504	10.41	14,154	21.61
Tariff transferred to municipalities	18,671	2.76	17,077	2.72	1,594	9.33
General costs	10,997	1.62	8,176	1.30	2,821	34.50
Depreciation and amortization	100,072	14.78	78,448	12.47	21,624	27.56
Construction costs	155,219	22.93	159,182	25.31	(3,963)	-2.49
Recovered tax credits (PIS-PASEP/COFINS)	(24,118)	-3.56	(18,284)	-2.91	(5,834)	31.91
Allowance for doubtful accounts	19,765	2.92	11,421	1.82	8,344	73.06
Provision for losses	69	0.01	747	0.12	(678)	-90.76
*** Cost of services rendered**	**676,865**	**100.00**	**628,953**	**100.00**	**47,912**	**7.62**

- **Personnel –** Comparable data were adversely impacted since 3Q11 accounted for prior quarter figures referring to the Collective Bargaining Agreement, which increased expenses on this item. Salary negotiations (the base date is May) were still in progress as at June 30, 2011, and thus the difference between the related provision and the actual amount for May and June was recorded in 3Q11, therefore increasing the figures for that quarter.

  - ✓ In 2012, however, the Collective Bargaining Agreement was executed on October 18, 2012, with part of the amounts having been recorded in a provision since May 2012. Nevertheless, differences between the related provision and the actual amount for the period May to September, if any, will be recognized in the next quarter.

  - ✓ Moreover, 3Q11 recorded expenses of R$3.8 million in connection with the Voluntary Termination Program for Retirees and/or Employees Eligible for Retirement (PDV), with the termination of 78 employees. It is worth noting that no employees were terminated on account of this program in 3Q12 because of the electoral legislation. Thus new terminations will only occur in 2013.

- **Construction costs** – The decrease in this account refers to reduced investments by the Company during the period.

- **Services –** The 24.2% increase in this item in 3Q12 over 3Q11 was mainly due to the following aspects:

  - ✓ Expenses on upkeep and maintenance of assets and systems increased R$6.1 million (+23.6%), especially because of new contracts for water and sewage network maintenance services, as well as adjustment of contract prices.

Comments on Performance--Continued

06. Financial performance - Consolidated--Continued

- ✓ Postal and pouch service costs increased R$2.7 million (+121.8%) because in April 2012 a new payment reminder system with advice of delivery was implemented for defaulting customers in accordance with regulatory requirements. The related amounts are fully passed on to customers.

- ✓ Institutional communication costs increased R$1.3 million due to communications sent to the population regarding service rendering, as well as media efforts in strategic markets with a view to winning new concessions or renewing existing ones.

- ✓ Telephone costs increased R$1.0 million because of the execution of a new service agreement, in view of the call center implementation, in accordance with regulatory requirements.

- **Depreciation and amortization** – The 27.6% increase in this item in 3Q12 over 3Q11 refers to the initial depreciation/amortization of assets that were "under construction" and started to be recorded as investments "in operation" when the related construction work was completed.

- **Allowance for doubtful accounts –** The increase in this item refers to the recognition of an automatic provision for recently issued water and sewage bills for government sector customers with a history of default, and the write-off of customer bills in that category, as a result of filing a suit for collection procedures.

- **Tax credits** - Tax credits arise from applying PIS/PASEP and COFINS rates on expenses with electric energy, outsourced services retained from legal entities, lease of chattel and property, acquired materials and depreciation/amortization. These amounts aim at offsetting COFINS and PIS/PASEP amounts included in the price of goods and services acquired by an entity, thus reducing net tax amounts payable. The increase in tax credits in 3Q12 (R$5.7 million or 31.5%) is due to the inclusion assets and recently completed work.

- **Sundry operating costs** – The R$2.8 million (+34.8%) increase in this item from 3Q12 to 3Q11 is mainly due to:

  - ✓ The collection of R$2.4 million (R$1.2 million in 3Q11) for the use of water resources. It is worth noting that this amount is fully passed on to customers, as identified in a specific item in water supply and sewage service bills, and it is part of indirect revenue from water and sewage services.

  - ✓ The change in accounting for event-related costs, which have been recorded as sundry operating costs as of the second half of 2011.

Comments on Performance--Continued

06. Financial performance - **Consolidated**--Continued

d. Other operating income/expenses:

Consolidated	9/30/2012		9/30/2011		Change	
						%
Revenue from technical services	258	1.76	264	1.32	(6)	-2.27
Reversal of non-deductible provision	3,699	25.24	7,822	39.25	(4,123)	-52.71
Recovery of written-off accounts	9,933	67.77	7,911	39.70	2,022	25.56
Other revenue	766	5.23	3,930	19.72	(3,164)	-80.50
Total other operating income	**14,656**	**100.00**	**19,927**	**100.00**	**(5,271)**	**-26.45**
Non-recurring or windfall losses	(9,565)	41.98	(12,801)	48.90	3,236	-25.28
Other expenses	(5,408)	23.74	(5,026)	19.20	(382)	7.60
	(14,973)	100.00	(17,827)	100.00	2,854	16.01
Employees' profit sharing	(7,809)	34.28	(8,353)	31.91	544	-6.51
Total other operating expenses	**(22,782)**	**100.00**	**(26,180)**	**100.00**	**3,398**	**-12.98**
Total other operating income/expenses	**(8,126)**	**100.00**	**(6,253)**	**100.00**	**(1,873)**	**29.95**

- **Other operating income** – The R$5.3 million (-26.5%) decrease in other operating income is mainly due to:
  - ✓ R$4.1 million decrease in reversal of non-deductible provisions.
  - ✓ Reversal of the provision for corporate income tax credit recognized in 2Q12. This was due to the retention of an advisory firm to validate carryforward credits, and the final result will be recognized once the services have been completed.
  - ✓ Conversely, the recovery of written-off accounts increased in 3Q12 over 3Q11.
- **Other operating expenses** – Other operating expenses decreased R$3.4 million (-13%) especially because of:
  - ✓ Lower provisions for litigation in 3Q12 over 3Q11.
  - ✓ Lower amounts relating to agreements with city governments.

e. Financial income and expenses:

Consolidated	9/30/2012		9/30/2011		Change	
						%
Monetary and exchange differences	24,015	51.88	4,597	19.20	19,418	n.m.
Interest	8,481	18.32	6,061	25.31	2,420	39.93
Net gain on short-term investments	8,288	17.91	7,299	30.48	989	13.55
Capitalization of financial assets	3,410	7.37	4,739	19.79	(1,329)	-28.04
Other revenue	2,092	4.52	1,251	5.22	841	67.23
Total financial income	**46,286**	**100.00**	**23,947**	**100.00**	**22,339**	**93.29**
Monetary and exchange differences	(25,246)	36.08	(9,442)	19.26	(15,804)	n.m.
Interest on financing	(43,695)	62.45	(38,731)	79.00	(4,964)	12.82
Other expenses	(1,027)	1.47	(852)	1.74	(175)	20.54
Total financial expenses	**(69,968)**	**100.00**	**(49,025)**	**100.00**	**(20,943)**	**42.72**
Financial income (expenses), net	**(23,682)**	**100.00**	**(25,078)**	**100.00**	**1,396**	**-5.57**

Comments on Performance--Continued

06. Financial performance - Consolidated--Continued

e. Financial income and expenses--Continued

- **Financial income (expenses) –** In 3Q12, monetary and exchange gains significantly increased in relation to 3Q11 as a result of accounting for R$23.1 million in connection with the adjustment of funds obtained from BNDES - 4th Issuance of Debentures in July 2010. This is because the contractual amounts are adjusted by reference to the rates agreed in the financing arrangement between the contract date and the date the funds are actually disbursed, as investments are made.

  In turn, this amount was recognized as monetary and exchange losses, thus increasing financial expenses in 3Q12 over 3Q11. Accordingly, the impact on net income was nil.

  Moreover, financial income relating to interest and net gain on short-term investments increased in 3Q12 over 3Q11, especially because of investment yields, short-term securities and cash available.

  Finally, it should be noted that the increase in interest expenses on financing results from higher indebtedness.

  It is worth noting that, in addition to financial expenses appropriated to net income for 3Q12, interest and charges in the amount of R$12.3 million were capitalized in assets for 3Q12 (R$17.8 million in 3Q11), due to financed construction work still in progress.

f. Provision for income and social contribution taxes – Decrease in current income and social contribution taxes in 3Q12 over 3Q11 results from reduced taxable profit in 3Q12.

Deferred taxes decreased substantially because of the deferral of provisions for litigation and for the Collective Bargaining Agreement.

g. Net income – Net income for 3Q12 totaled R$128.0 million, up 6.6% from 3Q11. Nonoperating income was favorably impacted by a lower provision for income and social contribution taxes. Operating income, in turn, showed a slight decrease especially because of increased depreciation and amortization expenses.

Comments on Performance--Continued

06. Financial performance - Consolidated--Continued

h. Cash generation or EBITDA – The table below shows EBITDA calculations:

Consolidated	9/30/2012	9/30/2011	Change	
				%
(+) Net revenue from water and sewage services	715,027	665,980	49,047	7.36
(+) Other operating income	14,656	19,927	(5,271)	-26.45
(a) Net service revenue	**729,683**	**685,907**	**43,776**	**6.38**
Operating, administrative and selling costs and expenses	(521,646)	(469,770)	(51,876)	11.04
Other operating expenses	(14,973)	(17,827)	2,854	-16.01
Depreciation and amortization	100,072	78,448	21,624	27.56
(b) Total operating costs and expenses (excl. depreciation)	(436,547)	(409,149)	(27,398)	6.70
(=) EBITDA (a) + (b)	**293,136**	**276,758**	**16,378**	**5.92**
EBITDA margin	**40.17**	**40.35**	**-0.18**	

(1) EBITDA represents net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization expenses. Given that interest (financial) income and expenses, income and social contribution taxes and amortization and depreciation are not included in its calculation, EBITDA indicates the Company's overall economic performance, which is not affected by changes in interest rates, in income and social contribution tax rates or depreciation and amortization levels. Accordingly, EBITDA is believed to be a useful tool in 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 expenditures and for working capital requirements. Yet, there are limitations on the use of EBITDA as a measure of our profitability since it does not consider certain costs arising from our business activities, which could significantly affect our profits, such as financial expenses, taxes, depreciation, capital expenditures and other related charges.

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

07. Balance Sheet – Consolidated

Consolidated	9/30/2012	12/31/2011	Change	
				%
Current assets	1,321,706	826,321	495,385	59.95
Noncurrent assets	7,629,154	7,440,987	188,167	2.53
Total assets	**8,950,860**	**8,267,308**	**683,552**	**8.27**
Current liabilities	898,573	972,255	(73,682)	-7.58
Noncurrent liabilities	3,140,369	2,761,449	378,920	13.72
Equity	4,911,918	4,533,604	378,314	8.34
Total liabilities and Equity	**8,950,860**	**8,267,308**	**683,552**	**8.27**

a. Current assets

Consolidated	9/30/2012	12/31/2011	Change	
				%
Cash and cash equivalents	538,526	242,371	296,154	n.m.
Trade accounts receivable	555,559	475,726	79,833	16.78
Financial assets held to maturity	63,161	0	63,161	100.00
Inventories	33,839	31,965	1,874	5.86
Recoverable taxes	29,486	37,009	(7,523)	-20.33
Technical cooperation agreement	0	5,817	(5,817)	-100.00
Banks and agreements	80,421	11,671	68,750	n.m.
Sundry receivables	20,714	21,762	(1,048)	-4.82
Total current assets	**1,321,706**	**826,321**	**495,384**	**59.95**

Comments on Performance--Continued

07. Balance Sheet – Consolidated--Continued

a. Current assets--Continued

- **Cash and cash equivalents –** This group of accounts increased in September 2012 as compared to December 2011, due to financial investments in the amount of R$2,300,156, including R$400,000 and R$159,000 from the 6th issuance of debentures in February and September 2012, respectively, and for yield amounting to R$28,387, offset by R$2,116,832 redeemed in the period.

- **Trade accounts receivable** – This group of accounts increased in September 2012 as compared to December 2011. This change refers to an increase in unbilled days and in unbilled consumption of water and sewage services in various locations.

- **Recoverable taxes** – The decrease in balance was due to the use of recoverable taxes against federal tax debts paid via PERD/COMP.

- **Banks and agreements** – The increase refers to the investment, as of April 2012, of R$37,000 deriving from new agreements entered into with CODEVASF, and of R$26,000, in the third quarter of 2012, from COPANOR.

b. Noncurrent assets

			Change	
Consolidated	**9/30/2012**	**12/31/2011**		**%**
Trade accounts receivable	211,566	220,060	(8,494)	-3.86
Income and social contribution taxes - deferred	161,886	149,304	12,582	8.43
Restricted use investment	198,016	328,891	(130,875)	-39.79
Collateral on financing arrangements	133,706	131,778	1,928	1.46
Financial assets	363,614	325,493	38,121	11.71
Sundry receivables	39,361	17,241	22,120	n.m.
Total long-term receivables	**1,108,149**	**1,172,767**	**(64,618)**	**-5.51**
Investments	22,060	22,060	0	0.00
Intangible assets	6,294,334	6,060,461	233,873	3.86
Property, plant and equipment	204,611	185,699	18,912	10.18
Total permanent assets	**6,521,005**	**6,268,220**	**252,785**	**4.03**
Total noncurrent assets	**7,629,154**	**7,440,987**	**188,167**	**2.53**

- **Restricted use investment –** The decrease in September 2012 over December 2011 is due to R$46,000, R$21,000 and R$65,000 redeemed in February, June and August 2012, respectively, from investments in CEF debentures, offset by the related yield.

- **Sundry receivables –** The increase in this account refers to judicial deposits of R$18,000 made by the Company in the second quarter.

Comments on Performance--Continued

07. Balance Sheet – Consolidated--Continued

c. Current liabilities

Consolidated	9/30/2012	12/31/2011	Change	
				%
Loans and financing	225,642	371,225	(145,583)	-39.22
Debentures	114,825	172,457	(57,632)	-33.42
Contractors and suppliers	154,105	111,494	42,611	38.22
Taxes, fees and contributions	52,919	50,122	2,797	5.58
Tax installments	32,971	41,239	(8,268)	-20.05
Provision for vacation pay	77,055	76,949	106	0.14
Provision for 13h month salary	37,053	0	37,053	100.00
Employees' profit sharing	36,220	28,317	7,903	27.91
Interest on equity	36,843	26,921	9,922	36.86
Technical cooperation agreement	62,063	0	62,063	100.00
Pension plan	12,893	12,119	774	6.39
Electric energy	6,842	24,670	(17,828)	-72.27
Sundry liabilities	49,142	56,742	(7,600)	-13.39
Total current liabilities	**898,573**	**972,255**	**(73,682)**	**-7.58**

- **Loans and financing –** The decrease in this account is due to the payment of promissory notes last July.

- **Debentures –** The decrease in this group of accounts is due to the conversion of debentures and transfer to Advance for Future Capital Increase (AFAC).

- **Tax installments** – The decrease in this account is due to the amortization of installment payments of tax liabilities regarding Federal VAT (IPI) premium credit. Payment ended in September 2012.

- **Interest on equity –** The increase in this account is due to amounts declared totaling R$113,000 offset by payments to shareholders in the amount of R$98,000 and payment of individual income tax (IRRF) in the amount of R$5,000.

- **Technical cooperation agreement** - This group of accounts received approximately R$37,000 thousand in April in investments from new agreements with CODEVASF, and R$26,000 thousand from COPANOR in the third quarter of 2012.

- **Electric energy –** The increase in this account is due to the amortization of debt amounts payable to the electric energy company.

- **Sundry liabilities –** The decrease in this account is due to the offset of amounts payable to city governments.

Comments on Performance--Continued

07. Balance Sheet – Consolidated--Continued

c. Current liabilities--Continued

Consolidated	9/30/2012	12/31/2011	Change	
				%
Tariff transfers	3	7	(4)	-57.14
Concession debts	23,202	50,536	(27,334)	-54.09
Total city governments	**23,205**	**50,543**	**(27,338)**	**-54.09**
Other	25,937	6,199	19,738	n.m.
Total sundry liabilities	**49,142**	**56,742**	**(7,600)**	**-13.39**

d. Noncurrent liabilities

Consolidated	9/30/2012	12/31/2011	Change	
				%
Caixa Econômica Federal	568,688	613,804	(45,116)	-7.35
State government / BDMG	6,024	7,756	(1,732)	-22.33
National Treasury	13,156	41,806	(28,650)	-68.53
BNDES/BNE	533,606	533,973	(367)	-0.07
In local currency	1,121,474	1,197,339	(75,865)	-6.34
Federal government – bonds	53,441	51,031	2,410	4.72
KfW Bank	3,186	0	3,186	100.00
In foreign currency	56,627	51,031	5,596	10.97
Total loans and financing	**1,178,101**	**1,248,370**	**(70,269)**	**-5.63**
Nonconvertible debentures	1,498,027	952,614	545,413	57.25
Convertible debentures	0	65,293	(65,293)	-100.00
Total debentures	**1,498,027**	**1,017,907**	**480,120**	**47.17**
Provision for contingencies	52,882	46,447	6,435	13.85
Provision for taxes	27,328	44,619	(17,291)	-38.75
Tax installments	211,566	220,060	(8,494)	-3.86
Pension plan	138,238	145,235	(6,997)	-4.82
Other liabilities	34,227	38,811	(4,584)	-11.81
Total noncurrent liabilities	**3,140,369**	**2,761,449**	**378,920**	**13.72**

- **Debentures –** The increase in this account is due to the 6th issuance of debentures in the amount of R$400,000 and R$159,000 in February and September 2012, respectively, offset by the conversion of debentures in the amount of R$65,293 transferred to Advance for Future Capital Increase (AFAC) and the amount of R$14,000 transferred to noncurrent liabilities.

- **Provision for contingencies –** The increase in this account is due to the start of new civil proceedings and the reclassification of other cases from possible losses to probable losses.

- **Provision for taxes –** The decrease in this account is due to the write-off of the provision recorded in 2006, with the use of PIS/PASEP/COFINS matching credits, in the amount of R$17,417. This tax obligation has expired under the statute of limitations, i.e. 5 years following the date the company filed an application for tax offset.

Comments on Performance--Continued

07. Balance Sheet – Consolidated--Continued

e. Equity

Consolidated	9/30/2012	12/31/2011	Change	
				%
Opening balance	**4,533,604**	**4,222,185**	**311,419**	**7.38**
Inflow of convertible debentures	0	39	(39)	-100.00
Conversion of debentures	133,703	0	133,703	100.00
Net income	360,753	470,437	(109,684)	-23.32
Interest on equity	(112,916)	(153,127)	40,211	-26.26
Acquisition of intangible assets	614	0	614	100.00
Other comprehensive income	(3,840)	(5,930)	2,090	-35.24
Closing balance	**4,911,918**	**4,533,604**	**378,314**	**8.34**

The increase in equity is due to the conversion of debentures and to the Company's profit for the period January to September 2012.

Companhia de Saneamento de Minas Gerais – COPASA

Quarterly Information - September 30, 2012

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Independent Auditors' Review Report on Interim Information

The Board of Directors, Shareholders and Officers
Companhia de Saneamento de Minas Gerais – COPASA MG
Belo Horizonte – MG

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form - ITR of Companhia de Saneamento de Minas Gerais - COPASA for the quarter ended September 30, 2012, comprising the balance sheet as at September 30, 2012 and related income statement for the three and nine-month periods then ended, and the statement of changes in equity and cash flow statement for the nine-month period then ended, including accompanying notes.

Management is responsible for the preparation of the individual interim financial information in accordance with Technical Pronouncement CPC 21 – Interim financial reporting, and of the consolidated interim financial information according to CPC 21 and the international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information consistently with the standards issued by Brazilian Security Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form – ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 – Review of the Interim Financial Information performed by the Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of the interim financial 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 auditing standards 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 individual interim information

Based on our review, nothing has come to our attention that cause us to believe that the accompanying individual interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Quarterly Information – ITR, and presented consistently with the standards issued by the Brazilian Security Exchange Commission (CVM).

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that cause us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Quarterly Information – ITR, and presented consistently with the standards issued by the Brazilian Security Exchange Commission (CVM).

Emphasis of a matter

As mentioned in Note 29, as of September 20, 1989, the Company became a State VAT (ICMS) taxpayer, under special conditions, relating to treated water supply. According to its legal advisors "opinion", in order to settle referred charges specific rulings would be necessary. To date, the State Executive Power has issued no regulations as to calculation criteria or enforcement of payment of these charges; they were not included in the Company's rates calculations either. Consequently, said tax is not being charged to consumers or provisioned for by the Company or transferred to the State Government. Our opinion is not qualified in respect to this matter.

Other matters

Interim informartion of value added

We have also reviewed the individual and consolidated interim statement of value added for the nine-month period ended September 30, 2012, prepared under responsibility of the management, whose presentation in the interim financial information is required by rules issued by the Brazilian Security Exchange Commission (CVM) applicable to preparation of quarterly information (ITR) and as supplementary information under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that the interim statements of valued added were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Belo Horizonte (MG), October 30, 2012.

ERNST & YOUNG TERCO
Auditores Independentes S/S
CRC 2SP015199/0-6-F-MG

Flávio de Aquino Machado
Accountant CRC-1MG065899/O-2

.

Individual / Balance sheets Asset

(In Thousand of Reais)

Account Code	Account Description	Actual Quarter 9/30/2012	Previous Year 12/31/2011
1	Total assets	8,902,441	8,274,201
1.01	Current assets	1,281,790	814,630
1.01.01	Cash and cash equivalents	537,514	241,536
1.01.03	Accounts Receivable	691,290	522,279
1.01.03.01	Accounts Receivable – Customers	550,737	471,797
1.01.03.02	Other Accounts Receivable	140,553	50,482
1.01.03.02.01	Recoverable taxes	28,884	36,236
1.01.03.02.02	Technical cooperation agreement	0	5,085
1.01.03.02.03	Bank account – agreements	48,508	9,161
1.01.03.02.04	Financing assets held-to-maturity	63,161	0
1.01.04	Inventory	32,331	29,074
1.01.08	Other Current assets	20,655	21,741
1.01.08.03	Other	20,655	21,741
1.01.08.03.01	Advance to employees	12,450	9,974
1.01.08.03.02	Other	8,205	11,767
1.02	Noncurrent assets	7,620,651	7,459,571
1.02.01	Long-term assets	1,137,458	1,260,151
1.02.01.03	Accounts Receivable	582,310	697,263
1.02.01.03.01	Accounts Receivable – Customers	211,566	220,060
1.02.01.03.02	Other Accounts Receivable	370,744	477,203
1.02.01.06	Deferred taxes	176,264	165,661
1.02.01.06.01	Deferred Income Tax and Social Security Contribution	176,264	165,661
1.02.01.08	Intercompany credits	19,514	76,048
1.02.01.08.02	Receivables from subsidiaries	19,514	76,048
1.02.01.09	Other noncurrent assets	359,370	321,179
1.02.01.09.03	Financing assets - concession agreements	359,370	321,179
1.02.02	Investments	46,310	22,063
1.02.02.01	Investments in other companies	46,310	22,063
1.02.02.01.02	Investments in subsidiaries	24,250	3
1.02.02.01.04	Other investments in other companies	22,060	22,060
1.02.03	Property plant & equipment	180,638	161,552
1.02.03.01	Property plant & equipment in operation	180,638	161,552
1.02.04	Intangible	6,256,245	6,015,805
1.02.04.01	Intangibles	6,256,245	6,015,805
1.02.04.01.01	Concession agreements	4,583,511	4,088,333
1.02.04.01.02	Intangible in progress	1,672,734	1,927,472

Individual / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter 09/30/2012	Previous Year 12/31/2011
2	Total liabilities	8,902,441	8,274,201
2.01	Current liabilities	864,218	967,962
2.01.02	Suppliers	145,987	108,068
2.01.02.01	Nacional suppliers	145,987	108,068
2.01.03	Taxes obligations	52,186	49,801
2.01.03.01	Federal taxes obligations	51,448	48,917
2.01.03.01.02	Other federal taxes obligations	51,448	48,917
2.01.03.03	Municipal taxes obligations	738	884
2.01.03.03.01	ISSQN	738	884
2.01.04	Loans and financings	340,467	543,682
2.01.04.01	Loans and financings	225,642	371,225
2.01.04.01.01	In local currency	221,380	366,506
2.01.04.01.02	In foreign currency	4,262	4,719
2.01.04.02	Debentures	114,825	172,457
2.01.04.02.01	Non convertible	114,817	102,715
2.01.04.02.02	Convertible	8	69,742
2.01.05	Other obligations	142,980	120,268
2.01.05.02	Other	142,980	120,268
2.01.05.02.01	Dividends and interest on equity capital payable	36,843	26,921
2.01.05.02.04	Pension plan	12,893	12,119
2.01.05.02.05	Electric energy	6,561	24,670
2.01.05.02.06	Technical cooperation agreement	37,554	0
2.01.05.02.08	Sundry obligations	49,129	56,558
2.01.06	Provision	182,598	146,143
2.01.06.01	Provision for tax labor and civil	182,598	146,143
2.01.06.01.05	Taxes installments	32,971	41,239
2.01.06.01.06	Accrual for vacation pay and 13th salary	113,407	76,587
2.01.06.01.07	Employee profit sharing	36,220	28,317
2.02	Noncurrent liabilities	3,154,392	2,804,562
2.02.01	Loans and financings	2,676,128	2,266,277
2.02.01.01	Loans and financings	1,178,101	1,248,370
2.02.01.01.01	In local currency	1,121,474	1,197,339
2.02.01.01.02	In foreign currency	56,627	51,031
2.02.01.02	Debentures	1,498,027	1,017,907
2.02.01.02.01	Non convertible	1,498,027	952,614
2.02.01.02.02	Convertible	0	65,293
2.02.02	Other obligations	188,037	229,650
2.02.02.01	Intercompany liabilities	15,574	45,607
2.02.02.01.02	Subsidiaries debts	15,574	45,607
2.02.02.02	Other	172,463	184,043
2.02.02.02.03	Pension plan	138,238	145,235
2.02.02.02.05	Other	34,225	27,875
2.02.02.02.06	Deferred income	0	6,763
2.02.02.02.07	Concessions Debts	0	4,170
2.02.04	Provision	290,227	308,635
2.02.04.01	Provision for tax, labor and civil	290,227	308,635
2.02.04.01.01	Provision for tax	27,328	44,619
2.02.04.01.05	Taxes in installment	211,566	220,060
2.02.04.01.06	Provision for contingencies	51,333	43,956

Individual / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 09/30/2012	Previous Year - 12/31/2011
2.03	Shareholders' Equity	4,883,831	4,501,677
2.03.01	Paid-in Capital	2,773,984	2,636,499
2.03.02	Capital reserves	0	3,782
2.03.02.07	Convertible debentures	0	3,782
2.03.04	Profit reserves	1,862,010	1,861,396
2.03.04.01	Legal reserves	170,109	170,109
2.03.04.05	Retained profits reserves	1,680,200	1,680,200
2.03.04.07	Tax benefit reserves	20,277	20,277
2.03.04.09	Treasury shares	08,576	09,190
2.03.05	Retained earnings / accumulated losses	247,837	0

Individual / Income Statements

(In thousands of reais)

Account Code	Account Description	Actual Quarter 07/01/2012 to 09/30/2012	Accumulated Actual Quarter – 01/01/2012 to 09/30/2012	Same Quarter Previous Year 07/01/2011 to 09/30/2011	Accumulated Previous Year – 01/01/2011 to 09/30/2011
3.01	Gross revenue of sales and/or services	869,474	2,511,825	824,253	2,379,111
3.01.01	Water supply services	468,981	1,368,706	463,992	1,338,906
3.01.02	Sewage services	241,736	656,138	197,760	532,779
3.01.03	Construction revenue	158,757	486,981	162,501	507,426
3.02	Cost of services rendered	-507,300	-1,501,648	-476,978	-1,388,959
3.02.01	Cost of services rendered	-352,081	-1,022,435	-317,796	-891,630
3.02.02	Construction cost	-155,219	-479,213	-159,182	-497,329
3.03	Gross profit	362,174	1,010,177	347,275	990,152
3.04	Operating expenses/income	-171,907	-438,648	-152,397	-405,803
3.04.01	Sales expenses	-56,719	-160,585	-45,786	-127,660
3.04.02	General and administrative expenses	-102,307	-279,690	-97,131	-259,618
3.04.04	Other operating income	12,235	89,832	19,477	67,860
3.04.05	Other operating expenses	-20,648	-78,663	-24,799	-73,946
3.04.05.01	Other operating expenses	-12,839	-56,392	-16,446	-50,526
3.04.05.02	Employee profit sharing	-7,809	-22,271	-8,353	-23,420
3.04.06	Equity pickup	-4,468	-9,542	-4,158	-12,439
3.04.06.01	Equity pickup expense	-4,788	-9,996	-4,269	-12,579
3.04.06.02	Equity pickup income	320	454	111	140
3.05	Income before financial result and tax result	190,267	571,529	194,878	584,349
3.06	Financial result	-23,411	-90,657	-24,313	-58,292
3.06.01	Financing income	46,539	105,007	24,639	69,766
3.06.02	Financing expense	-69,950	-195,664	-48,952	-128,058
3.07	Income before income taxes	166,856	480,872	170,565	526,057
3.08	Income tax and social contribution	-38,875	-120,119	-50,462	-161,203
3.08.01	Current	-49,030	-130,722	-51,949	-139,838
3.08.02	Deferred	10,155	10,603	1,487	-21,365
3.09	Net profit from continuing operations	127,981	360,753	120,103	364,854
3.11	Net income for the period	127,981	360,753	120,103	364,854
3.99	Income per share (R$)				
3.99.01	Basic income per share				
3.99.01.01	ON	1.07000	3.02000	1.05000	3.17000
3.99.02	Income diluted per share				
3.99.02.01	ON	1.07000	3.02000	1.02000	3.10000

Individual /Comprehensive Income Statements

(In thousands of reais)

Account Code	Account Description	Actual Quarter 07/01/2012 to 09/30/2012	Accumulated Actual Quarter – 01/01/2012 to 09/30/2012	Same Quarter Previous Year 07/01/2011 to 09/30/2011	Accumulated Previous Year – 01/01/2011 to 09/30/2011
4.01	Net income for the period	127,981	360,753	120,103	364,854
4.03	Comprehensive income por the period	127,981	360,753	120,103	364,854

Individual / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 09/30/2012	Accumulated Previous Year 01/01/2011 to 09/30/2011
6.01	Net cash flow from operating activities	946,825	833,822
6.01.01	Cash generated by operating activities	825,014	774,476
6.01.01.01	Net income for the period	360,753	364,854
6.01.01.02	Allowance for doubtful accounts	53,175	31,342
6.01.01.03	Recovery of written-off accounts	-25,525	-23,724
6.01.01.04	Interest and monetary variation of accounts receivables	-17,704	-9,270
6.01.01.05	Deferred income tax and social contribution	-10,602	21,365
6.01.01.06	Exchange variation on financing collaterals	-2,894	-2,941
6.01.01.07	Interest financing collaterals	-21,325	-6,603
6.01.01.08	Monetary variation on loan subsidiary	-1,065	-5,335
6.01.01.09	Equity pickup	9,542	12,439
6.01.01.10	Write off PP&E and intangible assets	4,640	34,667
6.01.01.11	Depreciation and amortization	273,010	222,366
6.01.01.12	Interest on loans	178,959	125,493
6.01.01.13	Monetary and exchange variation on loans	38,413	14,527
6.01.01.14	Tax in installments and provision	-17,291	-10,350
6.01.01.15	Provision for contingencies	7,377	6,759
6.01.01.16	Pension plan provision	-2,342	-10,199
6.01.01.17	Interest and monetary variation on cemig/previminas	7,030	17,454
6.01.01.18	Deferred Revenue	-7,208	-7,372
6.01.01.20	Interest on collaterals NYB	-1,929	-996
6.01.02	Changes in assets and liabilities	121,811	59,346
6.01.02.01	Accounts receivable	-62,836	-26,619
6.01.02.02	Inventory	-3,257	-1,696
6.01.02.03	Recoverable taxes	7,352	-5
6.01.02.04	Bank account – agreement	-39,347	1,648
6.01.02.05	Colleteral guarantee	8,773	468
6.01.02.06	Restricted applications	153,366	6,278
6.01.02.07	Credit with subsidiaries	57,599	-6,899
6.01.02.08	Other credits	-21,403	-2,108
6.01.02.09	Suppliers	37,919	-2,447
6.01.02.10	Taxes payable	2,385	22,475
6.01.02.11	Provision for vacation pay and 13th salary	36,820	36,434
6.01.02.12	Employee profit sharing	7,903	9,513
6.01.02.13	Technical cooperation agreement	42,639	-5,053
6.01.02.14	Pension plan	-45	-4,065
6.01.02.15	Electric Energy	1,120	-693
6.01.02.16	Sundry obligation	-5,825	-2,456
6.01.02.17	Financing assets held-to-maturity	-63,161	56,365
6.01.02.18	Financial assets	-38,191	-21,794
6.02	Net cash from investment activities	-462,899	-571,991
6.02.01	Increase PP&E and intangible assets	-537,176	-550,191
6.02.02	Increase investments	-63,822	-21,800
6.02.03	Acquisition of intangible assets with Treasury Shares	614	0
6.02.04	Conversion of debentures in shares	137,485	0
6.03	Net cash from financing activities	-187,948	-27,243
6.03.01	Proceed from new loans	680,338	484,336
6.03.02	Payment of principal - Loans	-514,957	-178,112
6.03.03	Payment of interest – Loans	-176,117	-119,231
6.03.04	Interest on equity capital paid	-102,994	-150,583
6.03.05	Payment of principal - Previminas/Cemig	-28,847	-26,447
6.03.06	Payment of interest - Previminas/Cemig	-4,687	-6,479
6.03.07	Taxes in installment paid	-34,318	-30,727
6.03.08	Payment of concession Debt	-6,366	0

Individual / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Description	Accumulated Actual Quarter 01/01/2012 to 09/30/2012	Accumulated Previous Year 01/01/2011 to 09/30/2011
6.05	Increase (decrease) cash and cash equivalent	295,978	234,588
6.05.01	Cash and cash equivalents at beginning of the period	241,536	75,793
6.05.02	Cash and cash equivalents at the end of the period	537,514	310,381

Individual/Statements of Changes in Shareholders' Equity – 01/01/2012 to 09/30/2012

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity
5.01	At the beginning of the period	2,636,499	3,782	1,861,396	0	0	4,501,677
5.03	Beginning of the period adjusted	2,636,499	3,782	1,861,396	0	0	4,501,677
5.04	Capital transaction with shareholders	137,485	-3,782	614	-112,916	0	21,401
5.04.07	Interest on equity	0	0	0	-112,916	0	-112,916
5.04.08	Conversion of debentures	0	133,703	0	0	0	133,703
5.04.09	Join coming from convertible debentures	137,485	-137,485	0	0	0	0
5.04.10	Acquisition of Intangible	0	0	614	0	0	614
5.05	Total comprehensive income	0	0	0	360,753	0	360,753
5.05.01	Net income of the period	0	0	0	360,753	0	360,753
5.07	Total at the end of the period	2,773,984	0	1,862,010	247,837	0	4,883,831

Individual/Statements of Changes in Shareholders' Equity – 01/01/2011 to 09/30/2011

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity
5.01	At the beginning of the period	2,636,460	3,782	1,544,086	0	0	4,184,328
5.03	Beginning of the period adjusted	2,636,460	3,782	1,544,086	0	0	4,184,328
5.04	Capital transaction with shareholders	-	0	0	-123,319	0	-123,319
5.04.07	Interest on equity	-	0	0	-123,319	0	-123,319
5.05	Total comprehensive income	-	0	0	364,854	0	364,854
5.05.01	Net income of the period	-	0	0	364,854	0	364,854
5.07	Total at the end of the period	2,636,460	3,782	1,544,086	241,535	0	4,425,863

Individual / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 09/30/2012	Accumulated Previous Year 01/01/2011 to 09/30/2011
7.01	Revenue	2,767,614	2,606,406
7.01.01	Sales of products and services	2,243,977	2,062,462
7.01.02	Other revenue	64,307	44,136
7.01.03	Construction revenue of own assets	486,980	507,426
7.01.04	Allowance for doubtful accounts	-27,650	-7,618
7.02	Manufacturing component purchased from third parties	-1,069,639	-1,016,569
7.02.01	Cost of products and services	-921,782	-894,201
7.02.02	Material, energy, third-party services and other	-97,045	-75,437
7.02.04	Other	-50,812	-46,931
7.03	Gross Value Added	1,697,975	1,589,837
7.04	Retention	-273,010	-222,366
7.04.01	Depreciation, amortization and exhaustion	-273,010	-222,366
7.05	Net value added	1,424,965	1,367,471
7.06	Value added received in transfer	95,465	57,327
7.06.01	Equity pickup	-9,542	-12,439
7.06.02	Financial income	105,007	69,766
7.07	Total value added to be distributed	1,520,430	1,424,798
7.08	Value added distribution	1,520,430	1,424,798
7.08.01	Personnel	570,981	519,493
7.08.01.01	Payroll	371,065	334,015
7.08.01.02	Benefits	140,069	130,526
7.08.01.03	FGTS	37,576	31,532
7.08.01.04	Other	22,271	23,420
7.08.01.04.01	Employee profit sharing	22,271	23,420
7.08.02	Taxes and contributions	393,842	413,343
7.08.02.01	Federal	388,228	408,291
7.08.02.02	State	5,107	4,718
7.08.02.03	Municipal	507	334
7.08.03	Third party remuneration	194,854	127,108
7.08.03.01	Interest	192,143	125,159
7.08.03.02	Rental	2,711	1,949
7.08.04	Equity remuneration	360,753	364,854
7.08.04.01	Interest on equity capital	112,916	123,319
7.08.04.03	Retained profits / Losses of the period	247,837	241,535

Consolidated/ Balance sheets Asset

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 09/30/2012	Previous Year - 12/31/2011
1	Total assets	8,950,860	8,267,308
1.01	Current assets	1,321,706	826,321
1.01.01	Cash and cash equivalents	538,526	242,371
1.01.03	Accounts Receivable	728,627	530,223
1.01.03.01	Accounts Receivable - Customers	555,559	475,726
1.01.03.02	Other Accounts Receivable	173,068	54,497
1.01.03.02.01	Recoverable taxes	29,486	37,009
1.01.03.02.02	Technical cooperation agreement	0	5,817
1.01.03.02.03	Bank account – agreements	80,421	11,671
1.01.03.02.04	Financing assets held-to-maturity	63,161	0
1.01.04	Inventory	33,839	31,965
1.01.08	Other Current assets	20,714	21,762
1.01.08.03	Other	20,714	21,762
1.01.08.03.01	Advance to employees	12,505	9,991
1.01.08.03.02	Other	8,209	11,771
1.02	Noncurrent assets	7,629,154	7,440,987
1.02.01	Long-term assets	1,108,149	1,172,767
1.02.01.03	Accounts Receivable	582,649	697,970
1.02.01.03.01	Accounts Receivable - Customers	211,566	220,060
1.02.01.03.02	Other Accounts Receivable	371,083	477,910
1.02.01.06	Deferred taxes	161,886	149,304
1.02.01.06.01	Deferred Income Tax and Social Security Contribution	161,886	149,304
1.02.01.09	Other noncurrent assets	363,614	325,493
1.02.01.09.03	Financing assets - concession agreements	363,614	325,493
1.02.02	Investments	22,060	22,060
1.02.02.01	Investments in other companies	22,060	22,060
1.02.02.01.04	Other investments in other companies	22,060	22,060
1.02.03	Property plant & equipment	204,611	185,699
1.02.03.01	Property plant & equipment in operation	202,238	183,977
1.02.03.03	Property plant & equipment in progress	2,373	1,722
1.02.04	Intangible	6,294,334	6,060,461
1.02.04.01	Intangibles	6,294,334	6,060,461
1.02.04.01.01	Concession agreements	4,621,600	4,132,989
1.02.04.01.02	Intangible in progress	1,672,734	1,927,472

Consolidated / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 09/30/2012	Previous Year - 12/31/2011
2	Total liabilities	8,950,860	8,267,308
2.01	Current liabilities	898,573	972,255
2.01.02	Suppliers	154,105	111,494
2.01.02.01	Nacional suppliers	154,105	111,494
2.01.03	Taxes obligations	52,919	50,122
2.01.03.01	Federal taxes obligations	52,181	49,238
2.01.03.01.02	Other federal taxes obligations	52,181	49,238
2.01.03.03	Municipal taxes obligations	738	884
2.01.03.03.01	ISSQN	738	884
2.01.04	Loans and financings	340,467	543,682
2.01.04.01	Loans and financings	225,642	371,225
2.01.04.01.01	In local currency	221,380	366,506
2.01.04.01.02	In foreign currency	4,262	4,719
2.01.04.02	Debentures	114,825	172,457
2.01.04.02.01	Non convertible	114,817	102,715
2.01.04.02.02	Convertible	8	69,742
2.01.05	Other obligations	167,783	120,452
2.01.05.02	Other	167,783	120,452
2.01.05.02.01	Dividends and interest on equity capital payable	36,843	26,921
2.01.05.02.04	Pension plan	12,893	12,119
2.01.05.02.05	Electric energy	6,842	24,670
2.01.05.02.06	Technical cooperation agreement	62,063	0
2.01.05.02.08	Sundry obligations	49,142	56,742
2.01.06	Provision	183,299	146,505
2.01.06.01	Provision for tax labor and civil	183,299	146,505
2.01.06.01.05	Taxes installments	32,971	41,239
2.01.06.01.06	Accrual for vacation pay and 13th salary	114,108	76,949
2.01.06.01.07	Employee profit sharing	36,220	28,317
2.02	Noncurrent liabilities	3,140,369	2,761,449
2.02.01	Loans and financings	2,676,128	2,266,277
2.02.01.01	Loans and financings	1,178,101	1,248,370
2.02.01.01.01	In local currency	1,121,474	1,197,339
2.02.01.01.02	In foreign currency	56,627	51,031
2.02.01.02	Debentures	1,498,027	1,017,907
2.02.01.02.01	Non convertible	1,498,027	952,614
2.02.01.02.02	Convertible	0	65,293
2.02.02	Other obligations	172,465	184,046
2.02.02.02	Other	172,465	184,046
2.02.02.02.03	Pension plan	138,238	145,235
2.02.02.02.05	Other	34,227	27,878
2.02.02.02.06	Deferred income	0	6,763
2.02.02.02.07	Concessions Debts	0	4,170
2.02.04	Provision	291,776	311,126
2.02.04.01	Provision for tax, labor and civil	291,776	311,126
2.02.04.01.01	Provision for tax	27,328	44,619
2.02.04.01.05	Taxes installments	211,566	220,060
2.02.04.01.06	Provision for contingencies	52,882	46,447

Consolidated / Balance sheets Liabilities

(In thousands of reais)

Account Code	Account Description	Actual Quarter - 09/30/2012	Previous Year - 12/31/2011
2.03	Shareholders' Equity	4,911,918	4,533,604
2.03.01	Paid-in Capital	2,773,984	2,636,499
2.03.02	Capital reserves	0	3,782
2.03.02.07	Convertible debentures	0	3,782
2.03.04	Profit reserves	1,862,010	1,861,396
2.03.04.01	Legal reserves	170,109	170,109
2.03.04.05	Retained profits reserves	1,680,200	1,680,200
2.03.04.07	Tax benefit reserves	20,277	20,277
2.03.04.09	Treasury shares	-8,576	-9,190
2.03.05	Retained earnings / accumulated losses	247,837	0
2.03.08	Other comprehensive income	28,087	31,927

Consolidated / Income Statements

(In thousands of reais)

Account Code	Account Description	Actual Quarter 07/01/2012 to 09/30/2012	Accumulated Actual Quarter – 01/01/2012 to 09/30/2012	Same Quarter Previous Year 07/01/2011 to 09/30/2011	Accumulated Previous Year – 01/01/2011 to 09/30/2011
3.01	Gross revenue of sales and/or services	873,785	2,524,889	828,481	2,389,289
3.01.01	Water supply services	472,883	1,380,885	467,928	1,348,317
3.01.02	Sewage services	241,736	656,138	197,761	532,780
3.01.03	Construction revenue	158,757	486,981	162,501	507,426
3.01.04	Revenue finished products	409	885	291	766
3.02	Cost of services rendered	-515,789	-1,522,798	-482,390	-1,403,156
3.02.01	Cost of services rendered	-360,570	-1,043,585	-323,208	-905,827
3.02.02	Construction cost	-155,219	-479,213	-159,182	-497,329
3.03	Gross profit	357,996	1,002,091	346,091	986,133
3.04	Operating expenses/income	-169,202	-435,396	-152,815	-404,720
3.04.01	Sales expenses	-57,394	-162,407	-47,262	-130,549
3.04.02	General and administrative expenses	-103,682	-284,532	-99,300	-265,681
3.04.04	Other operating income	14,656	95,125	19,927	68,829
3.04.05	Other operating expenses	-22,782	-83,582	-26,180	-77,319
3.04.05.01	Other operating expenses	-14,973	-61,311	-17,827	-53,899
3.04.05.02	Employee profit sharing	-7,809	-22,271	-8,353	-23,420
3.05	Income before financial result and tax result	188,794	566,695	193,276	581,413
3.06	Financial result	-23,682	-91,499	-25,078	-61,961
3.06.01	Financing income	46,286	104,231	23,947	66,260
3.06.02	Financing expense	-69,968	-195,730	-49,025	-128,221
3.07	Income before income taxes	165,112	475,196	168,198	519,452
3.08	Income tax and social contribution	-38,354	-118,283	-49,681	-158,993
3.08.01	Current	-49,136	-130,864	-51,966	-139,874
3.08.02	Deferred	10,782	12,581	2,285	-19,119
3.09	Net profit from continuing operations	126,758	356,913	118,517	360,459
3.11	Net income for the period	126,758	356,913	118,517	360,459
3.11.01	Assigned to partner of controlling company	126,758	356,913	118,517	360,459
3.99	Income per share (R$)				
3.99.01	Basic income per share				
3.99.01.01	ON	1.06000	2.99000	1.03000	3.14000
3.99.02	Income diluted per share				
3.99.02.01	ON	1.06000	2.99000	1.01000	3.07000

Consolidated /Comprehensive Income Statements

(In thousands of reais)

Account Code	Account Description	Actual Quarter 07/01/2012 to 09/30/2012	Accumulated Actual Quarter – 01/01/2012 to 09/30/2012	Same Quarter Previous Year 07/01/2011 to 09/30/2011	Accumulated Previous Year – 01/01/2011 to 09/30/2011
4.01	Net income for the period	127,981	360,753	120,103	364,854
4.02	Other comprehensive income	-1,223	-3,840	-1,586	-4,395
4.03	Consolidated comprehensive income por the period	126,758	356,913	118,517	360,459
4.03.02	Assigned to partner of controlling company	126,758	356,913	118,517	360,459

Consolidated / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 09/30/2012	Accumulated Previous Year 01/01/2011 to 09/30/2011
6.01	Net cash flow from operating activities	887,738	834,567
6.01.01	Cash generated by operating activities	821,360	768,375
6.01.01.01	Net income for the period	356,913	360,459
6.01.01.02	Allowance for doubtful accounts	54,008	32,098
6.01.01.03	Recovery of written-off accounts	-26,070	-23,765
6.01.01.04	Interest and monetary variation of accounts receivables	-17,704	-9,270
6.01.01.05	Deferred income tax and social contribution	-12,581	17,800
6.01.01.06	Exchange variation on financing collaterals	-2,894	-2,941
6.01.01.07	Interest financing collaterals	-21,325	-6,603
6.01.01.10	Write off PP&E and intangible assets	8,255	34,694
6.01.01.11	Depreciation and amortization	280,692	230,624
6.01.01.12	Interest on loans	178,959	125,493
6.01.01.13	Monetary and exchange variation on loans	38,413	14,527
6.01.01.14	Taxes in installments and provision	-17,291	-10,350
6.01.01.15	Provisions for contingencies	6,434	6,722
6.01.01.16	Pension plan provision	-2,342	-10,199
6.01.01.17	Interest/ Monetary variation on cemig/previminas	7,030	17,454
6.01.01.18	Deferred revenue	-7,208	-7,372
6.01.01.20	Interest on collaterals NYB	-1,929	-996
6.01.02	Changes in assets and liabilities	66,378	66,192
6.01.02.01	Accounts receivable	-64,017	-28,658
6.01.02.02	Inventory	-1,873	-2,307
6.01.02.03	Recoverable taxes	7,522	700
6.01.02.04	Bank account – agreement	-68,749	-6,006
6.01.02.05	Colleteral guarantee	8,773	468
6.01.02.06	Restricted Investments	153,366	6,278
6.01.02.08	Other credits	-21,072	-2,101
6.01.02.09	Suppliers	42,612	899
6.01.02.10	Taxes payable	2,797	23,889
6.01.02.11	Provision for vacation pay and 13th salary	37,158	36,646
6.01.02.12	Employee profit sharing	7,903	9,513
6.01.02.13	Technical cooperation agreement	67,879	-439
6.01.02.14	Pension plan	-45	-4,065
6.01.02.15	Electric energy	1,401	-693
6.01.02.16	Sundry obligation	-5,995	-2,472
6.01.02.17	Financing assets held-to-maturity	-63,161	56,365
6.01.02.18	Financing assets	-38,121	-21,825
6.02	Net cash from investment activities	-403,633	-573,190
6.02.01	Increase PP&E and intangible assets	-541,732	-551,390
6.02.02	Increase investments	0	-21,800
6.02.03	Acquisition of intangible assets with Treasury Shares	614	0
6.02.04	Conversion of debentures in shares	137,485	0

Consolidated / Cash Flow Statement – Indirect Method

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 09/30/2012	Accumulated Previous Year 01/01/2011 to 09/30/2011
6.03	Net cash from financing activities	-187,948	-27,243
6.03.01	Proceed from new loans	680,338	484,336
6.03.02	Payment of principal - Loans	-514,957	-178,112
6.03.03	Payment of interest – Loans	-176,117	-119,231
6.03.04	Interest on equity capital paid	-102,994	-150,583
6.03.05	Payment of principal - Previminas/Cemig	-28,847	-26,447
6.03.06	Payment of interest - Previminas/Cemig	-4,687	-6,479
6.03.07	Taxes in installment paid	-34,318	-30,727
6.03.08	Payment of concession Debt	-6,366	0
6.05	Increase (decrease) cash and cash equivalent	296,157	234,134
6.05.01	Cash and cash equivalents at beginning of the period	242,370	77,652
6.05.02	Cash and cash equivalents at the end of the period	538,527	311,786

Consolidated / Statements of Changes in Shareholders' Equity – 01/01/2012 to 09/30/2012

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity	Participation of non-controlling	Consolidated equity
5.01	At the beginning of the period	2,636,499	3,782	1,861,396	0	31,927	4,533,604	0	4,533,604
5.03	Beginning of the period adjusted	2,636,499	3,782	1,861,396	0	31,927	4,533,604	0	4,533,604
5.04	Capital transaction with shareholders	137,485	-3,782	614	-112,916	0	21,401	0	21,401
5.04.07	Interest on equity	0	-	-	-112,916	0	-112,916	0	-112,916
5.04.08	Conversion of debentures	0	133,703	-	-	0	133,703	0	133,703
5.04.09	Join coming from convertible debentures	137,485	-137,485	0	0	0	-	0	0
5.04.10	Acquisition of intagible	0	0	614	0	0	614	0	614
5.05	Other comprehensive income	0	0	0	360,753	-3,840	356,913	0	356,913
5.05.01	Net income of the period	0	0	0	360,753	0	360,753	0	360,753
5.05.02	Other Comprehensive results	0	0	0	-	-3,840	-3,840	0	-3,840
5.05.02.06	Amortization of monetary adjustments on Fixed Assets 96/97	0	0	0	0	-5,818	-5,818	0	-5,818
5.05.02.07	Deferred Tax and social security contribution on Fixed Assets 96/97	0	0	0	0	1,978	1,978	0	1,978
5.07	Total at the end of the period	2,773,984	-	1,862,010	247,837	28,087	4,911,918	0	4,911,918

Consolidated / Statements of Changes in Shareholders' Equity – 01/01/2011 to 09/30/2011

(In thousands of reais)

Account Code	Account Description	Capital	Capital reserve, options granted and treasury shares	Income reserve	Retained earnings (loss) accumulated	Other Comprehensive results	Equity	Participation of non-controlling	Consolidated equity
5.01	At the beginning of the period	2,636,460	3,782	1,544,086	0	37,857	4,222,185	0	4,222,185
5.03	Beginning of the period adjusted	2,636,460	3,782	1,544,086	0	37,857	4,222,185	0	4,222,185
5.04	Capital transaction with shareholders	0	0	0	-123,319	0	-123,319	0	-123,319
5.04.07	Interest on equity	0	0	-	-123,319	0	-123,319	0	-123,319
5.05	Total comprehensive income	0	0	0	364,854	-4,395	360,459	0	360,459
5.05.01	Net income of the period	0	0	0	364,854	-	364,854	0	364,854
5.05.02	Other Comprehensive results	0	0	0	0	-4,395	-4,395	0	-4,395
5.05.02.06	Amortization of monetary adjustments on Fixed Assets 96/97	0	0	0	0	-6,660	-6,660	0	-6,660
5.05.02.07	Deferred Tax and social security contribution on Fixed Assets 96/97	0	0	0	0	2,265	2,265	0	2,265
5.07	Total at the end of the period	2,636,460	3,782	1,544,086	241,535	33,462	4,459,325	0	4,459,325

Consolidated / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	Accumulated Actual Quarter 01/01/2012 to 09/30/2012	Accumulated Previous Year 01/01/2011 to 09/30/2011
7.01	Revenue	2,786,916	2,618,234
7.01.01	Sales of products and services	2,259,218	2,074,078
7.01.02	Other revenue	68,656	44,981
7.01.03	Construction revenue of own assets	486,980	507,426
7.01.04	Allowance for doubtful accounts	-27,938	-8,251
7.02	Manufacturing component purchased from third parties	-1,084,695	-1,028,942
7.02.01	Cost of products and services	-929,691	-899,298
7.02.02	Material, energy, third-party services and other	-99,878	-79,580
7.02.04	Other	-55,126	-50,064
7.03	Gross Value Added	1,702,221	1,589,292
7.04	Retention	-280,692	-230,624
7.04.01	Depreciation, amortization and exhaustion	-280,692	-230,624
7.05	Net value added	1,421,529	1,358,668
7.06	Value added received in transfer	104,231	66,260
7.06.02	Financial income	104,231	66,260
7.07	Total value added to be distributed	1,525,760	1,424,928
7.08	Value added distribution	1,525,760	1,424,928
7.08.01	Personnel	579,163	524,090
7.08.01.01	Payroll	378,676	338,148
7.08.01.02	Benefits	140,400	130,788
7.08.01.03	FGTS	37,816	31,734
7.08.01.04	Other	22,271	23,420
7.08.01.04.01	Employee profit sharing	22,271	23,420
7.08.02	Taxes and contributions	394,567	413,133
7.08.02.01	Federal	388,387	407,716
7.08.02.02	State	5,647	5,047
7.08.02.03	Municipal	533	370
7.08.03	Third party remuneration	195,117	127,246
7.08.03.01	Interest	192,146	125,166
7.08.03.02	Rental	2,971	2,080
7.08.04	Equity remuneration	356,913	360,459
7.08.04.01	Interest on equity capital	112,916	123,319
7.08.04.03	Retained profits / Losses of the period	243,997	237,140

01. Operations

Companhia de Saneamento de Minas Gerais, “COPASA MG” (“Company”) is a publicly-traded, mixed-capital company, controlled by the Government of the State of Minas Gerais, having its registered offices in the city of Belo Horizonte at Rua Mar de Espanha 525, district of Santo Antônio, . The Company is engaged in planning, designing, performing, expanding, remodeling, managing and providing public utility services comprising water supply and wastewater services, and can operate in Brazil and abroad. The Company is subject to the arbitration of São Paulo Stock Exchange’s Market Arbitration Chamber, as set forth in an arbitration clause included in its articles of incorporation.

At September 30, 2012, the Company has the following wholly owned subsidiaries:

- Copasa Águas Minerais de Minas S/A, established by State Law No. 16693, of January 11, 2007, is engaged in producing, bottling, distributing and selling mineral water from the springs it owns or has license to explore, and managing and exploiting 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 No. 16698, of April 17, 2007, is engaged in planning, designing, executing, expanding, remodeling, exploiting and providing public utility services comprising 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, established by State Law No. 16698, of April 17, 2007, is engaged in managing, executing and exploiting the irrigation systems of the Jaíba Project, and conducting its maintenance, using both own and outsourced personnel and resources. This subsidiary may contract, when economically viable, through regular bidding processes, the execution of services and construction work necessary to the operation of the system, and purchase products, equipment and materials required for the execution of its purposes.

At September 30, 2012, the Company operates in 882 locations in the State of Minas Gerais (875 in December 2011), in water supply and/or sanitary sewage activities, totaling approximately 4,463,478 connections (4,338,678 in December 2011). The twenty major water and sewage concessions that the Company holds are:

01. Operations--Continued

Water concessions			Sewage concessions	
Location	No. of connections	Expiration	Location	Expiration
Belo Horizonte	949,522	2034	Belo Horizonte	2034
Contagem	222,160	2073	Contagem	2073
Betim	129,300	2042	Montes Claros	2028
Montes Claros	123,839	2028	Betim	2042
Ribeirão das Neves	90,372	2034	Ipatinga	2022
Divinópolis	87,100	2041	Divinópolis	2041
Ipatinga	79,907	2022	Ribeirão das Neves	2034
Santa Luzia	66,860	2023	Santa Luzia	2013
Patos de Minas	52,486	2038	Patos de Minas	2038
Ibirité	49,870	2034	Pouso Alegre	2046
Pouso Alegre	48,621	2046	Varginha	2013
Varginha	47,980	2013	Conselheiro Lafaiete (2)	2010
Conselheiro Lafaiete (2)	46,868	2010	Ibirité	2034
Teófilo Otoni	40,234	2034	Lavras	2034
Sabará (1)	40,049	2007	Araxá	2032
Lavras	38,700	2034	Teófilo Otoni	2034
Araxá	37,471	2032	Itajubá	2034
Ubá	34,146	2014	Alfenas	2033
Itajubá	33,838	2034	Pará de Minas (2)	2009
Coronel Fabriciano	33,085	2033	Coronel Fabriciano	2033

1) The concession agreement with the city of Sabará terminated on August 3, 2007. An agreement has already been entered into by the city of Sabará and the State of Minas Gerais, and the negotiations with the Company should proceed aiming at assumption of sewage services. The water supply revenue for Sabará in the period from January to September 2012 was R$14,366 (R$13,394 in 2011), or 0.61% (0.61% in 2011) of the Company's total revenues.

2) The concession agreements with the cities of Conselheiro Lafaiete and Pará de Minas terminated on July 23, 2010, and October 11, 2009, respectively. The water supply and sewage revenues in the period from January to September 2012 for Conselheiro Lafaiete was R$20,558 and R$21,243 for Pará de Minas (R$20,466 and R$19,681 in 2011), or 0.88% and 0.91% of the Company's total revenues, respectively (0.93% and 0.90% in 2011). The Company is endeavoring to renew these concession agreements.

02. Basis of preparation and presentation of quarterly information

The Executive Board's authorization to complete the preparation of the individual and consolidated quarterly information of the Company as at September 30, 2012 was obtained on October 30, 2012.

The individual and consolidated quarterly information of the Company is presented in thousands of Reais (R$ 000), unless otherwise stated.

(a) Basis of preparation

The individual and consolidated quarterly information was prepared based on historical cost.

The Company's individual information was prepared and presented in accordance with accounting practices adopted in Brazil, which comprise the rules set forth by the Brazilian SEC (CVM) and the pronouncements issued by the Brazilian FASB (CPC).

The Company's consolidated information was prepared and presented in accordance with accounting practices adopted in Brazil, which comprise the rules set forth by the Brazilian SEC (CVM) and the pronouncements issued by the Brazilian FASB (CPC).

Brazilian accounting practices applied to the Company's individual quarterly information establish that investments in subsidiaries should be measured by the equity method and do not allow the recording of monetary gains on intangible and property, plant and equipment assets for years 1996 and 1997; however, these practices differ from those applied to consolidated financial statements prepared in accordance with IFRSs, under which such measurement would be at cost or fair value (Note 08), plus, as required by IAS, monetary gains on intangible and property, plant and equipment assets for years 1996 and 1997 (Nota 02 "c").

As from January 1, 2011, the following pronouncements and interpretations became effective: IAS 24 - Disclosure Requirements for State-owned Entities and Related Party Definition (as Revised), IFRIC 14 - Prepayments of a Minimum Funding Requirement; and IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. Adoption of these pronouncements and interpretations had no impact on the quarterly information as of September 31, 2011.

With regard to first-time adoption of IFRS 9 – Financial Instruments – Classification and Measurement, IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosures of Interests in Other Entities, IFRS 13 - Fair Value Measurement, IAS 27 (R) - Consolidated and Separate Financial Statements and IAS 28 (R) - Investments in Associates, effective for fiscal years beginning January 1, 2013, Company management does not anticipate significant impacts on its financial statements and quarterly information reports.

02. Basis of preparation and presentation of quarterly information-- Continued

(b) Consolidation

The consolidated quarterly information includes the operations of the Company and the following subsidiaries, whose percentage ownership interest at the balance sheet date is summarized as under:

	Ownership interest %	
	Total	**Voting**
Subsidiaries:		
Copasa Águas Minerais de Minas S/A	100	100
Copasa Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S/A – Copanor	100	100
Copasa Serviços de Irrigação S/A	100	100

Subsidiaries are all entities whose financial and operational policies can be directed by the Company and in which the equity interest held by the Company is typically more than half the voting rights or any other condition that allows the holder to exercise control thereof. At present all subsidiaries are wholly owned by the Company, and these subsidiaries are fully consolidated beginning the date on which their control is transferred to the Company, and they will no longer be consolidated as from the date on which such control ceases to exist.

The quarterly information of the subsidiaries is prepared as of the same reporting date as that of the Company, and the Company's accounting practices are consistently adopted by its subsidiaries. All intercompany balances, revenues and expenses as well as unrealized gains and losses arising from intercompany transactions are fully eliminated.

Changes in a parent's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

(c) Consolidated monetary adjustment

All intangible and property, plant and equipment assets are presented in the consolidated financial statements at their historical costs monetarily adjusted through December 31, 1997, date when the Brazilian economy ceased to be considered hyperinflationary. Book adjustments arising from such monetary restatement impacted the consolidated equity and the consolidated net income, net of deferred income and social contribution taxes amounting to R$28,087 and R$3,840, respectively, at September 30, 2012 (R$33,462 and R$4,395, respectively, at September 30, 2011).

(d) Reclassifications in the 2011 financial statements

For the comparison purposes with the 2012 quarterly information, information relating to the debt coupon disclosed in Note 12 of the 2011 financial statements was changed from 8.70 to 8.84; this, however, did not alter the final results. This change was carried out because the information provided in 2011 referred to debt with Previminas and Cemig, which is not included in the balance of loans and financing described in Note 12.

03. Summary of significant accounting practices

The quarterly information is presented based on the same accounting policies described in Note 03 to the Financial Statements as of December 31, 2011.

04. Significant accounting judgments, estimates and assumptions

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 04 to the Financial Statements as of December 31, 2011.

05. Public service concession agreements

At September 30, 2012, the Company is the holder of public utility concessions for water supply and sewage services in 882 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 of them are quite similar in terms of rights and obligations of both 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 designed to maintain the Company's financial and economical balance, pursuant to Federal Law No. 11445/07. Therefore, ARSAE-MG is responsible for periodically reviewing these tariffs and for annually determining respective readjustments, in order to realign tariff prices considering the inflation. Services are charged directly to users, based on the volume of water consumed and sewage collected multiplied by the authorized tariff.

Major concession periods and major changes occurred for the quarter ended September 30, 2012 are described in Note 01.

At September 30, 2012, the Company has accounts receivable from grantor (the municipalities) totaling R$359,370, which corresponds to the expected amount to be received at the end of the term of the concession arrangements (R$321,179 at December 31, 2011) for assets which were not depreciated in the concession period. These amounts were discounted to present values upon initial recognition using weighted average capital cost (WACC) rates linked to the respective accounts receivable. Intangible assets were accounted for by the difference between fair value of the assets constructed or acquired for the purpose of the concession services and the book value of the financial assets recognized.

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

	Three-month periods ended September 30,		**Nine-month periods ended September 30,**	
	2012	**2011**	**2012**	**2011**
Construction revenue	**158,757**	162,501	**486,981**	507,426
Construction costs	**(155,219)**	(159,182)	**(479,213)**	(497,329)

06. Cash and cash equivalents

	Company	
	09/30/2012	**12/31/2011**
Cash and banks	124,171	34,632
Short-term bank deposit certificates	413,343	206,904
Total	**537,514**	**241,536**

	Consolidated	
	09/30/2012	**12/31/2011**
Cash and banks	125,183	35,174
Short-term bank deposit certificates	413,343	207,197
Total	**538,526**	**242,371**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 06 to the Financial Statements as of December 31, 2011.

07. Accounts receivable - customers and other receivables

Accounts receivable – customers mature as follows:

	Company		Consolidated	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Falling due	129,258	74,096	133,443	75,530
Up to 30 days past due	74,664	66,010	74,664	66,395
From 31 to 60 days past due	28,588	30,040	28,588	30,266
From 61 to 90 days past due	17,405	15,753	17,405	15,915
From 91 to 180 days past due	26,476	25,322	26,476	25,683
Over 180 days past due	32,598	55,484	32,598	57,060
Billed amounts	308,989	266,705	313,174	270,849
Unbilled amounts	260,400	231,238	261,332	232,537
Accounts receivable - customers	569,389	497,943	574,506	503,386
(-) Allowance for doubtful accounts	(18,652)	(26,146)	(18,947)	(27,660)
Accounts receivable - current	550,737	471,797	555,559	475,726
Accounts receivable - noncurrent	211,566	220,060	211,566	220,060
Accounts receivable - customers, net	762,303	691,857	767,125	695,786
Financial assets held to maturity	63,161	0	63,161	0
Pledging of loans and debentures	133,706	131,778	133,706	131,778
Receivables from subsidiaries	19,514	76,048	0	0
Restricted investment	198,016	328,891	198,016	328,891
Other	39,022	16,534	39,361	17,241
Total	**1,215,722**	**1,245,108**	**1,201,369**	**1,173,696**
Noncurrent assets	**(601,824)**	**(773,311)**	**(582,649)**	**(697,970)**
Current assets	**613,898**	**471,797**	**618,720**	**475,726**

07. Accounts receivable - customers and other receivables--Continued

At September 30, 2012, accounts receivable – customers in the amount of R$601,224 remained delinquent (R$525,394 in December 2011).

At September 30, 2012, accounts receivable – customers in the amount of R$134,176 (R$123,484 in December 2011) were overdue, but not provisioned. These accounts refer to a series of independent customers for whom there is no recent history of default. The aging list of these accounts receivable is as follows:

	09/30/2012	12/31/2011
Up to three months	113,511	104,636
From three to six months	20,061	18,221
State of Minas Gerais	604	627
Total	**134,176**	**123,484**

At September 30, 2012, accounts receivable – customers totaling R$18,652 (R$26,146 in December 2011) were overdue and considered likely to remain uncollectible. Accounts receivable individually considered uncollectible refer manly to health service providers to whom COPASA, in accordance with the provisions of current legislation, does not disrupt its water supply and sewage services. Based on management's assessment, a portion of these accounts receivable can be recovered. These accounts receivable mature as follows:

	09/30/2012	12/31/2011
Falling due	882	728
Up to 30 days past due	904	905
From 31 to 60 days past due	874	930
From 61 to 90 days past due	1.020	975
From 91 to 180 days past due	2,696	3,053
From 181 to 360 days past due	5,693	5,219
Over 360 days past due	6,583	14,336
Total	**18,652**	**26,146**

The Company's accounts receivable from customers and other receivables are maintained only in reais, and there are no foreign currency receivables.

Changes in the Company's allowance for doubtful accounts were as follows:

	2012	
	Company	**Consolidated**
At January 1	**26,146**	**27,660**
Allowance for doubtful accounts	43,576	44,553
Charge-off of uncollectible accounts receivable in the period	(51,070)	(53,266)
At September 30	**18,652**	**18,947**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 07 to the Financial Statements as of December 31, 2011.

08. Investments

	Company	
	09/30/2012	**12/31/2011**
Subsidiaries accounted for under the equity method		
Águas Minerais	24,248	1
Copanor	1	1
Serviços de Irrigação	1	1
Total equity pickup	**24,250**	**3**
Investments accounted for under the cost method		
Foz de Jeceaba	21,800	21,800
Other	260	260
Total cost method	**22,060**	**22,060**
Total	**46,310**	**22,063**

	Consolidated	
	09/30/2012	**12/31/2011**
Investments accounted for under the cost method		
Foz de Jeceaba	21,800	21,800
Other	260	260
Total	**22,060**	**22,060**

Significant information on investments in subsidiaries is as follows:

Subsidiaries	**FCC**	**Equity**	**Capital**	**Accumulated losses**	**No. of shares**	**Copasa interest (%)**
09/30/2012						
Águas Minerais	84,066	(40,462)	13,929	(73,747)	13,929	100
Copanor	0	(15,133)	1	(15,134)	1	100
Serviços de Irrigação	0	(439)	1	(440)	1	100
12/31/2011						
Águas Minerais	20,243	(31,046)	13,929	(65,219)	13,929	100
Copanor	0	(13,665)	1	(13,664)	1	100
Serviços de Irrigação	0	(893)	1	(894)	1	100

Changes in investments in subsidiaries are as follows:

	12/31/2011	**FCC**	**Equity pickup**	**09/30/2012**
Águas Minerais	(31,046)	63,822	(8,528)	24,248
Copanor	(13,665)	0	(1,468)	(15,133)
Serviços de Irrigação	(893)	0	454	(439)
Total	**(45,604)**	**63,822**	**(9,542)**	**8,676**
Investments	**3**	**0**	**0**	**24,250**
Provision for investment loss	**(45,607)**	**0**	**0**	**(15,574)**

08. Investments--Continued

At September 30, 2012, the subsidiaries present a capital deficiency of R$56,036 (R$45,607 in December 2011), for which the Company set up a capital deficit reserve. R$15,574 are recorded in noncurrent liabilities, under sundry obligations, and R$40,462 referring to AGMM is presented less investment in fixed assets.

At February 8, 2012, the Executive Board of COPASA MG approved the business plan of Copasa Águas Minerais prepared in December 2011, which provides for conversion of the existing debt balance of loan agreements as of December 31, 2011, in the amount of R$57,541, into future capital contribution, the implementation of which depends upon approval by the Board of Directors and Special Shareholders' Meeting. The financial statements of Copasa Águas Minerais, which serve as base for the equity pickup and consolidation of the Company, were prepared under a going concern assumption and do not include adjustments related to realization and classification of its assets or measurement of its liabilities, which would be required should the going concern basis not be appropriate to this subsidiary.

Copasa Águas Minerais de Minas, whose operations started in September 2008, has been presenting loss due to the high volume of investments applied in funding the restructuring of textile and manufacturing projects, modernizing bottling equipment, adjusting the product mix to market demand, in addition to the remodeling of four plants in order to meet the requirements of regulating authorities.

Loss will be fully absorbed as the use capacity of the flow granted for exploring the mineral water springs of Caxambu, Cambuquira, Lambari and Araxá increases, at 42% and 58.65% as from 2015 and 2016, respectively.

09. Intangible assets

	Company					
Cost	**Water systems**	**Sewage**	**Use rights**	**Other (*)**	**In development**	**Total**
Book balance at 12/31/2011	**4,392,128**	**2,890,364**	**288,810**	**(178,237)**	**1,927,472**	**9,320,537**
Additions	59,973	9,285	10,436	1,084	454,603	**535,381**
Write-offs	(1,832)	(35)	(2)	(541)	(3,436)	**(5,846)**
Transfers (**)	328,828	339,650	3,386	(6,030)	(705,905)	**(40,071)**
Book balance at 09/30/2011	**4,779,097**	**3,239,264**	**302,630**	**(183,724)**	**1,672,734**	**9,810,001**
Amortization						
Book balance at 12/31/2011	**(2,480,380)**	**(769,739)**	**(88,316)**	**33,703**	0	**(3,304,732)**
Additions	(137,340)	(108,425)	(12,667)	9,134	0	**(249,298)**
Write-offs	1,449	28	0	0	0	**1,477**
Transfers (**)	(246)	(957)	0	0	0	**(1,203)**
Book balance at 09/30/2012	**(2,616,517)**	**(879,093)**	**(100,983)**	**42,837**	**0**	**(3,553,756)**
Net balance at 09/30/2012	**2,162,580**	**2,360,171**	**201,647**	**(140,887)**	**1,672,734**	**6,256,245**
Net balance at 12/31/2012	**1,911,748**	**2,120,625**	**200,494**	**(144,534)**	**1,927,472**	**6,015,805**

The amortization for the period from January to September 2012, allocated to income, amounted to R$237,944 (R$193,650 in the period from January to September 2011) as cost of services, to R$2,758 (R$3,024 in the period from January to September 2011) as selling expenses, and to R$9,799 (R$8,834 in the period from January to September 2011) as administrative expenses.

(*) This refers mainly to the reversal of donations.

(**) These amounts refer to changes between intangible and property, plant and equipment assets.

09. Intangible assets--Continued

	Consolidated					
Cost	**Water systems**	**Sewage**	**Use rights**	**Other (*)**	**In development**	**Total**
Book balance at 12/31/2011	**4,746,979**	**2,924,834**	**293,703**	**(179,633)**	**1,927,472**	**9,713,355**
Additions	63,160	9,292	10,454	1,101	454,603	**538,610**
Write-offs	(4,618)	(38)	(2)	(542)	(3,436)	**(8,636)**
Transfers (**)	328,876	338,665	3,386	(6,073)	(705,905)	**(41,051)**
Book balance at 09/30/2012	**5,134,397**	**3,272,753**	**307,541**	**(185,147)**	**1,672,734**	**10,202,278**
Amortization						
Book balance at 12/31/2011	**(2,778,662)**	**(818,880)**	**(90,181)**	**34,829**	**0**	**(3,652,894)**
Additions	(142,205)	(109,262)	(12,715)	9,002	0	**(255,180)**
Write-offs	1,314	31	0	0		**1,345**
Transfers (**)	(240)	(975)	0	0	0	**(1,215)**
Book balance at 09/30/2012	**(2,919,793)**	**(929,086)**	**(102,896)**	**43,831**	**0**	**(3,907,944)**
Net balance at 09/30/2012	**2,214,604**	**2,343,667**	**204,645**	**(141,316)**	**1,672,734**	**6,294,334**
Net balance at 12/31/2012	**1,968,317**	**2,105,954**	**203,522**	**(144,804)**	**1,927,472**	**6,060,461**

The amortization for the period from January to September 2012, allocated to income, amounted to R$243,671 (R$200,088 in the period from January to September 2011) as cost of services, to R$2,812 (R$3,098 in the period from January to September 2011) as selling expenses, and to R$9,912 (R$8,890 in the period from January to September 2011) as administrative expenses.

(*) This refers mainly to the reversal of donations.

(**) These amounts refer to changes between intangible and property, plant and equipment assets.

In the period from January to September 2012, the Company capitalized interest and charges of R$43,411 (R$54,316 in the period from January to September, 2011) as construction in progress.

10. Property, plant and equipment

	Company				
Cost	**Land and construction**	**Machinery and equipment**	**Vehicles**	**Other**	**Total**
Book balance at 12/31/2011	**110,279**	**234,375**	**102,950**	**142**	**447,746**
Additions	535	728	532	0	**1,795**
Write-offs	(281)	(1,059)	(221)	0	**(1,561)**
Transfers (*)	11,155	22,148	6,763	5	**40,071**
Book balance at 09/30/2012	**121,688**	**256,192**	**110,024**	**147**	**488,051**
Depreciation					
Book balance at 12/31/2011	**(60,563)**	**(129,462)**	**(96,056)**	**(113)**	**(286,194)**
Additions	(2,224)	(17,906)	(3,577)	(5)	**(23,712)**
Write-offs	103	968	219	0	**1,290**
Transfers (*)	(97)	1,558	(258)	0	**1,203**
Book balance at 09/30/2012	**(62,781)**	**(144,842)**	**(99,672)**	**(118)**	**(307,413)**
Net balance at 09/30/2012	**58,907**	**111,350**	**10,352**	**29**	**180,638**
Net balance at 12/31/2011	**49,716**	**104,913**	**6,894**	**29**	**161,552**

The depreciation for the period from January to September 2012, allocated to income, amounted to R$21,381 (R$15,885 in the period from January to September 2011) as cost of services, to R$248 (R$248 in the period from January to September 2011) as selling expenses, and to R$880 (R$725 in the period from January to September 2011) as administrative expenses.

(**) These amounts refer to changes between intangible and property, plant and equipment assets.

10. Property, plant and equipment--Continued

	Consolidated					
Cost	**Land and construction**	**Machinery and equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
Book balance at 12/31/2011	**121,372**	**260,944**	**106,172**	**912**	**1,722**	**491,122**
Additions	535	1,371	532	33	651	**3,122**
Write-offs	(296)	(1,264)	(896)	(86)	0	**(2,542)**
Transfers (*)	11,110	23,130	6,797	14	0	**41,051**
Book balance at 09/30/2012	**132,721**	**284,181**	**112,605**	**873**	**2,373**	**532,753**
Depreciation						
Book balance at 12/31/2011	**(68,166)**	**(138,436)**	**(98,327)**	**(494)**	0	**(305,423)**
Additions	(2,396)	(19,377)	(3,591)	(148)	0	**(25,512)**
Write-offs	103	1,058	327	90	0	**1,578**
Transfers (*)	(106)	1,578	(257)	0	0	**1,215**
Book balance at 09/30/2012	**(70,565)**	**(155,177)**	**(101,848)**	**(552)**	0	**(328,142)**
Net balance at 09/30/2012	**62,156**	**129,004**	**10,757**	**321**	**2,373**	**204,611**
Net balance at 12/31/2011	**53,206**	**122,508**	**7,845**	**418**	**1,722**	**185,699**

The depreciation for the period from January to September 2012, allocated to income, amounted to R$23,092 (R$17,499 in the period from January to September 2011) as cost of services, to R$266 (R$271 in the period from January to September 2011) as selling expenses, and to R$939 (R$778 in the period from January to September 2011) as administrative expenses.

(**) These amounts refer to changes between intangible and property, plant and equipment assets.

11. Suppliers and other liabilities

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Accounts payable to suppliers	145,987	108,068	154,105	111,494
Taxes payable	52,186	49,801	52,919	50,122
Taxes in installments (a)	244,537	261,299	244,537	261,299
Accrued vacation pay and 13th monthly salary	113,407	76,587	114,108	76,949
Electric energy	6,561	24,670	6,842	24,670
Construction work	34,225	27,875	34,227	27,878
Investment valuation allowance (Note 08)	15,574	45,607	0	0
Sundry	49,129	67,491	49,142	67,675
Total	**661,606**	**661,398**	**655,880**	**620,087**
Noncurrent liabilities	**(261,365)**	**(304,475)**	**(245,793)**	**(258,871)**
Current liabilities	**400,241**	**356,923**	**410,087**	**361,216**

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

a) Taxes in installments

	Company/Consolidated	
	09/30/2012	12/31/2011
Taxes in installments (*)	0	10,533
ISS in installments (**) (Note 25)	244,537	250,766
Total	**244,537**	**261,299**
Current portion	**(32,971)**	**(41,239)**
Noncurrent portion	**211,566**	**220,060**

(*) On November 27, 2009 the Company filed a request for debt installment arrangement of IPI premium-credit previously used to offset federal taxes in the amount of R$54,492, to be paid in 12 installments, in conformity with Provisional Executive Order (MP) No. 470, of 2009. In September 2010, the Company applied for another debt installment arrangement, in the amount of R$28,086, payable in 24 installments, as a complement to its previous request, with maturity in September 2012.

(**) This refers to the Offset Agreement which establishes that tax and non-tax debts payable by COPASA MG shall be offset against its credits arising from water supply and sewage service invoices payable by the Belo Horizonte Municipal Government. The reciprocal debts shall be paid in 120 monthly and consecutive installments, bearing 1% interest and annual monetary restatement on the Special Extended Consumer Price Index (IPCA-E). At September 30, 2012, 89 installments remain payable and the maturity of the arrangement will be in February 2020.

11. Suppliers and other liabilities--Continued

The additional explanations concerning this Note did not change significantly in relation to existing disclosures in Note 11 to the Financial Statements for the year ended December 31, 2011, save for the fact that:

(i) In January 2012, the Company received funds under the Federal Government Water Basin Depollution Program (PRODES), amounting to R$4,612, through Brazil's National Water Agency (ANA), in consideration for the Federal Government's participation in the construction of the Wastewater Treatment Plant in the municipality of Ibirité (ETE Ibirité). As stipulated in clause 6 of Agreement No. 099/2011, executed as of December 21, 2011, payment for treated wastewater shall be released to the Company in twelve quarterly consecutive installments after certification of the pollutant load reduction goals by that agency. The contract remains effective until December 31, 2018;

(ii) In May and September 2012, after the conditions referring to the third and fourth stages of ETE Onça were complied with, payment of the four last installments, amounting to R$4,990 and R$5,005 respectively, was released.

12. Loans and debentures

	Company/Consolidated	
	09/30/2012	**12/31/2011**
Current		
State Government/BDMG	5,184	4,717
Federal Savings and Loan Bank (CEF)	120,290	114,916
National Treasury	38,337	36,875
BNDES – BNE	57,569	54,074
Promissory Notes – Citibank	0	155,924
Federal government - bonds	4,256	4,719
KfW	6	0
Bank loans and financing	**225,642**	**371,225**
Simple debentures	114,817	102,715
Convertible debentures	8	69,742
Debentures	**114,825**	**172,457**
Total - current	**340,467**	**543,682**
Noncurrent		
State Government/BDMG	6,024	7,756
Federal Savings and Loan Bank (CEF)	568,688	613,804
National Treasury	13,156	41,806
BNDES – BNE	533,606	533,973
Federal government - bonds	53,442	51,031
KfW	3,185	0
Bank loans and financing	**1,178,101**	**1,248,370**
Simple debentures	1,498,027	952,614
Convertible debentures	0	65,293
Debentures	**1,498,027**	**1,017,907**
Total - noncurrent	**2,676,128**	**2,266,277**
Total current and noncurrent	**3,016,595**	2,809,959

12. Loans and debentures--Continued

Book values compared to the respective estimated fair values are as follows:

	Values			
	Book	**Fair**	**Book**	**Fair**
	09/30/2012	**09/30/2012**	**12/31/2011**	**12/31/2011**
Bank loans and financing	1,403,743	1,471,653	1,619,595	1,719,016
Simple debentures	1,612,844	1,576,138	1,055,329	1,012,141
Convertible debentures	8	8	135,035	134,532
Total	**3,016,595**	**3,047,799**	**2,809,959**	**2,865,689**

Market values of liabilities are calculated on a projected debt balance, restated at the contractual rate over the remaining months before payment. The value arrived at is adjusted to the current period, using the following market rates:

Credit facilities	Contractual rate	Period in months	Market rate	Remarks
State Government/BDMG	9.03%	30	7.33%	CEF rate, as there is no similar market
CEF/FGTS	9.66%	145	7.33%	CEF rate quoted in September/12
National Treasury	5.38%	16	7.33%	CEF rate, as there is no similar market
BNDES/BNE	7.07%	112	7.05%	BNDES/BNE rate quoted in September/2012
Federal Government	4.66%	139	7.33%	CEF rate, as there is no similar market
Simple debentures	8.10%	104	8.75%	BNDES/BNE rate quoted in September/2012
Convertible debentures	7.80%	9	7.80%	BNDES/BNE rate quoted in September/2012
KfW	2.07%	131	2.07%	KfW rate quoted in September/2012

a) Bank loans and financing

On July 16, 2012, the Company amortized the agreement for coordination, placement and public offering of Commercial Papers - Promissory Notes, under a firm subscription guarantee, of the first issue of COPASA MG, entered into on July 18, 2011, with the Citibank, in the amount of R$148,000, divided into 37 Promissory Notes, in single series of R$4,000, with maturity of 360 days, entitled to payment of compensatory interests, on maturity date, on their nominal par value, corresponding to the accumulated variation of 105.2% of the average daily rate of the over extra-group One-Day Interbank Deposits (ID).

The funds thus raised are going to be used by COPASA MG as a complement to its Investment Program and as working capital.

12. Loans and debentures--Continued

a) Bank loans and financing--Continued

On November 29, 2011, the Company and the German government-owned development bank Kreditanstalt Fur Wiederaufbau (KfW) entered into a loan agreement in the amount of EUR 100,000,000.00 (one hundred million Euros). Remuneration comprises interest at the fixed rate of 2.07% p.a., nonrefundable commitment fee of 0.25% p.a. calculated on undisbursed amounts and administrative fee, in a single installment, of 0.5% on the total loan.

This loan has a grace period of 36 (thirty six) months for the principal amount and will be amortized in 08 (eight) semi-annual equal and consecutive installments in the amount of EU$5,555,000.00 (five million, five hundred and fifty-five thousand Euros), with maturity between December 20, 2014 and September 20, 2018, and 10 (ten) semi-annual equal and consecutive installments in the amount of EU$5,556,000.00 (five million, five hundred and fifty-six thousand Euros), with maturity between December 20, 2018 and September 20, 2023, final maturity date of this loan.

These funds are going to be used in the Depollution Program of the Paraopeba Water Basin, which includes the expansion and construction of sewage systems and sewage treatment plants, treatment and elimination of sludge, engagement, awareness and sanitation education of the people, protection of watershed areas and advisory services.

Bank loans and financing have maturity until 2035 and average coupon rates of 8.16% p.a. (8.84% p.a. as of December 31, 2011). Also, debt balances of the financing lines are pegged to specific rates, as follows:

Financing lines	Rates
State Government/BDMG	General Market Price Index (IGP-M)
Federal Savings and Loan Bank (CEF)	Referential Rate (TR)
National Treasury	Referential Rate (TR)
BNDES – BNE	Exceeding 6% of Long Term Interest Rate (TJLP)
Federal government - bonds	Dollar
KfW	Euro
Debentures	See item “c” of Note 12

The noncurrent portion matures as follows:

Maturity	09/30/2012	12/31/2011
2013	57,861	212,188
2014	185,654	175,683
2015	149,906	141,171
2016	114,643	106,814
2017	78,961	72,858
2018	79,937	73,766
2018 to 2035	**511,139**	465,890
Total	**1,178,101**	**1,248,370**

12. Loans and debentures--Continued

a) Bank loans and financing--Continued

The book values of the Company foreign currency loans total R$60,889 (R$55,750 at December 31, 2011).

b) Guarantees of bank loans and financing

As collateral for financing, the Company has pledged the following:

Foreign currency agreements

Federal government - bonds:

These are backed up to the contract balance by the Minas Gerais State Government and by the Company tariff revenues, up to the limit sufficient for payment of the installments and other charges due on the maturity dates. As an accessory guarantee for Discount Bond and Par Bond, the Company maintains a reserve account at Banco do Brasil in the amount of R$40,015, restated through September 30, 2012 (R$28,575 at December 31, 2011), by applying the average price of the Zero Coupon Bond of the US Treasury, recorded under the caption “collateral for financing”.

Kreditanstalt Fur Wiederaufbau – KfW:

These are backed up to the contract balance by the Minas Gerais State Government and by the Company tariff revenues, up to the limit sufficient for payment of the installments and other charges due on the maturity dates, by the separate collateral agreement executed between KfW and the Federative Republic of Brazil, and by the credit of payment guaranteed by the Federal Republic of Germany. As an accessory guarantee, the Company will maintain a reserve account at CEF, whose minimum balance shall be the amount corresponding to the monthly payment of 01 (one) debt service falling due.

Local currency agreements

Fiduciary transfer of receivables and restricted account agreement:

- In order to improve and expand the systems in operation, the Company had raised funds, between 1995 and 2001, with various financing agencies, and on October 29, 2002, these agreements were encompassed under the Restricted Account Agreement made between the Company, the Federal Savings and Loan Bank (CEF), designated as administrator, and Unibanco, as the financial agent, whereby new funds were released from the Unemployment Compensation Fund (FGTS). New agreements for fiduciary transfer of receivables and restricted accounts for the release of new FGTS funds were entered into as of July 4, 2006, under the Sanitation for All Program (“Programa Saneamento Para Todos”), which superseded all previously existing programs, having Bradesco and Itaú also acting as financial agents of the funds. The Company made the following pledges for these agreements:

12. Loans and debentures--Continued

b) Guarantees of bank loans and financing--Continued

- Fiduciary collateral transfer of part of COPASA MG's receivables from water supply and sewage collection public utility services provided to its private sector consumers, in the minimum amounts of R$ 17,000 and R$ 15,300 per month, non-cumulative, adjusted based on the variation of IPCA (Extended Price Consumer Index) disclosed by FIPE;

- Fiduciary transfer of part of the assignors receivables from CEF, related to the temporary cash investment funds, comprised of funds deposited in the restricted account and reserve account, which shall correspond to 3 (three) times the amount of the installments falling due and whose balance at September 30, 2012 is recorded as collateral for financing in the amount of R$26,475(R$25,862 at December 31, 2011).

- Loans and financing contracts with the Brazilian Development Bank (BNDES) for optimization and expansion of water supply and sewage treatment systems in the concession areas are guaranteed by the fiduciary transfer of part of the receivables for provision of public utility services - water supply and sewage services, in an amount equivalent to the minimum amounts of R$ 3,000 and R$ 23,000 per month, adjusted annually by the IPCA / IBGE, and by reserve account deposits whose minimum balance corresponds to 3 (three) times the amount of the installments falling due. The balance of this account recorded as collateral for financing, at September 30, 2012, is R$24,401 (R$26,527 at December 31, 2011).

- Loans and financing agreements entered into with CEF under the CAIXA PAC - 2009 program, for the expansion of the water supply and sewage treatment systems in the concession areas, are collateralized by concession receivables pledged as guarantee, referring to tariff revenues charged in the municipalities where the construction projects will be performed, whose minimum balance corresponds to 3 (three) times the value of the monthly charge, credited in a centralized account, and for reserve account deposits whose minimum balance corresponds to 1 (one) time the amount of the installments falling due. The balance of this account recorded as collateral for financing, at September 30, 2012, is R$804 (R$555 at December 31, 2011).

12. Loans and debentures--Continued

b) Guarantees of bank loans and financing--Continued

Other financing:

Loans and financing agreements entered into with the CEF, for performance of construction projects and services for expansion of the building supply grid and connections, are collateralized by deposits in a collateral account whose minimum balance corresponds to one (1) time the value of the monthly charge, for the agreement executed as of December 9, 2003 and three (3) times the value of the monthly charge, for the agreement executed as of September 30, 2004, calculated on the most recent collection available under these agreements. The balance of this account recorded as collateral for financing, at September 30, 2012, is R$10,051 (R$9,918 at December 31, 2011).

Other financing transactions related to both the State Government/BDMG and the National Treasury are collateralized by the Minas Gerais State Government and by the Company's tariff revenues.

c) Non-convertible and convertible debentures

		Company/Consolidated			
		09/30/2012		12/31/2011	
Subscriptions/series	**Subscription date**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Nonconvertible debentures					
Subscription - 1st issue					
1st and 2nd	06/30/2004	7,778	6,444	7,815	12,245
3rd and 4th	11/09/2004	7,778	6,445	7,815	12,245
5th and 6th	07/29/2004	7,778	6,445	7,815	12,245
7th	12/19/2005	3,889	3,222	3,907	6,122
8th and 9th	04/24/2006	7,778	6,444	7,815	12,244
10th	12/19/2006	3,889	3,222	3,907	6,122
11th and 12th	03/23/2007	7,778	6,445	7,815	12,244
Total 1st issue		**46,668**	**38,667**	**46,889**	**73,467**
Subscription - 3rd issue					
1st to 6th	12/06/2007	16,161	99,058	16,299	110,945
7th	09/25/2008	2,693	16,509	2,717	18,491
8th	12/06/2008	8,081	49,529	8,149	55,472
9th to 11th	03/30/2009	8,081	49,529	8,149	55,472
12th to 14th	11/27/2009	2,693	16,510	2,717	18,491
15th to 17th	05/26/2010	8,081	49,529	8,150	55,473
18th	07/02/2010	2,694	16,510	2,717	18,491
Total 3rd issue		**48,484**	**297,174**	**48,898**	**332,835**
Subscription - 4th issue					
1st	12/27/2010	2,687	250,876	3,395	222,210
2nd	11/24/2011	7,334	218,095	1,198	36,102
Total 4th issue		**10,021**	**468,971**	**4,593**	**258,312**
Subscription - 5th issue					
Single	10/27/2011	0	288,000	2,335	288,000
Total 5th issue		**0**	**288,000**	**2,335**	**288,000**
Subscription - 6th issue					
1st	02/23/2012	2,026	200,000	0	0
2nd	02/23/2012	7,618	205,215	0	0
Total 6th issue		**9,644**	**405,215**	**0**	**0**
Total nonconvertible debentures		**114,817**	**1,498,027**	**102,715**	**952,614**
Convertible debentures					
Subscription - 2nd issue					
Single	08/28/2007	0	0	43,313	39,050
Single	09/06/2007	0	0	25,180	25,002
Single	12/03/2007	8	0	1,249	1,241
Total convertible debentures		**8**	**0**	**69,742**	**65,293**
Total debentures		**114,825**	**1,498,027**	**172,457**	**1,017,907**

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

Nonconvertible debentures

Subscription - 1st issue:

In September 2004, the Company placed 300 (three hundred) nonconvertible simple debentures of R$1,000 each, in a private issue, through exclusive subscription by the BNDES. These debentures were issued in 12 (twelve) series of R$25,000 each. The subscription price of each series was equivalent to the nominal value plus the interest mentioned below, calculated on a pro rata basis from the issue date to the effective subscription date, under the following contractual terms and conditions:

Issue date	September 15, 2004
Term	10 years
Grace period of the principal	36 months
Amortization	84 months
Final maturity	July 15, 2014
Yield	TJLP + 3.58% p.a.
Guarantee	20% of the revenue collected, plus reserve account

This 1st issue is guaranteed by 20% of the Company's tariff revenues and a reserve account, the minimum balance of which corresponds to three monthly installments falling due, related to all debentures of all series issued and subscribed for, deposited in an investment fund, recorded as collateral for financing. At September 30, 2012, the amount pledged as collateral totaled R$13,456 (R$14,205 at December 31, 2011).

The funds from this issue are earmarked for financing of projects for expansion and modernization of water supply and sewage treatment systems in the concession areas of COPASA MG.

Subscription - 3rd issue:

In December 2004, the Company placed 450 (four hundred fifty) nonconvertible simple debentures of R$1,000 each, in a private issue, through exclusive subscription by the BNDES. These debentures were issued in 18 (eighteen) series of R$25,000 each, under the following contractual terms and conditions:

Issue date	September 01, 2007
Term	12 years
Grace period of the principal	30 months
Amortization	114 months
Final maturity	December 15, 2019
Yield	TJLP + 2.3% p.a.
Guarantee	Floating, with assignment and restriction of funds receivable, plus reserve account

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

This 3rd issue is guaranteed by monthly minimum deposits of R$18,000, related to tariff revenues of the Company, updated annually based on the IPCA, and by a reserve account, whose minimum balance must be equal to 3 (three) monthly installments falling due, related to all debentures of all series issued and subscribed for, deposited in a investment fund, recorded as collateral for financing. At September 30, 2012, the amount pledged as collateral totaled R$18,504 (R$19,519 at December 31, 2011).

Subscription - 4th issue:

In July 2010, the Company placed nonconvertible simple debentures, in a private issue to be carried out in 3 (three) series. The first and the third series, in the amount of R$222,210 and R$296,280, respectively, through exclusive subscription by the BNDES, and the second series, in the amount of R$222,210, will be through exclusive subscription by BNDES Participações S.A – BNDESPAR. The first and the second series will be comprised of 3,000 (three thousand) debentures each, and the third series of 4,000 (four thousand) debentures, totaling 10,000 (ten thousand) debentures of R$74.07 each, under the following contractual terms and conditions:

Issue date	July 15, 2010
Term	144 months for the 1st and 3rd series and 145 months for the 2nd series
Grace period of the principal	36 months for the 1st and 3rd series and 37 months for the 2nd series
Amortization	108 months for the 1st and 3rd series and 09 yearly for the 2nd series
Final maturity	December 15, 2022
Yield	TJLP + 1.55% p.a. for the 1st and 3rd series and IPCA + 9.046555% p.a. for the 2nd series
Guarantee	Fiduciary transfer

This 4th issue is guaranteed by the Company's tariff revenues corresponding to the monthly installment of R$32,000, updated annually by the IPCA, and Company's receivables from the "Depository Bank", related to the deposits to be made and funds existing in the "Restricted Account" earmarked for fiduciary transfer of receivables.

Subscription - 5th issue:

In August 2011, the Company placed nonconvertible simple debentures, in a private issue, through exclusive subscription by Planner Trustee DTVM, consisting of 288,000 (two hundred eighty-eight thousand) bonds of R$ 1,000 each, which issue will be held in a single series in the amount of R$ 288,000, under the following contractual terms and conditions:

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

Issue date	September 20, 2011
Term	240 months
Grace period of the principal	42 months
Amortization	198 months
Final maturity	September 30, 2031
Yield	TR + 9% p.a.
Guarantee	Assignment and restriction of funds receivable

Funds from the “settlement account” to the “demand account” will be released according to the work plan for each project, upon an express request filed by the issuer, and will depend on previous confirmation from the fiduciary agent of the conditions contained in this contract:

This 5th issue is guaranteed by part of the Company's tariff revenue equivalent to the monthly amount not less than 4.5% on the outstanding balance of the debentures at December 31 each year, by the accounts transferred and by all shares held by the Company in investments allowed.

The funds from this issue are earmarked for the development of basic sanitation projects of the Company.

Subscription - 6th issue:

On February 15, 2012, the Company placed 400 (four hundred) unsecured nonconvertible simple debentures of R$1,000 each, in a public offering, through exclusive subscription by Pentágono Distribuidora de Títulos e Valores Mobiliários. These debentures were issued in 2 (two) series of R$200,000 under the following terms and conditions:

Issue date	February 15, 2012
Term	60 months for the 1st series and 84 months for the 2nd series
Grace period of the principal	24 months
Amortization	07 equal consecutive monthly installments for the 1st series, and 06 equal consecutive annual installments for the 2nd series
Final maturity	February 15, 2017 for the 1st series and February 15, 2019 for the 2nd series
Yield	100% of the over extra-group Interbank Deposit rate for the 1st series and IPCA plus compensatory interest corresponding to 100% of the remuneration on National Treasury Notes (NTN) - series B for the 2nd series
Guarantee	Unsecured

The funds from this issue will be used in the 2012-2014 Investment Program to be conducted in partnership with the municipalities to which the Company will provide water supply and sewage services under concession agreements, and in the debt rescheduling process.

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

Convertible debentures

Subscription - 2nd issue:

On July 16, 2007, the Company executed a Convertible Debentures Indenture in the amount of R$141,024 under the following terms and conditions:

Issue date	September 01, 2007
Number of debentures	1,130,000
Par value in reais	R$124.80
Grace period of the principal	59 months
Amortization	September 1, 2012 and September 1, 2013
Yield	TJLP + 2.3% p.a.
Guarantee	Floating

The fair value of the financial component recorded in liabilities was calculated using the market interest rate applicable to a similar nonconvertible debt bond. The residual book value, corresponding to the equity conversion option, is included in equity as income reserves (Note 18).

The shareholders of the Company were granted the preemptive right to subscribe for debentures on the same proportion to the number of COPASA shares held on July 30, 2007, so that in order to subscribe for one (1) debenture, a shareholder would have to be the holder of 102 shares of COPASA MG. The deadline to exercise the preemptive right is 30 days after July 30, 2007, day of publication of the Notice to Shareholders, hence, matured at August 28, 2007. COPASA MG's shares (under tick symbol CSMG3 at the São Paulo Stock Exchange) were traded ex-rights of debentures subscription as from July 31,2007.

The conversion option is available for the period between June 2, 2008 and May 31, 2012, when each debenture can be converted into four common shares of our issue, and between June 1, 2012 and May 31, 2013, when each debenture can be converted into two common shares issued by the Company, at the price of R$ 31.20 per share, as restated under the indenture terms. The following conversions were made through September 30, 2012:

	Number	
Date	**Converted debentures**	**Common shares**
08/04/2008	188	752
03/06/2009	5,396	21,584
03/12/2009	973	3,892
04/01/2009	20,595	82,380
06/18/2009	2,039	8,156
07/02/2009	4,208	16,832
07/21/2009	240	960
11/29/2011	314	1,256
05/31/2012	1,095,907	4,383,628
09/28/2012	9	18
Total	**1,129,869**	**4,519,458**

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

The convertible debt bond recognized in the balance sheet is calculated as follows:

	09/30/2012	12/31/2011
Liability component at beginning of the period	135,035	134,242
Financial expenses	8,848	11,683
Interest paid	(6,389)	(10,890)
Converted debt	(137,486)	0
Liability component at end of the period	**8**	**135,035**

The fair value of the financial component of the convertible debt bond, whose remaining balance is represented by 131 (one hundred and thirty one) debentures, totals R$8 at September 30, 2012. The fair value is determined using cash flows discounted at a rate applicable to a similar instrument without the conversion option, namely 2.8% p.a., plus long-term interest rate (TJLP).

The funds from the 2nd issue were used in the Company's 2007-2010 Investment Program to modernize, expand and implement water and wastewater treatment plants, optimize operations with improvements in the control of loss reduction and for water supply and sewage services studies and projects, as well as in investments in new concessions and institutional development.

a) Covenants

Under its loan and debenture contracts, the Company has covenants which require that the following specific ratios are met:

(a) Covenants in syndicated loans:

Ratio	Limit
Total debt/equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.55
Water and sewage connections/no. of employees	Equal or greater than 350

(b) Covenants in agreements with CEF - the agreements originally signed with Unibanco, involving FGTS funds, were subsequently transferred to CEF (administrator), as described above in item 2 "Fiduciary transfer of receivables and restricted account agreement"*.*

Ratio	Limit
Total debt/equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.7
Current liquidity (adjusted)	Above 0.9
Water and sewage connections/no. of employees	Greater than 365

12. Loans and debentures--Continued

c) Non-convertible and convertible debentures--Continued

(c) Convenants in agreements with BNDES-BNA/BND/BNE:

Ratio	Limit
Net debt/EBITDA	Equal or less than 3.0
EBITDA/ROL	Equal or greater than 36%
EBITDA/debt service	Equal or greater than 1.5

(d) Convenants in agreements with BNDES/debentures:

Ratio	Limit
EBITDA/debt service	Equal or greater than 1.5
EBITDA margin	Equal or greater than 33%
Indebtedness	Equal or less than 70%

(e) Convenants in agreements with KfW

Ratio	Limit
Total debt/equity	Equal or less than 1.0
EBITDA/debt amortization	Equal or greater than 1.5

(f) Convenants in agreements with CEF/BB/HSBC, 5th and 6th issues of debentures:

Ratio	Limit
Net debt/equity	Equal or less than 1.0
EBITDA/debt service	Equal or greater than 1.5
Total debt/equity	Equal or less than 1.0
Net debt/EBITDA	Equal or less than 3.0
EBITDA/ROL	Equal or greater than 36%

None of the covenants above had been breached through September 30, 2012.

13. Tax and litigation provisions

Provisions are recorded based on management's expectation that the settlement of an obligation is to result in an outflow of economic benefits. Provisions are recorded as current or non-current liabilities based on the dates when these outflows are expected to occur.

	Company	
	09/30/2012	**12/31/2011**
PIS/COFINS matching credit	10,872	28,163
IPI premium-credit	16,456	16,456
Tax provisions	27,328	44,619
Litigation provision	51,333	43,956
Total	**78,661**	**88,575**

	Consolidated	
	09/30/2012	**12/31/2011**
PIS/COFINS matching credit	10,872	28,163
IPI premium-credit	16,456	16,456
Tax provisions	27,328	44,619
Litigation provision	52,882	46,447
Total	**80,210**	**91,066**

The Company's criterion, based on the opinion of its legal counsel, is to set up provisions for civil, labor and tax litigation proceedings and for legal obligations rated as probable losses.

a) Provisions

Changes in provisions can be showed as follows:

	Company					
	Provisions					
	Litigation				Tax	
	Civil	**Labor**	**Tax**	**Judicial/escrow deposits**	**PIS COFINS and IPI**	**Total**
December 31, 2011	**29,473**	**14,616**	**2,081**	**(2,214)**	**44,619**	**88,575**
Additions	21,691	7,920	86	(194)	420	29,923
Reversals	(14,224)	(4,068)	0	87	(17,711)	(35,916)
Use	(1,817)	(2,104)	0	0	0	(3,921)
September 30, 2012	**35,123**	**16,364**	**2,167**	**(2,321)**	**27,328**	**78,661**

13. Tax and litigation provisions--Continued

a) Provisions--Continued

	Consolidated					
	Provisions					
	Litigation				Tax	
	Civil	Labor	Tax	Judicial/escrow deposits	PIS COFINS and IPI	Total
December 31, 2011	**29,473**	**17,619**	**2,081**	**(2,726)**	**44,619**	**91,066**
Additions	21,691	9,759	86	(1,227)	420	30,729
Reversals	(14,224)	(5,838)	0	88	(17,711)	(37,685)
Use	(1,817)	(2,104)	0	21	0	(3,900)
September 30, 2012	**35,123**	**19,436**	**2,167**	**(3,844)**	**27,328**	**80,210**

Use refers to provisions settled or cases dismissed which were lost by the Company and classified as accounts payable.

b) Contingent liabilities

COPASA MG is party to other lawsuits for which the likelihood of loss is estimated as possible. For these litigation proceedings, no provisions were recognized to cover contingent losses, 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:

	Company	
Nature	**09/30/2012**	**12/31/2011**
Civil (*)	464,877	402,021
Tax (**)	37,256	55,623
Total	**502,133**	**457,644**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 13 to the Financial Statements as of December 31, 2011, except for the write-off in March 2012 due to the expiration of the period of limitation allowed to take the PIS/PASEP and COFINS matching credit for the year 2006, amounting to R$17,711.

14. Employee profit sharing

The 2008/2010 Collective Agreement introduced changes to the previous regulation, as formally approved at the meeting held on July 25, 2008, and ratified by the 2012 Collective Agreement, establishing that the computed amount shall be linearly distributed among all employees, in two equal installments (50% each), the first one payable in April and the second one in October.

At September 30, 2012, the Company provisioned R$22,271, referring to the employee profit sharing for the period from January to September 2012 (R$23,420 for the period from January to September 2011).

15. Income and social contribution taxes

a) Current income and social contribution taxes

In Brazil, income taxes comprise both federal income and social contribution taxes. The statutory tax rates applicable to income and social contribution taxes are 25% and 9%, respectively, which corresponds to a 34% rate for September 2011 and 2010. The amounts reported as income tax expenses in the income statements of the Company are reconciled to the statutory tax rates as follows:

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Income before taxes	166,856	170,565	480,872	526,057
Statutory rate	34%	34%	34%	34%
Expected expense at statutory rate	**(56,731)**	**(57,992)**	**(163,496)**	**(178,859)**
Income and social contribution taxes on:				
(Additions) /exclusions				
Equity pickup	(1,519)	(1,278)	(3,546)	(4,094)
Realization of special monetary adjustment reserve	(404)	(604)	(855)	(2,011)
Government grants	794	797	2,451	2,406
Other (additions) /exclusions	4,179	(7,486)	3,290	(24,223)
Other reconciliation items				
Interest on equity	12,901	14,459	38,392	41,929
Tax incentives	1,905	1,642	3,645	3,649
Income and social contribution taxes	**(38,875)**	**(50,462)**	**(120,119)**	**(161,203)**
Current income and social contribution taxes	(49,030)	(51,949)	(130,722)	(139,858)
Deferred income and social contribution taxes	10,155	1,487	10,603	(21,365)
	(38,875)	**(50,462)**	**(120,119)**	**(161,203)**
Effective rate	23.3%	29.6%	25.0%	30.6%

15. Income and social contribution taxes--Continued

a) Current income and social contribution taxes--Continued

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Income before taxes	165,112	168,198	475,192	519,452
Statutory rate	34%	34%	34%	34%
Expected expense at statutory rate	**(56,137)**	**(57,187)**	**(161,566)**	**(176,614)**
Income and social contribution taxes on:				
(Additions) /exclusions				
Realization of special monetary adjustment reserve	(404)	(604)	(855)	(2,011)
Government grants	794	797	2,451	2,406
Other (additions) /exclusions	2,587	(8,787)	(351)	(28,351)
Other reconciliation items				
Interest on equity	12,901	14,459	38,392	41,929
Tax incentives	1,905	1,641	3,645	3,648
Income and social contribution taxes	**(38,354)**	**(49,681)**	**(118,283)**	**(158,993)**
Current income and social contribution taxes	(49,136)	(51,966)	(130,864)	(139,874)
Deferred income and social contribution taxes	10,782	2,285	12,581	(19,119)
	(38,354)	**(49,681)**	**(118,283)**	**(158,993)**
Effective rate	23.2%	29.5%	24.9%	30.6%

b) Deferred income and social contribution taxes

Deferred income and social contribution taxes are recognized on respective tax losses, and corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The applicable tax rates, currently defined for calculation of deferred tax assets, are 25% for income tax and 9% for social contribution tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be used, based on projections of future results prepared and based on Company assumptions and future economic scenarios which may, therefore, be subject to changes.

15. Income and social contribution taxes--Continued

b) Deferred income and social contribution taxes--Continued

The offset amounts are as follows:

	Company		Consolidated	
Asset and liability balances	**09/30/2012**	**12/31/2011**	**09/30/2012**	**12/31/2011**
In noncurrent assets				
Temporary differences:				
Allowance for doubtful accounts and provision for litigation	72,306	72,316	72,306	72,316
Reserve for actuarial obligations	27,401	29,743	27,401	29,743
Provisions for adjustments required under CPCs	364,848	330,904	364,848	330,904
Tax provisions	162,072	200,138	162,072	200,138
Other temporary provisions - sundry	49,931	7,645	51,227	8,941
Total	**676,558**	**640,746**	**677,854**	**642,042**
Deferred income tax	169,140	160,187	169,463	160,511
Deferred social contribution tax	60,890	57,667	61,007	57,784
	230,030	217,854	230,470	218,295
In noncurrent liabilities				
Temporary differences:				
Deferred exchange gains (losses) (on financing)	0	5,072	0	5,072
Provisions for adjustments required under CPCs	158,134	148,436	201,719	197,841
Total	**158,134**	**153,508**	**201,719**	**202,913**
Deferred income tax	39,534	38,377	50,430	50,728
Deferred social contribution tax	14,232	13,816	18,154	18,262
	53,766	52,193	68,584	68,990
Deferred income and social contribution taxes, net	**176,264**	**165,661**	**161,886**	**149,304**

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	Company	**Consolidated**	**Company**	**Consolidated**
In net income for the period				
1. Increase / (decrease) in deferred assets				
Deferred income tax	6,488	6,488	8,953	8,953
Deferred social contribution tax	2,336	2,336	3,223	3,223
	8,824	8,824	12,176	12,176
2. Decrease / (increase) in deferred liabilities				
Deferred income tax	(980)	(1,440)	1,157	(298)
Deferred social contribution tax	(351)	(518)	416	(107)
	(1,331)	(1,958)	1,573	(405)
Result of deferred taxes in the period (1 - 2)				
(Increase) / decrease in tax expenses	10,155	10,782	10,603	12,581

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 15 to the Financial Statements as of December 31, 2011.

16. Technical cooperation agreements

The net balance of these agreements is as follows:

	Company		
	Receivables (assets)	**Advances (liabilities)**	**Net**
September 30, 2012			
State	222,233	(257,764)	**(35,531)**
Other	10,320	(12,343)	**(2,023)**
Total	**232,553**	**(270,107)**	**(37,554)**
December 31, 2011			
State	211,111	(206,370)	**4,741**
Other	12,446	(12,102)	**344**
Total	**223,557**	**(218,472)**	**5,085**

	Consolidated		
	Receivables (assets)	**Advances (liabilities)**	**Net**
September 30, 2012			
State	539,601	(599,641)	**(60,040)**
Other	10,320	(12,343)	**(2,023)**
Total	**549,921**	**(611,984)**	**(62,063)**
December 31, 2011			
State	484,400	(478,927)	**5,473**
Other	12,446	(12,102)	**344**
Total	**496,846**	**(491,029)**	**5,817**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 16 to the Financial Statements as of December 31, 2011.

17. Pension plan

	Company	
	09/30/2012	**12/31/2011**
Noncurrent liabilities	138,238	145,235
Current liabilities	12,893	12,072
	151,131	157,307
Normal contributions	0	47
Total liabilities recognized in the balance sheet	**151,131**	**157,354**

Changes in net liabilities are as follows:

17. Pension plan--Continued

	Company
Net liabilities at December 31, 2011	**157,354**
Expenses (income) recognized in the income statement – actuarial liabilities	(2,342)
Expenses recognized in the income statement - Contributions from Copasa	23,047
Reserve for monthly contributions	28,798
Monetary restatement	5,004
Debt amortization	(8,839)
Amortization of monthly contributions	(51,891)
Net liabilities at September 30, 2012	**151,131**
Current liabilities	**(12,893)**
Noncurrent liabilities	**138,238**

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 17 to the Financial Statements as of December 31, 2011.

18. Equity and dividends

(a) Capital

At a meeting held on July 20, 2012, and in accordance with articles 7 and 22 item "w" of Company Articles of Incorporation, the Company Board of Directors approved a capital increase amounting to R$137,485. As such, Company capital increased to R$2,773,984. In this meeting, a change to article 6 of Company Articles of Incorporation was recommended, subject to General Shareholders' Meeting resolution, regarding this capital increase.

This increase occurred by converting 1,095,907 debentures from the 2nd issue of COPASA MG into 4,383,628 book-entry common shares, as per the "Request for Conversion of Debentures", received by the Company on May 31, 2012 (item "c" of Note 12).

Therefore, the number of authorized common shares totaled 119,684,388. All shares issued have been paid up, without par value.

In a meeting held on August 17, 2012, Company Board of Directors authorized the acquisition and incorporation of assets belonging to the sewage system of the Municipality of Carneirinho. Payment of R$614 was made through private negotiation of 12,963 treasury shares, whose average closing price in the 31 (thirty one) stock exchange sessions held prior to the date of aforementioned meeting, is R$47.35.

18. Equity and dividends--Continued

(a) Capital--Continued

Therefore, the Company, which is controlled by the State of Minas Gerais, holds 357 thousand own-issued common shares in treasury, in the amount of R$8,576, mostly acquired from the State of Minas Gerais through transactions related to settlement of debts originated from 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 48.57% thereof, the Company's Free Float, are held by sundry shareholders.

At September 30, 2012, breakdown of capital is as follows:

Shareholders	Number of shares	Interest held - %
State of Minas Gerais	61,189	51.13
Managing officers	2	0
Other shareholders	58,136	48.57
Treasury shares	357	0.30
Total	**119,684**	**100.00**

(b) Shareholders' compensation

Under the Articles of Incorporation, shareholders of any type are entitled to a mandatory minimum dividend of 25% of net income, adjusted by reducing or increasing the amounts specified in Article 202, items I, II and III of Law No. 6404/76. The approved dividends bear no interest and the amounts not claimed within 3 years after the date they are available to the shareholders become time-barred in favor of the Company.

At a meeting held on March 16, 2012 and in accordance with the resolution made at the Special Shareholders' Meeting of April 28, 2009, Company Board of Directors approved the 2012 dividend distribution, as Interest on Equity, at 35% on budgeted profit.

Company Board of Directors approved credit of Interest on Equity to shareholders, as decided in the following meetings:

Date	Gross amount declares	Value per share
03/16/2012	37,755	0.33
06/18/2012	37,217	0.31
09/14/2012	37,944	0.32
	112,916	

18. Equity and dividends--Continued

(b) Shareholders' compensation--Continued

Declared Interest on Equity will be imputed on the mandatory dividends for 2012.

As provided for in Article 9 of Law No. 9249/95, and based on the Long-Term Interest Rate (TJLP), interest was recorded as financial expenses deductible when calculating both income and social contribution taxes, thereby generating a tax benefit of R$38,391. Under Brazilian corporation law, interest on equity is disclosed as a debit to retained earnings, in equity.

Changes in the balance of interest on equity are as follows:

	09/30/2012	12/31/2011
Opening balance	26,921	66,859
Proposed interest on equity	112,916	153,127
Prepaid Withholding Income Tax (IRRF)	(4,790)	(15,627)
Paid interest on equity	(98,204)	(177,438)
Balance of interest on equity in current liabilities	**36,843**	**26,921**

(c) Earnings per share

- Basic earnings

Basic earnings per share are reached after dividing the income attributed to Company common shareholders, by the weighted average of common shares issued during the year, net of common shares purchased by the Company and recorded as treasury shares (item "a" of this Note).

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Income attributed to Company shareholders	127,981	120,103	360,753	364,854
Weighted average of common shares issued - in thousands	119,327	114,929	119,327	114,929
Basic earnings per share	**1.07**	**1.05**	**3.02**	**3.17**

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Income attributed to Company shareholders	126,758	118,517	356,913	360,459
Weighted average of common shares issued - in thousands	119,327	114,929	119,327	114,929
Basic earnings per share	**1.06**	**1.03**	**2.99**	**3.14**

18. Equity and dividends--Continued

(c) Earnings per share--Continued

- Diluted earnings

Diluted earnings per share are reached after adjusting the weighted average of common shares outstanding, assuming conversion of all potential diluted common shares. The Company has a category of potential diluted common shares: convertible debt. It is assumed that the convertible debt has been converted into common shares and that the net income is adjusted so as to eliminate the financial expense less relevant tax effect.

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Income				
Income attributed to Company shareholders	127,981	120,103	360,753	364,854
Financial expenses on convertible debt (net of tax effect)	0	1,930	0	5,754
Income used for determining diluted earnings per share	127,981	122,033	360,753	370,608
Weighted average of common shares issued - in thousands	119,327	114,929	119,327	114,929
Adjustments from:				
Assumed conversion of the convertible debt - in thousands	0	4,520	0	4,520
Weighted average of common shares for diluted earnings per share - in thousands	119,327	119,449	119,327	119,449
Diluted earnings per share	**1.07**	**1.02**	**3.02**	**3.10**

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Income				
Income attributed to Company shareholders	126,758	118,517	356,913	360,459
Financial expenses on convertible debt (net of tax effect)	0	1,930	0	5,754
Income used for determining diluted earnings per share	126,758	120,447	356,913	366,213
Weighted average of common shares issued - in thousands	119,327	114,929	119,327	114,929
Adjustments from:				
Assumed conversion of the convertible debt - in thousands	0	4,520	0	4,520
Weighted average of common shares for diluted earnings per share - in thousands	119,327	119,449	119,327	119,449
Diluted earnings per share	**1.06**	**1.01**	**2.99**	**3.07**

18. Equity and dividends--Continued

(c) Earnings per share--Continued

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 18 to the Financial Statements as of December 31, 2011, except for the capital increase due to converted debentures and for the decrease in the value of shares in treasury, described in item “a” of referred to Note 18.

19. Financial risk management objectives and policies

The Company uses short, medium and long-term planning instruments for the purpose of assessing its financial risk management and orienting the decision process, thus enabling any necessary actions to be taken on a timely basis. In the short-term, the Company uses a “daily cash flow programming”, which encompasses a period of up to 90 days. In the medium term (360 days), the Company uses its business budget, which outlines action plans, from an operational as well as an investment perspective. In the long term, the Company uses the “Statement of Results (DRE)”, which defines its strategic objectives for a 10-year period and is comprised of an economical and a financial statement.

(a) Financial risk management

Corporate Risk Management is aligned with Corporate Governance practices, as well as with Corporate Planning, which defines Company Strategic Objectives.

Company financial oversight board assesses loan transactions, monitoring financial risks that may compromise Company liquidity and profitability, and eventually recommends strategies for mitigating said risks.

Company financial oversight board aims at improving the predictability of Company cash over a 12-month period, taking into consideration the economic scenario defined by the financial institutions with which we do business.

Major risks to which the Company is exposed are:

Interest rate risk

The Company is exposed to risk of increase in international interest rates, with impact on loans and financing in foreign currency at floating interest rate (mainly the basket of interest rates on agreements related to the Federal Government - Bonds). However, foreign fund amounts are of little significance in Company capital structure.

19. Financial risk management objectives and policies--Continued

(a) Financial risk management--Continued

As regards the risks of increased domestic interest rates, Company exposure occurs in connection with its net liabilities, indexed at the TJLP, IPCA and CDI rate variation.

Several scenarios are simulated considering refinancing, renewal of existing positions and loans. Based on these scenarios, the Company defines a reasonable interest rate change and calculates its impact on income. The scenarios are prepared only for major financial assets and liabilities.

Sensitivity to interest rates

The Company analyzes the sensitivity to the effects of a possible change in interest rates to which loans and financing payable are subject. Assuming that all other variables remain constant, the Company's income before taxes is affected by the impact on loans payable subject to floating rates, as under:

	Increase / decrease in base points	Effect on income before taxes
09/30/2012		
R$	+ 0.5%	(12,582)
R$	- 0.5%	12,582
12/31/2011		
R$	+ 0.5%	(12,770)
R$	- 0.5%	12,770

The change in base 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 prior years.

Currency risk

Company exposure to the risk of changes in foreign exchange rates substantially refers to US dollar and euro quotations, in relation to the Real, which directly impact Company debt, income and cash flow.

Financing in foreign currency are intended for specific works to improve and expand water supply and sewage collection and treatment systems. The Company does not hedge against currency risks, since debt in foreign currency is of little significance in relation to total debt.

19. Financial risk management objectives and policies--Continued

(a) Financial risk management--Continued

The Company's exposure in foreign currency, represented by its US dollar and Euro-denominated debt, amounted to R$60,889 at September 30, 2012 (R$55,750 at December 31, 2011), i.e., 2.0% of its total debt (2.0% at December 31, 2011). As of September 30, 2012, the Company maintains collateral of R$40,015 (R$35,192 at December 31, 2011) for part of its financing in foreign currency (Note 12).

Foreign exchange sensitivity

The Company analyzed the sensitivity to the effects of US$ and EU$ exchange rate fluctuation on Company income and equity. Assuming that all other variables remain constant, the Company's income before taxes is affected by the impact on loans payable subject to floating rates, as under:

	Change in US$ rate	Effect on income before taxes
09/30/2012	+ 20%	(11,353)
	- 20%	11,353
	+10%	(5,677)
	-10%	5,677
12/31/2011	+ 20%	(11,036)
	- 20%	11,036
	+10%	(5,518)
	-10%	5,518

Change in income and equity derives from change in US dollar loans.

Credit Risk

This is the risk of financial loss due to a counterparty's failure to perform an obligation under a financial instrument or customer contract. The Company is exposed to credit risk arising from its operating and financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

✓ **Accounts receivable**

Credit risk on accounts receivable is subject to the Company's established procedures, controls and policy. Credit limits are established for all customers based on internal rating criteria. A significant portion of sales is distributed among a large number of customers. For these customers, credit risk is minimal as a result of the large and diverse nature of the Company's customer base and its control procedures over such risk. Doubtful accounts are adequately covered by an allowance for losses on their realization.

19. Financial risk management objectives and policies--Continued

(a) Financial risk management--Continued

✓ **Financial instruments and cash deposits**

In order to manage credit risk arising from the possibility that the Company may incur losses on deposits with financial institutions should these institutions be declared insolvent, in October, 2012 the Short-term Investment Committee was created. This committee decides, in accordance with Company Short-term Investment Policy, where each institution will be analyzed, based on pre-established criteria. Cash surplus is invested only with approved counterparties and within the credit limits assigned to each of them. Counterparty credit limits are reviewed on annual basis, or whenever a change in the macro-economical scenarios of the Brazilian economy occurs.

Quality of financial assets that are not overdue or impaired may be assessed by reference to external credit ratings or historical information on counterparty default rates.

	Company	
	09/30/2012	**12/31/2011**
Current account, bank deposits and short-term investments (*)		
AAA	517,011	94,559
AA	0	63,469
A	20,332	26,520
B (BAA, BA and BBB)	171	56,988
Total	**537,514**	**241,536**

(*) According to risk rating agency Moody's classification.

	Consolidated	
	09/30/2012	**12/31/2011**
Current account, bank deposits and short-term investments (*)		
AAA	518,024	95,394
AA	0	63,469
A	20,332	26,520
B (BAA, BA and BBB)	170	56,988
Total	**538,526**	**242,371**

(*) According to risk rating agency Moody's classification.

19. Financial risk management objectives and policies--Continued

(a) Financial risk management--Continued

Liquidity Risk

The Company monitors the risk of cash shortage using a recurring liquidity planning tool.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet short-term commitments and guarantee Company investment program.

Management monitors Company liquidity level by considering its expected cash flows as well as its cash and cash equivalents (Note 6). Generally, this is performed locally by the Company's operating companies, in accordance with Company established practice and budget limits. These limits vary by location as they consider the liquidity of the market in which the entity operates. Also, the liquidity management policy adopted by the Company requires projection of cash flows and analysis of the level of net assets required to meet these projections, monitoring of liquidity ratios in the balance sheet in relation to internal and external regulatory requirements, and maintenance of debt financing plans.

The following table analyzes financial liabilities settled for net value, by maturity bracket, corresponding to the remaining period in the balance sheet in relation to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows. Balances falling due within 12 months are equal to carry-over balances since the discount impact is not significant.

	Maturity brackets (i)			
	Up to 01 year	**From 01 to 03 years**	**From 03 to 05 years**	**More than 5 years**
September 30, 2012				
Amortization	334,942	787,175	599,586	1,289,367
Interest	5,525	0	0	0
Loans and financing	**340,467**	**787,175**	**599,586**	**1,289,367**
Suppliers and other liabilities	**158,880**	**26,320**	**28,767**	**55,750**
At December 31, 2011				
Amortization	521,288	660,715	431,026	1,174,536
Interest	22,394	0	0	0
Loans and financing	**543,682**	**660,715**	**431,026**	**1,174,536**
Suppliers and other liabilities	**139,415**	**24,489**	**44,366**	**64,261**

(i) The maturity analysis applies solely to financial instruments, therefore, legal and statutory obligations, including, among others, taxes, dividends, interest on equity capital, supplemental pension plan and provisions are not included.

19. Financial risk management objectives and policies--Continued

(a) Financial risk management--Continued

The Company is not engaged in transactions involving derivative financial instruments.

The following table sets out collaterals pledged by COPASA for financing agreements.

Institution	Collateral (Committed revenue)	09/30/2012	12/31/2011
CEF until 1998 and National Treasury	10% receivables	22,608	22,459
CEF 2003, 2004, 2007, 2008 e 2009	Committed revenue equal to 3 times the monthly debt service	11,234	11,234
Unibanco 2002 and syndicated agreements 2004	R$17 MM annually restated by IPCA, since July 4, 2006	23,097	21,956
Syndicated agreements II – 2006	R$15.3 MM annually restated by IPCA, since July 4, 2006	20,787	19,760
BNDES 2004 (I issue of debentures) 300 MM	R$18 MM annually restated by IPCA, since February 2, 2009	21,291	20,115
BNDES 2007 (III issue of debentures) 450 MM	R$18 MM annually restated by IPCA, since December 12, 2007	21,215	21,215
BNDES PAC 2007/2008	R$26 MM annually restated by IPCA, since May 20, 2008	32,449	30,907
BNDES 181 MM	R$7 MM annually restated by IPCA, since April 22, 2010	7,881	7,498
BNDES simple debentures 740 MM	R$32 MM annually restated by IPCA, since July 01, 2010	34,487	34,487
BNDES 288 MM	Committed revenue equal to 4.5% of the balance of debentures	12,960	13,070
KfW Bank	Committed revenue equal to 1 time the monthly debt service	6,000	0

Early debt maturity risk

Under its loan and financing contracts, the Company has covenants usually applicable to these transactions, which require that financial ratios, cash generation and other ratios are met. In order to mitigate this risk and monitor indebtedness and pursuant to the terms of its Articles of Incorporation, the Company has a Debt Policy whose covenants are more restrictive than aforementioned loan and financing agreements (Note 12).

Risk of nonrenewal of concessions

The Company has water supply and sewage service concessions expected by management to be renewed by the Grantor (Municipalities). Should such concessions not be renewed by the Grantor, current profitability and activity may be impacted.

The Company was not significantly impacted, due to occurrences relating to aforementioned risks.

19. Financial risk management objectives and policies--Continued

(b) Capital risk management

The major objective of Company capital management is to ensure that capital has a strong credit classification and a problem-free capital ratio, in order to support business and maximize value for the shareholder.

The Company manages capital structure in accordance with its Debt Policy, which establishes, under its Articles of Incorporation, that the total amounts payable by the Company should be equal to or lower than equity.

No changes were made in objectives, policies or processes in the periods ended September 30, 2012 and December 31, 2011.

Alike other sector companies, COPASA MG monitors its capital based on financial leverage and debt ratios. Financial leverage ratio corresponds to the net debt divided by total capital. Net debt, in turn, corresponds to total loans (including short and long-term loans, as disclosed in the consolidated balance sheet), less cash and cash equivalents. Total capital is determined adding equity, as disclosed in the consolidated balance sheet, to net debt.

In 2012, the Company's strategy, which remained unaltered in relation to 2011, was that of maintaining the financial leverage and debt ratios below100%. Total liabilities to equity ratio at September 30, 2012 and December 31, 2011 can be summarized as under:

	Company	
	09/30/2012	**12/31/2011**
Total loans and debentures (Note 12)	3,016,595	2,809,959
Less: Cash and cash equivalents (Note 06)	(537,514)	(241,536)
Net debt	**2,479,081**	**2,568,423**
Total equity	4,883,831	4,501,677
Total capital	**7,362,912**	**7,070,100**
Financial leverage ratio - %	34	36
Debt ratio - %	51	57

	Consolidated	
	09/30/2012	**12/31/2011**
Total loans and debentures (Note 12)	3,016,595	2,809,959
Less: Cash and cash equivalents (Note 06)	(538,526)	(242,371)
Net debt	**2,478,069**	**2,567,588**
Total equity	4,911,918	4,533,604
Total capital	**7,389,987**	**7,101,192**
Financial leverage ratio - %	34	36
Debt ratio - %	50	57

19. Financial risk management objectives and policies--Continued

(c) Fair value estimate

The Company does not have financial assets or liabilities measured at fair value. Company financial assets and liabilities, as disclosed in Note 03 (i and j) of Company financial statements for the year ended December 31, 2011, are classified as loans and receivables at amortized cost.

20. Revenues

(a) Operating revenues

The Company's operating revenues for the periods ended September 30, 2012 and 2011 are set out below:

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Gross revenue from water supply and sewage services	800,734	742,345	2,280,443	2,095,742
Construction revenue	158,757	162,501	486,981	507,426
Total revenue	**959,491**	**904,846**	**2,767,424**	**2,603,168**
Sales taxes	(77,245)	(67,451)	(219,133)	(190,778)
Other deductions	(12,772)	(13,142)	(36,466)	(33,279)
Net revenue	**869,474**	**824,253**	**2,511,825**	**2,379,111**

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Gross revenue from water supply and sewage services	805,339	746,682	2,293,868	2,106,113
Revenue from sales of goods	971	527	2,530	1,291
Construction revenue	158,757	162,501	486,981	507,426
Total revenue	**965,067**	**909,710**	**2,783,379**	**2,614,830**
Sales taxes	(78,270)	(68,054)	(221,310)	(192,216)
Other deductions	(13,012)	(13,175)	(37,180)	(33,325)
Net revenue	**873,785**	**828,481**	**2,524,889**	**2,389,289**

20. Revenues--Continued

(b) Other operating revenues

Company operating revenues for the periods ended September 30, 2012 and 2011 are set out below:

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Reversal of nondeductible provision	3,698	7,823	48,051	33,717
Recovery of accounts written off as loss	9,934	7,910	25,525	23,723
Other revenues	(1,397)	3,744	16,256	10,420
Total other operating revenues	**12,235**	**19,477**	**89,832**	**67,860**

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Reversal of nondeductible provision	3,843	7,901	49,975	33,795
Recovery of accounts written off as loss	10,298	7,943	26,020	23,797
Other revenues	515	4,083	19,130	11,237
Total other operating revenues	**14,656**	**19,927**	**95,125**	**68,829**

21. Expenses by nature

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Salaries and charges	223,831	219,557	661,982	599,913
Materials	25,550	24,731	78,468	73,368
Outsourced services	139,434	122,920	387,451	334,982
General	28,834	24,308	76,407	65,910
Depreciation and amortization	97,613	75,396	273,010	222,366
Allowance for doubtful accounts	19,588	11,166	53,174	31,342
Provisions for losses on obsolete materials	69	747	195	1,440
Construction costs	155,219	159,182	479,213	497,329
Litigation provisions	6,579	9,094	30,119	23,540
Equity pickup	4,468	4,158	9,542	12,439
Employee profit sharing	7,809	8,353	22,271	23,420
Other	6,260	7,352	26,273	26,986
Operating expenses	**715,254**	**666,964**	**2,098,105**	**1,913,035**
(-) Tax credits	(23,812)	(18,112)	(67,977)	(50,413)
Net operating expenses	**691,442**	**648,852**	**2,030,128**	**1,862,622**
Costs	**507,300**	**476,978**	**1,501,648**	**1,388,959**
Expenses	**184,142**	**171,874**	**528,480**	**473,663**

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Salaries and charges	227,683	221,421	670,927	605,131
Materials	26,188	25,086	79,990	74,767
Outsourced services	142,318	125,679	394,595	341,055
General	29,668	25,252	78,753	67,808
Depreciation and amortization	100,072	78,448	280,692	230,624
Allowance for doubtful accounts	19,765	11,421	54,007	32,097
Provisions for losses on obsolete materials	69	747	195	1,440
Construction costs	155,219	159,182	479,213	497,329
Litigation provisions	7,247	9,802	31,993	25,560
Employee profit sharing	7,809	8,353	22,271	23,420
Other	7,726	8,025	29,318	28,339
Operating expenses	**723,764**	**673,416**	**2,121,954**	**1,927,570**
(-) Tax credits	(24,117)	(18,284)	(68,635)	(50,865)
Net operating expenses	**699,647**	**655,132**	**2,053,319**	**1,876,705**
Costs	**515,789**	**482,390**	**1,522,798**	**1,403,156**
Expenses	**183,858**	**172,742**	**530,521**	**473,549**

22. Expenses with employee benefits

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	**2011**	**2012**	**2011**
Salaries	126,951	121,679	372,652	335,505
Social security costs	38,780	36,422	113,271	103,841
FGTS	10,740	13,591	37,577	31,532
Pension plan contribution	7,914	7,857	23,047	23,707
Workers' meal program	24,812	24,844	73,315	66,851
Health program	10,571	11,201	31,010	28,434
Other benefits	4,063	3,963	11,110	10,043
Total	**223,831**	**219,557**	**661,982**	**599,913**
Employee headcount (unaudited)	11,581	11,481	11,581	11,481

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	**2011**	**2012**	**2011**
Salaries	130,428	123,157	380,265	339,636
Social security costs	39,008	36,636	114,038	104,462
FGTS	10,804	13,652	37,816	31,740
Pension plan contribution	7,914	7,857	23,047	23,707
Workers' meal program	24,837	24,890	73,475	66,979
Health program	10,622	11,222	31,111	28,485
Other benefits	4,070	4,007	11,175	10,122
Total	**227,683**	**221,421**	**670,927**	**605,131**
Employee headcount (unaudited)	11,879	11,715	11,879	11,715

23. Financial income and expenses

The changes in financial income (expenses), net for 3Q12 as compared to the same period in 2011 is as under:

	Company			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	**2011**	**2012**	**2011**
Interest income	8,481	6,003	18,354	20,624
Effective yield from investments	8,287	7,287	31,829	14,701
Monetary and foreign exchange gains	24,015	6,609	38,489	22,969
Capitalization of financial/other assets	5,756	4,740	16,335	11,472
Total financial income	**46,539**	**24,639**	**105,007**	**69,766**
Interest expenses	(43,695)	(38,731)	(147,570)	(99,820)
Monetary and foreign exchange losses	(25,246)	(9,442)	(44,572)	(25,339)
Other expenses	(1,009)	(779)	(3,522)	(2,899)
Total financial expenses	**(69,950)**	**(48,952)**	**(195,664)**	**(128,058)**
Financial income (expenses), net	**(23,411)**	(24,313)	**(90,657)**	(58,292)

23. Financial income and expenses--Continued

	Consolidated			
	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	2011	2012	2011
Interest income	8,520	6,061	18,547	20,783
Effective yield from investments	8,291	7,299	31,836	14,742
Monetary and foreign exchange gains	23,693	4,597	37,426	17,635
Capitalization of financial/other assets	5,782	5,990	16,422	13,100
Total financial income	**46,286**	**23,947**	**104,231**	**66,260**
Interest expenses	(43,695)	(38,730)	(147,571)	(99,820)
Monetary and foreign exchange losses	(25,246)	(9,443)	(44,572)	(25,339)
Other expenses	(1,027)	(852)	(3,587)	(3,062)
Total financial expenses	**(69,968)**	**(49,025)**	**(195,730)**	**(128,221)**
Financial income (expenses), net	**(23,682)**	**(25,078)**	**(91,499)**	**(61,961)**

24. Transactions with related parties

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

In addition to the balance payable to CEMIG, disclosed in Note 11, and the agreements described in Note 16, the remaining transactions with related parties are substantially those carried out with the State of Minas Gerais and subsidiaries. Significant balances and transactions with related parties are set out below:

	Company				
	09/30/2012				
	Subsidiaries				Other
	Águas Minerais	Copanor	Serviços de Irrigação	Total	State of MG
Assets					
Current assets					
Accounts receivable - customers					
Billed amounts	0	0	0	0	16,880
Noncurrent assets					
Loans	0	18,535	979	19,514	0
Investments (FCC)	24,248	1	1	24,250	0
Total assets	**24,248**	**18,536**	**980**	**43,764**	**16,880**
Liabilities					
Current liabilities					
Agreements	0	0	0	0	35,531
Interest on equity	0	0	0	0	19,760
Noncurrent liabilities					
Provision for investment loss	0	15,134	440	15,574	0
Total liabilities	**0**	**15,134**	**440**	**15,574**	**55,291**
Income statement					

24. Transactions with related parties--Continued

		Three-month periods ended September 30, 2012			
Revenue from water supply and sewage services	0	**0**	**0**	**0**	**26,608**
Gains on monetary variation	0	**298**	**23**	**321**	**0**
		Nine-month periods ended September 30, 2012			
Revenue from water supply and sewage services	**0**	**0**	**0**	**0**	**74,204**
Gains on monetary variation	**0**	**981**	**83**	**1,064**	**0**

	Company				
	12/31/2011				
	Subsidiaries				**Other**
	Águas Minerais	**Copanor**	**Serviços de Irrigação**	**Total**	**State of MG**
Assets					
Current assets					
Accounts receivable - customers					
Billed amounts	0	0	0	0	8,905
Agreements	0	0	0	0	4,741
Loans	57,541	17,139	1,368	76,048	
Investments	1	1	1	3	0
Total assets	**57,542**	**17,140**	**1,369**	**76,051**	**13,646**
Liabilities					
Current liabilities					
Interest on equity	0	0	0	0	15,870
Noncurrent liabilities					
Provision for investment loss	31,047	13,666	894	45,607	0
Total liabilities	**31,047**	**13,666**	**894**	**45,607**	**15,870**
Income statement					
		Three-month periods ended September 30, 2011			
Revenue from water supply and sewage services	0	0	0	0	23,383
Gains on monetary variation	1,541	422	49	2,012	0
		Nine-month periods ended September 30, 2011			
Revenue from water supply and sewage services	0	0	0	0	65,857
Gains on monetary variation	4,042	1,156	136	5,334	0

Balances and transactions with related parties are conducted under prices and conditions considered by Management to be similar to those prevailing in the market, except for the form of financial settlement, which may occur through special negotiations (matching of accounts). The loan agreements with subsidiaries Copanor e Serviços de Irrigação pay 101% of CDI. As from January 2012, monetary restatement on loan agreements with subsidiary Águas Minerais has no longer been calculated and accounted for because the balance of these agreements will be converted into future capital contribution, the implementation of which depends upon approval by the Board of Directors and Special Shareholders' Meeting in meetings to be held in October 2012, as mentioned in Note 08.

24. Transactions with related parties--Continued

- Electric energy supply

  COPASA is one of the major consumers of Electric energy in the State of Minas Gerais, where electricity is supplied primarily by the Minas Gerais Electric energy utility company CEMIG, controlled by COPASA's controlling shareholder, i.e., the State of Minas Gerais. More than 300 Electric energy supply agreements were signed, each one for a specific consumer unit.

- Financing agreements with BDMG

  The Company entered into various financing agreements with BDMG in the normal course of its business.

- Agreements with CODEMIG

  As of March 22, 2006, the Company signed an intention protocol for technical cooperation and, as of September 30, 2006, a lease agreement was made to take over the rights related to mineral waters of Araxá, Cambuquira, Caxambu and Lambari, as mentioned in Note 01.

- Guarantee of the State of Minas Gerais in Company's agreements with Brazilian Federal Government

  Agreements with the Brazilian Federal Government guaranteed by the State of Minas Gerais:

  Debt acknowledgement and settlement agreement with the Federal Government as of January 20, 1994: in the event of default, the Federal Government is authorized by the State of Minas Gerais to: (i) offset any amounts with own revenues and portions of certain taxes collected, in amounts sufficient to settle any past due installments; and (ii) request the transfer of funds existing in the State's revenue centralizing accounts maintained in a certain financial institution, in amounts sufficient to settle any installment in default. At September 30, 2012, the outstanding balance of these agreements totals R$57,698, as mentioned in Note 12.

  Debt acknowledgement and consolidation agreement with the Federal Government as of August 5, 1998: the State of Minas Gerais assigned and transferred to the Federal Government credits from certain taxes collected, in amounts sufficient to pay installments and charges due on each maturity date. At September 30, 2012, the outstanding balance of these agreements totals R$51,493, as mentioned in Note 12.

24. Transactions with related parties--Continued

- Key management personnel compensation

  Total compensation paid or payable to key management members, which includes Board of Directors and Officers, is as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2012	**2011**	**2012**	**2011**
Compensation	939	1,118	3,196	3,020
Profit sharing	0	0	17	14
Post-employment benefits	0	0	39	0
Health and dental care plans	154	163	461	402
Total	**1,093**	**1,281**	**3,713**	**3,436**

25. Water supply and sewage services in Belo Horizonte

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 25 to the Financial Statements as of December 31, 2011.

26. Fair value measurement and hierarchy

The fair value is an existing price, representing the value that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Accordingly, fair value is a market-based measurement and should consider the assumptions that market participants would use in pricing an asset or liability. Such consideration is based on a 3-level fair value hierarchy established to prioritize the inputs used for fair value measurement, as follows:

1. Level 1 - Market observable inputs such as those whose quoted prices are available in active markets;
2. Level 2. Inputs, other than those with quoted prices in active markets that are directly or indirectly observable; and
3. Level 3 - Unobservable inputs for which there are few or no available market data, which requires the reporting entity to develop its own assumptions.

At September 30, 2012, the Company has no financial instruments measured at fair value.

27. Commitments

COPASA MG entered into new venture construction contracts, under which obligations are recorded as the services are rendered. The main outstanding contracts with subcontractors and suppliers at September 30, 2012 are listed below:

Subcontractor	Amount	Execution date	Term in days (1)
Construtora Andrade Gutierrez S.A.	186,404	08/25/2011	1,080
Construções Camargo Corrêa S/A.	121,904	11/24/2011	900
Construtora Barbosa Mello S/A.	43,272	12/26/2011	540
Egesa Engenharia S/A.	42,121	09/13/2010	1,080
Perfil Engenharia S/A	26,731	01/05/2012	540
Infracon Engenharia e Comércio Ltda.	26,353	08/08/2012	630
Construtora R. Fonseca	22,731	06/30/2009	1,080
Prefisan Ltda	21,624	03/14/2012	1,080
Construtotora Integral Ltda	14,211	09/27/2012	600
Encibra S/A Est. Projeto de Engenharia	13,818	01/24/2012	1,080
Sanesc Saneamento e Constr. Ltda	13,781	06/27/2012	720
Exponencial Engenharia Ltda	11,450	08/302012	540

1) As from the date established in the first service order.

Upon renewal or review of some concession agreements, the Company assumed commitments of participating financially in sewage network construction and river valley treatment works, to be carried out by the municipal governments. Among works 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 incorporated to the Company's intangible assets.

The main committed amounts refer to the following municipalities:

	R$		
Municipalities	Committed	Realized	Realization %
Betim	80,286	73,521	91.57
Belo Horizonte (Note 25)	261,140	56,549	21.65
Contagem	83,707	83,707	100
Montes Claros	121,941	61,417	50.37
Ribeirão das Neves	86,411	70,977	82.14
Teófilo Otoni	54,360	0	0

28. Insurance

The explanations concerning this Note did not change significantly in relation to existing disclosures in Note 28 to the Financial Statements as of December 31, 2011.

29. State VAT (ICMS) levy

According to State Law No. 9944 of September 20, 1989, and State Decree No. 38104/96, the Company started paying ICMS (State VAT) under a special tax regime, whereby this tax was levied and collected on the supply of piped water for the period between 1989 and 1991. In 1991, the Company suspended the tax collection as a result of a preliminary decision on Direct Unconstitutionality Proceeding (ADIN) No. 567-7, which established that this collection necessitated a particular law to regulate it. The ADIN was declared impaired by loss of the subject matter, and this issue has been the subject of uncontested understanding by the Supreme Court in a decision awarded on Direct Unconstitutionality Proceeding No. 2224, published on March 21, 2007, whereby the supply of treated water to end consumers is an essential public service, by express constitutional determination. However, as the merits of the action have not yet been judged, and although there are pronouncements from the STF (Supreme Court) and the STJ (Higher Court of Justice), and repeated understanding of the Minas Gerais state law that there would be no ICMS levy on the supply of drinking water by concession operators that provide this public service, so far there is no definitive Judicial Branch position. Due to the suspension of the tax collection, the amount of the referred to tax is not currently included in the calculation of tariffs of the Company, and it is not being charged either from customers or passed on to the State Government. Furthermore, there is no tax deficiency notice from the state tax authorities that would render the establishment of a provision for this tax justifiable.

Company information / Composition of capital

Number of Share (in Thousand)	**Actual Quarter 09/30/2012**
In capital	
Ordinary	119,327
Preferred	0
Total	119,327
In treasury	
Ordinary	357
Preferred	0
Total	357

Company information / Cash distribution

Event share	Approval	Income	Beginning of payment	Type of share	Class of share	Earning per (reais / share)
Meeting of the board of directors	09/14/2012	Interest on equity	11/13/2012	Ordinary		0.32293