Quarterly Information

Companhia de Saneamento de Minas Gerais - COPASA.

Quarter ended September 30, 2010 with Special Review Report of Independent Auditors

"A free Translation from Portuguese into English"

Independent Auditors' Special Review Report on Quarterly Information

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

1. We have carried out a special review of the accompanying quarterly financial information (ITR) of Companhia de Saneamento de Minas Gerais – COPASA MG, parent company and consolidated, for the quarter ended September 30, 2010, which comprise the balance sheets, the statements of income, changes in shareholders' equity and of cash flows, Management's performance report and related information of the parent company and consolidated. This quarterly financial information (ITR) is the responsibility of the Company's management.

2. We conducted our review in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) along with the Brazilian Federal Accounting Board ("Conselho Federal de Contabilidade"), which consisted principally of: (a) inquiries of and discussions with key personnel responsible for the accounting, financial and operating areas of the Company and its subsidiaries with respect to the criteria adopted in preparing the quarterly information; and, (b) review of information and subsequent events that have or could have material effects on the financial position and operations of the Company and its subsidiaries.

3. Based on our special review, we are not aware of any material modification that should be made to the quarterly information referred to in paragraph 1 for it to comply with accounting practices adopted in Brazil and rules established by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of quarterly information.

4. As mentioned in Note 02, in 2009 the Brazilian Securities and Exchange Commission (CVM) approved several new Pronouncements, Interpretations and Guidance issued by the Brazilian Accounting Standards Board (CPC), with effectiveness as of 2010, which changed the accounting practices adopted in Brazil. Such changes were adopted by the Company in the preparation of its quarterly financial information for the quarter ended September 30, 2010 and disclosed in Note 05. The quarterly financial information referring to income statements and cash flows for the quarter ended September 30, 2009, presented for comparison purposes, was adjusted to include the changes in accounting practices adopted in Brazil effective as of 2010.

5. As mentioned in Note 29, effective September 20, 1989, the Company, began being taxed, under a special taxation regime, for State Value-Added Tax (ICMS) on water supply. Based on the opinion of its legal advisors, the referred to VAT tax would require specific rules regulating the subject. To date, there has been no definition by the State Executive Branch concerning the computation criteria and required collection of such tax; further, such tax has not been included in the Company's water and wastewater rates, which are determined by the State of Minas Gerais. Consequently, such tax has neither been collected from customers, nor provided for by the Company nor remitted to the State Government.

Belo Horizonte (MG), November 05, 2010

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

João Ricardo P. Costa
Accountant CRC - 1RJ 066.748/O-3-S-MG

Flávio de Aquino Machado
Accountant CRC - 1MG 065.899/O-2

(A free translation into English from the original issued in Portuguese)

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 09/30/2010 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY APPRECIATION OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

01.01 – IDENTIFICATION

1 – CVM CODE	2 - COMPANY NAME	3 – National Corporate Taxpayers' Registration Number – CNPJ
01944-5	CIA. DE SANEAMENTO DE MINAS GERAIS	17.281.106/0001-03
4 – Registration Number – NIRE		
31300036375		

01.02 – HEAD OFFICE

1 – FULL ADDRESS				2 – SUBURB OR DISTRICT
RUA MAR DE ESPANHA, 525				SANTO ANTÔNIO
3 – POSTAL CODE	4 – MUNICIPALITY			5 – STATE
30270-330	BELO HORIZONTE			MG
6 – AREA CODE	7 – TELEPHONE	8 – TELEPHONE	9 – TELEPHONE	10 – TELEX
31	3250-2015	3250-2049	3250-1392	-
11 – AREA CODE	12 – FAX	13 – FAX	14 – FAX	
31	3250-1409	3250-1341	-	-
15 – E-MAIL				
dfi@copasa.com.br or geraldo.calcado@copasa.com.br				

01.03 – INVESTOR RELATIONS OFFICER (Address for correspondence with Company)

1 – NAME				
PAULA VASQUES BITTENCOURT				
2 – FULL ADDRESS			3 – SUBURB OR DISTRICT	
RUA MAR DE ESPANHA, 525			SANTO ANTÔNIO	
4 – POSTAL CODE	5 – MUNICIPALITY			6 – STATE
31330-270	BELO HORIZONTE			MG
7 – AREA CODE	8 – TELEPHONE	9 – TELEPHONE	10 - TELEPHONE	11 – TELEX
31	3250-2015	3250-1214	3250-2040	
12 – AREA CODE	13 – FAX	14 – FAX	15 - FAX	
31	3250-1409	3250-1312	-	
16 – E-MAIL				
dfi@copasa.com.br or geraldo.calcado@copasa.com.br				

01.04 –REFERENCE / INDEPENDENT ACCOUNTANTS

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1-BEGINNING	2-END	3-QUARTER	4-BEGINNING	5-END	6-QUARTER	7-BEGINNING	8-END
01/01/2010	12/31/2010	3	07/01/2010	09/30/2010	2	04/01/2010	06/30/2010

9 – INDEPENDENT ACCOUNTANT	10 - CVM CODE
Ernst & Young Independent Auditors	00471-5
11 - RESPONSIBLE PROFESSIONAL	12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE RESPONSIBLE PROFESSIONAL
JOÃO RICARDO P. COSTA	722.071.677-04

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FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 09/30/2010 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

01.01 IDENTIFICATION

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01944-5	CIA. DE SANEAMENTO DE MINAS GERAIS	17.281.106/0001-03

01.05 – CAPITAL COMPOSITION

Number of shares (Thousand)	Current Quarter 9/30/2010	Prior quarter 06/30/2010	Same quarter in prior year 09/30/2009
Paid-up capital			
1 – Common	115,299	115,299	115,299
2 – Preferred	0	0	0
3 – Total	115,299	115,299	115,299
Treasury Stock			
4 – Common	370	370	370
5 – Preferred	0	0	0
6 – Total	370	370	370

01.06 – CHARACTERISTICS OF THE COMPANY

1 – TYPE OF COMPANY **Commercial. industrial and other**
2 – SITUATION **Operating**
3 – NATURE OF OWNERSHIP **Public**
4 – ACTIVITY CODE 3160 – Company Part. Adm. - Water supply, sewage and gas services
5 – MAIN ACTIVITY *The Company is engaged in providing water supply and sanitary sewage services.*
6 – TYPE OF CONSOLIDATION *Total*
7 – TYPE OF REPORT OF INDEPENDENT ACCOUNTANTS *No Exception*

01.07 – COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 – ITEM	2 – CNPJ	3 – NAME

01.08 – DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 – ITEM	2 – EVENT	3 – DATE APPROVED	4 – AMOUNT	5 – DATE OF PAYMENT	6 - TYPE OF SHARE	7 – YIELD PER SHARE

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FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 09/30/2010 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

01.01 – IDENTIFICATION

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01944-5	CIA. DE SANEAMENTO DE MINAS GERAIS	17.281.106/0001-03

01.09 – SUBSCRIBED CAPITAL AND ALTERATION IN THE CURRENT YEAR

1 – ITEM	2 – DATE OF ALTERATION	3 - CAPITAL	4 – AMOUNT OF THE ALTERATION	5 –NATURE OF ALTERATION	7 – NUMBER OF SHARES ISSUED	8 – SHARE PRICE ON ISSUE DATE
01	01/16/2006	1,818,780	102,791	Interest capital	894	115.0000000000
02	02/06/2006	2,541,857	723,077	Subscription in cash	30,769	23.5000000000
03	03/08/2006	2,632,242	90,385	Subscription supplementary	3,846	23.5000000000
04	08/29/2008	2,632,265	23	Convertion 188 debentures in 752 ordinary shares	1	31.2900000000
05	03/27/2009	2,633,063	798	Convertion debentures in ordinary shares	26	31.3400000000
06	04/24/2009	2,635,646	2,583	Convertion 20595 debentures in 82380 ordinary shares	82	31.3400000000
07	07/31/2009	2,636,430	784	Convertion 2039 debentures in 8156 ordinary shares	25	31.3600000000
08	08/28/2009	2,636,460	30	Convertion 240 debentures in 960 ordinary shares	1	31.3600000000

01.10 – INVESTOR RELATIONS OFFICER

1 – DATE	2 – SIGNATURE
11/10/2010	

01.01 – IDENTIFICATION

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01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

02.01 - BALANCE SHEET - ASSETS (R$ thousands)

1 – CODE	2 – DESCRIPTION	3 - 09/30/2010	4 - 06/30/2010
1	Total assets	7,216,015	7,110,254
1.01	Current assets	643,808	736,976
1.01.01	Cash and cash equivalents	105,948	224,969
1.01.01.01	Cash and Banks	19,326	38,410
1.01.01.02	Short term bank deposits	86,622	186,559
1.01.02	Credits	456,686	425,241
1.01.02.01	Accounts Receivable	428,949	394,772
1.01.02.02	Other Credits	27,737	30,469
1.01.02.02.01	Bank account – agreements	(68)	81
1.01.02.02.02	Short term investments - agreements	12,061	15,595
1.01.02.02.03	Advance to employees	10,731	9,663
1.01.02.02.04	Other	5,013	5,130
1.01.03	Inventory	25,643	26,060
1.01.04	Other	55,531	60,706
1.01.04.01	Recoverable taxes	25,283	36,607
1.01.04.02	Technical cooperation agreement	30,248	24,099
1.02	Noncurrent assets	6,572,207	6,373,278
1.02.01	Long-term assets	1,014,367	1,020,231
1.02.01.01	Other credits	683,428	695,123
1.02.01.01.01	Accounts Receivable	186,577	192,829
1.02.01.01.02	Collateral and guarantees	100,840	100,482
1.02.01.01.03	Escrow deposits	8,784	8,769
1.02.01.01.04	Deferred Income Tax / Social Security Contribution	340,223	342,720
1.02.01.01.05	Other	47,004	50,323
1.02.01.02	Insider company credits	57,215	53,437
1.02.01.02.01	Related company credits	0	0
1.02.01.02.02	Controlled company credits	57,215	53,437
1.02.01.02.03	With other insider company credits	0	0
1.02.01.03	Other	273,724	271,671
1.02.02.03.01	Financial assets	273,724	271,671
1.02.02	Permanent assets	5,557,840	5,353,047
1.02.02.01	Investments	263	263
1.02.02.01.01	Related company shares	0	0
1.02.02.01.02	Related company shares-Premium	0	0
1.02.02.01.03	Controlled company shares	0	0
1.02.02.01.04	Controlled company shares-Premium	0	0
1.02.02.01.05	Other investments	263	263
1.02.02.02	Property plant & equipment	95,562	93,161
1.02.02.03	Intangible	5,462,015	5,259,623
1.02.02.04	Deferred	0	0

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02.02 - BALANCE SHEET – LIABILITIES (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 - 09/30/2010	4 - 06/30/2010
2	Total liabilities and shareholders' equity	7,216,015	7,110,254
2.01	Current liabilities	643,990	617,895
2.01.01	Loans and financings	146,044	141,890
2.01.02	Debentures	99,005	93,907
2.01.03	Suppliers	59,413	60,295
2.01.04	Taxes charges and Contribution	45,591	32,261
2.01.05	Dividends payable	0	0
2.01.06	Provisions	101,373	91,345
2.01.06.01	Accrual for employee vacation	69,003	70,131
2.01.06.02	Accrual for 13th salary	32,370	21,214
2.01.07	Payable to related companies	0	0
2.01.08	Other	192,564	198,197
2.01.08.01	Employees profit sharing	37,694	30,915
2.01.08.02	Pension plan	14,135	14,434
2.01.08.03	Interest on equity	56,931	56,746
2.01.08.04	Taxes installments	34,733	44,793
2.01.08.05	Other	49,071	51,309
2.02	Non-current liabilities	2,644,709	2,626,802
2.02.01	Long-term liabilities	2,644,709	2,626,802
2.02.01.01	Loans and financings	1,094,057	1,091,394
2.02.01.02	Debentures	657,478	659,441
2.02.01.03	Provisions	68,490	75,670
2.02.01.03.01	Accrual for taxes	37,530	47,234
2.02.01.03.02	Accrual for contingencies	30,960	28,436
2.02.01.04	Payable to related companies	0	0
2.02.01.05	Advance for future capital increase	8,797	8,797
2.02.01.06	Other	815,887	791,500
2.02.01.06.01	Pension plan	470,043	471,593
2.02.01.06.02	Deferred income tax / Social security contribution	52,109	42,093
2.02.01.06.03	Taxes installments	209,046	192,829
2.02.01.06.04	Other	84,689	84,985
2.03	Future accounting year results	0	0
2.05	Shareholders' Equity	3,927,316	3,865,557
2.05.01	Paid-in capital	2,636,460	2,636,460
2.05.02	Capital reserves	3,782	3,782
2.05.03	Revaluation reserves	0	0
2.05.03.01	Own assets	0	0
2.05.03.02	Related companies	0	0
2.05.04	Income reserves	1,091,174	1,091,174
2.05.04.01	Legal	112,731	112,731
2.05.04.02	Statutory	0	0
2.05.04.03	Contingencies	0	0
2.05.04.04	To realize income	0	0
2.05.04.05	Income retention	970,236	970,236
2.05.04.05.01	Income retention	979,426	979,426
2.05.04.05.02	Treasury shares	(9,190)	(9,190)
2.05.04.06	Non distributed dividends	0	0
2.05.04.07	Other income reserves	8,207	8,207
2.05.05	Equity valuation adjustments	0	0
2.05.05.01	Adjustments marketable securities	0	0
2.05.02.02	Adjustments conversion	0	0
2.05.02.03	Adjustments business combination	0	0
2.05.06	Retained earnings (accumulated losses)	195,900	134,141
2.05.07	Advance for future capital increase	0	0

.

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03.01 – INCOME STATEMENTS (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 – 07/01/2010 to 09/30/2010	4 – 01/01/2010 to 09/30/2010	5 – 07/01/2009 to 09/30/2009	6 – 01/01/2009 to 09/30/2009
3.01	Gross sales and/or services	922,557	2,607,630	932,537	2,505,874
3.01.01	Water supply services	498,103	1,436,180	464,746	1,355,890
3.01.02	Sewage services	173,173	498,862	155,106	461,527
3.01.03	Construction revenue	251,281	672,588	312,685	688,457
3.02	Deductions from gross revenue	(72,475)	(209,366)	(67,256)	(192,147)
3.03	Sales/Services Net Revenue	850,082	2,398,264	865,281	2,313,727
3.04	Cost of services rendered	(526,218)	(1,490,802)	(578,109)	(1,459,814)
3.04.01	Cost of services	(281,132)	(836,983)	(274,833)	(790,654)
3.04.02	Construction cost	(245,086)	(653,819)	(303,276)	(669,160)
3.05	Gross Profit	323,864	907,462	287,172	853,913
3.06	Operating Expenses/Income	(194,720)	(553,398)	(134,414)	(426,395)
3.06.01	Commercial	(43,765)	(128,490)	(41,094)	(121,786)
3.06.02	Administrative	(86,933)	(241,847)	(67,407)	(210,710)
3.06.03	Financial	(63,158)	(171,533)	(33,031)	(100,272)
3.06.03.01	Financial income	23,177	97,335	36,501	130,438
3.06.03.02	Financial expenses	(86,335)	(268,868)	(69,532)	(230,710)
3.06.04	Other operating income	42,500	61,011	21,696	49,842
3.06.05	Other operating expenses	(39,677)	(58,924)	(9,610)	(28,850)
3.06.05.01	Accrual for taxes	(28,365)	(36,129)	(1,262)	(12,274)
3.06.05.02	Other operating expenses	(11,312)	(22,795)	(8,348)	(16,576)
3.06.06	Equity pick up	(3,687)	(13,615)	(4,968)	(14,619)
3.06.06.01	Expense from equity pick up	(3,890)	(13,834)	(4,968)	(14,619)
3.06.06.02	Revenue from equity pick up	203	219	0	0
3.07	Operating profit	129,144	354,064	152,758	427,518
3.08	Non-operating results	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Profit before taxation and participations	129,144	354,064	152,758	427,518
3.10	Provision for income and social contribution taxes	(57,137)	(134,355)	(51,449)	(146,683)
3.10.01	Provision for income tax	(38,669)	(96,560)	(38,888)	(109,528)
3.10.02	Provision for social contribution	(18,468)	(37,795)	(12,561)	(37,155)
3.11	Deferred income tax	0	0	0	0
3.12	Participations and Statutory Contributions	(10,248)	(23,809)	(6,015)	(22,486)
3.12.01	Participations	(10,248)	(23,809)	(6,015)	(22,486)
3.12.02	Contributions	0	0	0	0
3.13	Reversal on interest equity	56,936	157,350	37,911	118,791
3.15	Net income for the period	118,695	353,250	133,205	377,140
	NUMBER OF SHARES EX TREASURY (THOUSAND)	114,929	114,929	114,929	114,929
	Income per share (R$)	1.03277	3.07364	1.15902	3.28150
	Loss per share (R$)				

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04.01 – CASH FLOWS – INDIRECT METOD (R$ thousand)

1 – CODE	2 – DESCRIPTION	07/01/2010 to 09/30/2010	01/01/2010 to 09/30/2010	07/01/2009 to 09/30/2009	01/01/2009 to 09/30/2009
4.01	Cash flow from operating activities	260,251	661,914	162,542	605,811
4.01.01	Cash generated by operating activities	229,526	661,445	208,988	641,674
4.01.01.01	Net income for the period	118,695	353,250	133,205	377,140
4.01.01.02	Allowance for doubtful accounts	(22,191)	(13,667)	650	6,999
4.01.01.03	Interest receivables on accounts receivable	(279)	(2,481)	(3,165)	(9,419)
4.01.01.04	Monetary variations on accounts receivable	0	(6,955)	(851)	3,498
4.01.01.05	Deferred tax and social contribution	12,513	18,670	7,847	7,228
4.01.01.06	Exchange variation on financing collaterals	1,310	542	2,145	8,107
4.01.01.07	Income financing collaterals	(1,634)	(4,093)	(1,154)	(3,639)
4.01.01.08	Capitalized interest on BNY bond	0	(3,670)	0	4,262
4.01.01.09	Monetary variation on loans to subsidiaries	(1,193)	(3,221)	(653)	(1,871)
4.01.01.10	Equity pickup	3,686	13,614	4,967	14,619
4.01.01.11	Permanent asset disposals	9	1,564	769	4,733
4.01.01.12	Depreciation and amortization	65,358	197,748	62,167	183,976
4.01.01.13	Interest on loans	23,620	63,975	11,244	55,645
4.01.01.14	Monetary and exchange variation on loans	(276)	4,812	(5,132)	(14,935)
4.01.01.15	Tax provisions	28,365	36,129	1,262	12,274
4.01.01.16	Contingencies provision	2,524	513	(2,749)	(2,210)
4.01.01.17	Reversion pension plan	501	2,824	(6,127)	(18,788)
4.01.01.18	Interest/ Monetary variation on cemig/previminas	2,536	14,401	3,303	10,816
4.01.01.19	Deferred revenue	(59)	(347)	(2,040)	(5,962)
4.01.01.20	Financial Assets	(3,959)	(12,163)	3,300	9,201
4.01.02	Changes in assets and liabilities	30,725	469	(46,446)	(35,863)
4.01.02.01	Accounts receivable	(5,455)	8,346	(10,559)	(20,572)
4.01.02.02	Inventory	417	1,805	(631)	(2,907)
4.01.02.03	Recoverable taxes	11,324	1,310	(201)	(5,427)
4.01.02.04	Colleteral Guarantee	(34)	(13,132)	(177)	(4,510)
4.01.02.05	Escrow deposits	(15)	54	16	(470)
4.01.02.06	Related parties – loans	(2,585)	(8,836)	(5,310)	(6,220)
4.01.02.07	Other	6,051	4,415	(3,972)	936
4.01.02.08	Suppliers	(882)	(36,060)	(42,696)	(2,202)
4.01.02.09	Taxes payable	13,330	7,026	5,493	(3,421)
4.01.02.10	Accrued vacation pay	(1,128)	2,030	2,159	6,753
4.01.02.11	Accrual for 13th salary	11,156	32,370	10,356	29,619
4.01.02.13	Technical Cooperation Agreement	(6,149)	(8,316)	2,684	(23,810)
4.01.02.14	Pension plan	(375)	(3,666)	67	(3,910)
4.01.02.15	Electric power	(825)	(2,282)	(4,747)	(9,671)
4.01.02.16	Other	(884)	12,257	(4,686)	(157)
4.01.02.17	Decrease advance capital	0	0	(256)	(256)
4.01.03	Other	0	0	0	0
4.02	Net cash from investing activities	(247,932)	(665,402)	(283,930)	(691,966)
4.02.01	Sale of share	0	0	814	4,195
4.02.02	Increase investments	0	0	0	(4,754)
4.02.03	Increase PP&E and intangible assets	(247,932)	(665,402)	(284,744)	(691,407)
4.03	Net cash from financing activities	(131,340)	(303,966)	(81,963)	(141,200)
4.03.01	Increase loans and financing	64,177	220,793	41,451	310,375
4.03.02	Amortization loans – principal	(56,074)	(141,830)	(40,477)	(124,526)
4.03.03	Amortization loans - interest	(41,817)	(130,498)	(31,062)	(110,837)
4.03.04	Payment of interest on own capital	(56,751)	(153,959)	(43,675)	(191,897)
4.03.05	Amortization cemig/previminas - principal	(7,052)	(20,401)	(6,283)	(18,607)
4.03.06	Amortization cemig/previminas - interest	(1,911)	(5,909)	(1,917)	(5,708)
4.03.07	Taxes in installments payment	(31,912)	(72,162)	0	0
4.04	Exchange variation cash and cash equivalents	0	0	0	0
4.05	Increase (decrease) cash and cash equivalents	(119,021)	(307,454)	(203,351)	(227,355)
4.05.01	Cash and cash equivalents at beginning of the period	224,969	413,402	762,124	786,128
4.05.02	Cash and cash equivalents at the end of the period	105,948	105,948	558,773	558,773

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

05.01 - STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – 07/01/2010 to 09/30/2010 (R$ thousand)

1 – CODE	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earnings (loss) accumulated	Equity valuation adjustments	Total
5.01	At the beginning of the period	2,636,460	3,782	-	1,091,174	134,141	-	3,865,557
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,636,460	3,782	-	1,091,174	134,141	-	3,865,557
5.04	Net income for the period	-	-	-	-	118,695	-	118,695
5.05	Destination	-	-	-	-	(56,936)	-	(56,936)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(56,936)	-	(56,936)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combination	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	-	-	-	-	-	-	-
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,636,460	3,782	-	1,091,174	195,900	-	3,927,316

(A free translation into English from the original issued in Portuguese)

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 09/30/2010 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

05.02 - STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – 01/01/2010 to 09/30/2010 (R$ thousand)

1 – CODE	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earnings (loss) accumulated	Equity valuation adjustments	Total
5.01	At the beginning of the period	2,636,460	3,782	-	1,091,174	-	-	3,731,416
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,636,460	3,782	-	1,091,174	-	-	3,731,416
5.04	Net income for the period	-	-	-	-	353,250	-	353,250
5.05	Destination	-	-	-	-	(157,350)	-	(157,350)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(157,350)	-	(157,350)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combination	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	-	-	-	-	-	-	-
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,636,460	3,782	-	1,091,174	195,900	-	3,927,316

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01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

08.01 - CONSOLIDATED BALANCE SHEET - ASSETS (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 - 09/30/2010	4 - 06/30/2010
1	Total assets	7,201,704	7,097,686
1.01	Current assets	659,326	750,516
1.01.01	Cash and cash equivalents	108,875	227,496
1.01.01.01	Cash and Banks	21,977	40,834
1.01.01.02	Marketable Securities	86,898	186,662
1.01.02	Credits	469,622	443,948
1.01.02.01	Accounts Receivable	431,894	397,909
1.01.02.02	Other Credits	37,728	46,039
1.01.02.02.01	Bank account – agreements	1,295	91
1.01.02.02.02	Short term investments - agreements	20,412	30,896
1.01.02.02.03	Advance employees	10,991	9,904
1.01.02.02.04	Prepayment expenses	15	18
1.01.02.02.05	Other	5,015	5,130
1.01.03	Inventory	28,355	29,358
1.01.04	Other	52,474	49,714
1.01.04.01	Recoverable taxes	25,358	36,683
1.01.04.02	Technical Cooperation Agreement	27,116	13,031
1.02	Noncurrent assets	6,542,378	6,347,170
1.02.01	Long-term assets	958,935	968,577
1.02.01.01	Other credits	685,211	696,906
1.02.01.01.01	Accounts Receivable	186,577	192,829
1.02.01.01.02	Collateral Guarantee	100,840	100,482
1.02.01.01.03	Escrow deposits	8,784	8,769
1.02.01.01.04	Deferred Income Tax / Social Security Contribution	340,223	342,720
1.02.01.01.05	Other	48,787	52,106
1.02.01.02	Insider company credits	0	0
1.02.01.02.01	Related company credits	0	0
1.02.01.02.02	Controlled company credits	0	0
1.02.01.02.03	With other insider company credits	0	0
1.02.01.03	Other	273,724	271,671
1.02.01.03.01	Financial assets	273,724	271,671
1.02.02	Permanent assets	5,583,443	5,378,593
1.02.02.01	Investments	260	260
1.02.02.01.01	Related company shares	0	0
1.02.02.01.02	Related company shares-Premium	0	0
1.02.02.01.03	Other investments	260	260
1.02.02.02	Fixed Assets	121,108	118,649
1.02.02.03	Intangible	5,462,075	5,259,684
1.02.02.04	Deferred	0	0

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

08.02 - CONSOLIDATED BALANCE SHEET - LIABILITIES (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 - 09/30/2010	4 - 06/30/2010
2	Total liabilities and shareholders' equity	7,201,704	7,097,686
2.01	Current liabilities	650,398	622,394
2.01.01	Loans and financings	146,044	141,890
2.01.02	Debentures	99,005	93,907
2.01.03	Suppliers	65,645	64,681
2.01.04	Taxes charges and Contribution	45,431	32,112
2.01.05	Dividends payable	0	0
2.01.06	Provisions	101,684	91,581
2.01.06.01	Accrual for employee vacation	69,200	70,292
2.01.06.02	Accrual for 13th salary	32,484	21,289
2.01.07	Payable to related companies	0	0
2.01.08	Other	192,589	198,223
2.01.08.01	Employees profit sharing	37,694	30,915
2.01.08.02	Taxes installments	34,733	44,793
2.01.08.03	Pension plan	14,135	14,434
2.01.08.04	Interest equity	56,931	56,746
2.01.08.05	Other	49,096	51,335
2.02	Non-current liabilities	2,623,990	2,609,735
2.02.01	Long-term liabilities	2,623,990	2,609,735
2.02.01.01	Loans and financings	1,094,057	1,091,394
2.02.01.02	Debentures	657,478	659,441
2.02.01.03	Provisions	68,910	76,056
2.02.01.03.01	Accrual for taxes	37,530	47,234
2.02.01.03.02	Accrual for contingencies	31,380	28,822
2.02.01.04	Payable to related companies	0	0
2.02.01.05	Advance for future capital increase	8,797	8,797
2.02.01.06	Other	794,748	774,047
2.02.01.06.01	Pension plan	470,043	471,593
2.02.01.06.02	Deferred Income Tax / Social Security Contribution	52,109	42,093
2.02.01.06.03	Taxes installments	209,046	192,829
2.02.01.06.04	Other	63,550	67,532
2.03	Future accounting year results	0	0
2.04	Minority	0	0
2.05	Shareholders' Equity	3,927,316	3,865,557
2.05.01	Paid-in Capital	2,636,460	2,636,460
2.05.02	Capital reserves	3,782	3,782
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Related companies	0	0
2.05.04	Income reserves	1,091,174	1,091,174
2.05.04.01	Legal	112,731	112,731
2.05.04.02	Statutory	0	0
2.05.04.03	Contingencies	0	0
2.05.04.04	To realize income	0	0
2.05.04.05	Income retention	970,236	970,236
2.05.04.05.01	Income retention	979,426	979,426
2.05.04.05.02	Treasury shares	(9,190)	(9,190)
2.05.04.06	Non distributed dividends	0	0
2.05.04.07	Other income reserves	8,207	8,207
2.05.05	Equity valuation adjustments	0	0
2.05.05.01	Adjustments marketable securities	0	0
2.05.02.02	Adjustments conversion	0	0
2.05.02.03	Adjustments business combination	0	0
2.05.06	Retained earnings (accumulated losses)	195,900	134,141
2.05.07	Advance for future capital increase	0	0

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

09.01. CONSOLIDATED INCOME STATEMENTS (R$ thousand)

1 – CODE	2 – DESCRIPTION	3 – 07/01/2010 to 09/30/2010	4 – 01/01/2010 to 09/30/2010	5 – 07/01/2009 to 09/30/2009	6 – 01/01/2009 to 09/30/2009
3.01	Gross sales and/or services	926,207	2,617,172	934,798	2,512,397
3.01.01	Water supply services	501,386	1,444,904	466,822	1,361,478
3.01.02	Sewage services	173,173	498,862	155,106	461,527
3.01.03	Finished goods	367	818	185	935
3.01.04	Construction Revenue	251,281	672,588	312,685	688,457
3.02	Deductions from gross revenue	(72,951)	(210,503)	(67,434)	(193,326)
3.03	Sales/Services Net Revenue	853,256	2,406,669	867,364	2,319,071
3.04	Cost of services rendered	(528,292)	(1,496,258)	(580,765)	(1,465,585)
3.04.01	Cost of services	(283,206)	(842,439)	(277,489)	(796,425)
3.04.02	Construction cost	(245,086)	(653,819)	(303,276)	(669,160)
3.05	Gross Profit	324,964	910,411	286,599	853,486
3.06	Operating Expenses/Income	(195,717)	(556,239)	(133,696)	(425,585)
3.06.01	Commercial	(44,259)	(129,963)	(43,500)	(124,585)
3.06.02	Administrative	(88,926)	(250,253)	(67,114)	(217,625)
3.06.03	Financial	(64,199)	(174,130)	(33,913)	(102,405)
3.06.03.01	Financial income	22,256	95,054	35,855	128,607
3.06.03.02	Financial expenses	(86,455)	(269,184)	(69,768)	(231,012)
3.06.04	Other operating income	42,768	61,789	21,464	51,066
3.06.05	Other operating expenses	(41,101)	(63,682)	(10,633)	(32,036)
3.06.05.01	Accrual for taxes	(28,365)	(36,129)	(1,262)	(12,274)
3.06.05.02	Other operating expenses	(12,736)	(27,553)	(9,371)	(19,762)
3.06.06	Equity pick up	0	0	0	0
3.07	Operating profit	129,247	354,172	152,903	427,901
3.08	Non-operating results	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Profit before taxation and participations	129,247	354,172	152,903	427,901
3.10	Provision for income and social contribution taxes	(57,240)	(134,463)	(51,594)	(147,066)
3.10.01	Provision for income tax	(38,741)	(96,635)	(38,992)	(109,802)
3.10.02	Provision for social contribution	(18,499)	(37,828)	(12,602)	(37,264)
3.11	Deferred income tax	0	0	0	0
3.12	Participations and Statutory Contributions	(10,248)	(23,809)	(6,015)	(22,486)
3.12.01	Participations	(10,248)	(23,809)	(6,015)	(22,486)
3.12.02	Contributions	0	0	0	0
3.13	Reversal on interest equity	56,936	157,350	37,911	118,791
3.14	Minority Interests	0	0	0	0
3.15	Net income for the period	118,695	353,250	133,205	377,140
	NUMBER OF SHARES EX TREASURY (THOUSAND)	114,929	114,929	114,929	114,929
	Income per share (R$)	1.03277	3.07364	1.15902	3.28150
	Loss per share (R$)				

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

10.01. CONSOLIDATED CASH FLOW - INDIRECT METOD (R$ thousand)

1 – CODE	2 – DESCRIPTION	07/01/2010 to 09/30/2010	01/01/2010 to 09/30/2010	07/01/2009 to 09/30/2009	01/01/2009 to 09/30/2009
4.01	Cash flow from operating activities	260,820	662,712	163,667	600,130
4.01.01	Cash generated by operating activities	227,180	652,343	205,505	630,578
4.01.01.01	Net income for the period	118,695	353,250	133,205	377,140
4.01.01.02	Allowance for doubtful accounts	(22,191)	(13,512)	1,254	8,039
4.01.01.03	Interest receivables on accounts receivable	(279)	(2,481)	(3,165)	(9,419)
4.01.01.04	Monetary variations on accounts receivable	0	(6,955)	(851)	3,498
4.01.01.05	Deferred tax and social contribution	12,513	18,670	7,847	7,228
4.01.01.06	Exchange variation on financing collaterals	1,310	542	2,145	8,107
4.01.01.07	Income financing collaterals	(1,634)	(4,093)	(1,154)	(3,639)
4.01.01.08	Capitalized Interest on BNY bond	0	(3,670)	0	4,262
4.01.01.11	Permanent asset disposals	9	2,053	769	4,733
4.01.01.12	Depreciation and amortization	65,472	198,117	62,310	184,504
4.01.01.13	Interest on loans	23,620	63,975	11,244	55,645
4.01.01.14	Monetary and exchange variation on loans	(276)	4,812	(5,132)	(14,935)
4.01.01.15	Tax provisions	28,365	36,129	1,262	12,274
4.01.01.16	Contingencies provision	2,557	791	(2,665)	(2,126)
4.01.01.17	Reversion pension plan	501	2,824	(6,127)	(18,788)
4.01.01.18	Interest/ Monetary variation on cemig/previminas	2,536	14,401	3,303	10,816
4.01.01.19	Deferred revenue	(59)	(347)	(2,040)	(5,962)
4.01.01.20	Financial assets	(3,959)	(12,163)	3,300	9,201
4.01.02	Changes in assets and liabilities	33,640	10,369	(41,838)	(30,448)
4.01.02.01	Accounts receivable	(5,263)	7,482	(10,789)	(21,429)
4.01.02.02	Inventory	1,003	1,896	(638)	(2,874)
4.01.02.03	Recoverable taxes	11,325	1,262	(202)	(5,402)
4.01.02.04	Collateral Guarantee	(34)	(13,132)	(177)	(4,510)
4.01.02.05	Escrow deposits	(15)	54	16	(470)
4.01.02.07	Other	11,629	(2,004)	(12,109)	(13,439)
4.01.02.08	Suppliers	964	(31,035)	(40,522)	(1,652)
4.01.02.09	Taxes payable	13,318	6,641	5,348	(3,776)
4.01.02.10	Accrued vacation pay	(1,092)	2,149	2,170	6,786
4.01.02.11	Accrual for 13th salary	11,196	32,484	10,369	29,651
4.01.02.12	Employees profit sharing	6,779	3,148	6,014	10,362
4.01.02.13	Technical Cooperation Agreement	(14,085)	(4,792)	8,270	(9,583)
4.01.02.14	Pension plan	(375)	(3,666)	67	(3,910)
4.01.02.15	Electric power	(825)	(2,282)	(4,747)	(9,671)
4.01.02.16	Other	(885)	12,164	(4,652)	(275)
4.01.02.17	Decrease capital advance	0	0	(256)	(256)
4.01.03	Other	0	0	0	0
4.02	Net cash from investing activities	(248,103)	(665,224)	(284,434)	(689,348)
4.02.01	Sele of share	0	0	814	4,195
4.02.02	Increase property plant and equipment	(248,103)	(665,224)	(285,248)	(693,543)
4.03	Net cash from financing activities	(131,340)	(303,966)	(81,963)	(141,200)
4.03.01	Increase loans and financing	64,177	220,793	41,451	310,375
4.03.02	Amortization loans – principal	(56,074)	(141,830)	(40,477)	(124,526)
4.03.03	Amortization loans - interest	(41,817)	(130,498)	(31,062)	(110,837)
4.03.04	Payment of interest equity	(56,751)	(153,959)	(43,675)	(191,897)
4.03.05	Amortization cemig/previminas - principal	(7,052)	(20,401)	(6,283)	(18,607)
4.03.06	Amortization cemig/previminas - interest	(1,911)	(5,909)	(1,917)	(5,708)
4.03.07	Taxes installments payment	(31,912)	(72,162)	0	0
4.04	Exchange variation cash and cash equivalents	0	0	0	0
4.05	Increase (decrease) cash and cash equivalents	(118,623)	(306,478)	(202,730)	(230,418)
4.05.01	Cash and cash equivalents at beginning of the period	227,497	415,352	763,348	791,036
4.05.02	Cash and cash equivalents at the end of the period	108,874	108,874	560,618	560,618

(A free translation into English from the original issued in Portuguese)

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)
QUARTERLY INFORMATION (ITR) – DATE – 09/30/2010 **Corporate Legislation**
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

11.01 – CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – 07/01/2010 to 09/30/2010 (R$ thousand)

1 – CODE	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earnings (loss) accumulated	Equity valuation adjustments	Total
5.01	At the beginning of the period	2,636,460	3,782	-	1,091,174	134,141	-	3,865,557
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,636,460	3,782	-	1,091,174	134,141	-	3,865,557
5.04	Net income for the period	-	-	-	-	118,695	-	118,695
5.05	Destination	-	-	-	-	(56,936)	-	(56,936)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(56,936)	-	(56,936)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combination	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	-	-	-	-	-	-	-
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,636,460	3,782	-	1,091,174	195,900	-	3,927,316

01.01 – IDENTIFICATION

1 – CVM CODE	2 – COMPANY NAME	3 – National Corporate Taxpayers' Registration Number - CNPJ
01944-5	Companhia de Saneamento de Minas Gerais - COPASA	17.281.106/0001-03

11.02 – CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY – 01/01/2010 to 09/30/2010 (R$ thousand)

1 – CODE	2 – DESCRIPTION	Capital	Capital reserve	Revaluation reserve	Income reserve	Retained earnings (loss) accumulated	Equity valuation adjustments	Total
5.01	At the beginning of the period	2,636,460	3,782	-	1,091,174	-	-	3,731,416
5.02	Adjustments prior year	-	-	-	-	-	-	-
5.03	Total adjustment	2,636,460	3,782	-	1,091,174	-	-	3,731,416
5.04	Net income for the period	-	-	-	-	353,250	-	353,250
5.05	Destination	-	-	-	-	(157,350)	-	(157,350)
5.05.01	Dividends	-	-	-	-	-	-	-
5.05.02	Interest own capital	-	-	-	-	(157,350)	-	(157,350)
5.05.03	Others	-	-	-	-	-	-	-
5.06	Realization of retained earnings	-	-	-	-	-	-	-
5.07	Equity valuation adjustments	-	-	-	-	-	-	-
5.07.01	Adjustments marketable securities	-	-	-	-	-	-	-
5.07.02	Accumulated adjustments of translation	-	-	-	-	-	-	-
5.07.03	Adjustments business combination	-	-	-	-	-	-	-
5.08	Increase (decrease) capital	-	-	-	-	-	-	-
5.09	Constitutions/realization capital reserve	-	-	-	-	-	-	-
5.10	Treasury shares	-	-	-	-	-	-	-
5.11	Other capital transaction	-	-	-	-	-	-	-
5.12	Other	-	-	-	-	-	-	-
5.13	Total at the end of the period	2,636,460	3,782	-	1,091,174	195,900	-	3,927,316

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01. Operations

Companhia de Saneamento de Minas Gerais - COPASA (the ”COPASA” or “Company”) is a publicly-traded, mixed-capital company, controlled by the Minas Gerais State Government. The Company is engaged in planning, designing, performing, expanding, remodeling, managing and providing water supply and sanitary sewage services, 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 bylaws.

As of September 30, 2010, the Company had the following wholly-owned subsidiaries:

- Copasa Águas Minerais de Minas S/A, established by State Law No. 16693, dated 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 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 and exploiting public utility services comprising water supply and sewage collection, 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 water basins of Jequitinhonha, Mucuri, São Mateus, Buranhém, Itanhém and Jucuruçu rivers planning region.

- 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’s Project, and conducting its maintenance, using both own and outsourced personnel and resources. This Subsidiary may contract, when economically effective, through regular bidding processes, the execution of services and construction work necessary for the operation of the system, and purchase products, equipment and materials required to attain its purposes.

The Company operates in 877 locations in the State of Minas Gerais (874 as of June 30, 2010), in water supply and/or sanitary sewage activities, totaling 4,181,471 customers. The twenty major water and sewage concessions the Company holds are:

Water Concessions			Sewage Concessions	
Location	Nº. of customers	Expiration	Location	Expiration
Belo Horizonte	914,237	2032	Belo Horizonte	2032
Contagem	207,370	2073	Contagem	2073
Betim	120,063	2042	Montes Claros	2028
Montes Claros	112,972	2028	Betim	2042
Ribeirão das Neves	81,529	2034	Ipatinga	2022
Divinópolis	81,295	2033	Ribeirão das Neves	2034
Ipatinga	75,031	2022	Santa Luzia	2013
Santa Luzia	63,349	2013	Patos de Minas	2038
Patos de Minas	49,555	2038	Pouso Alegre	2026
Ibirité	45,590	2034	Varginha	2013
Varginha	45,245	2013	Conselheiro Lafaiete (2)	2009
Pouso Alegre	45,037	2026	Araxá	2032
Conselheiro Lafaiete (2)	43,471	2009	Lavras	2034
Sabará (1)	38,119	2007	Teófilo Otoni	2034
Teófilo Otoni	38,116	2034	Ibirité	2034
Lavras	36,049	2034	Itajubá	2034
Araxá	35,076	2032	Alfenas	2033
Itajubá	32,004	2034	Pará de Minas (2)	2009
Ubá	31,968	2014	Coronel Fabriciano	2033
Coronel Fabriciano	31,427	2033	Vespasiano	2034

1) The concession agreement with the municipality of Sabará terminated on August, 3, 2007, Another agreement has already been signed between such municipality and the state of Minas Gerais, and negotiations continue with a view to assuming the sewage services, Revenue from water supply services in 3Q10 in Sabará totaled R$4,311 (R$4,059 in 2009), or 0,62% (0,62% in 2009) of the Company's total revenue.

2) The concession agreement with the municipality of Conselheiro Lafaiete terminated on July 23, 2010, and the agreement with the municipality of Pará de Minas terminated on October 1, 2009. Revenue from water supply and sewage services in 3Q10 in Conselheiro Lafaiete and Pará de Minas totaled R$5,924 and R$6,411 (R$ 5,886 and R$ 6,368 in 3Q09), or 0.85% and 0.92% (0.90% e 0.98% in 2009), respectively, of the Company's total revenue.

02. Basis of Preparation and Presentation of the Financial Statements

Authorization to complete the preparation of the Company and consolidated quarterly information as of September 30, 2010 was given by the Executive Board on October 26, 2010.

The Company and consolidated quarterly information is presented in thousands of Reais (R$ 000), except where otherwise indicated.

(a)Basis of preparation

The Company and consolidated financial statements were prepared based on historical cost.

The Company and consolidated financial statements were prepared and are being presented considering management's decision for the early adoption of all the Technical Pronouncements issued by the Brazilian FASB (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM) until December 31, 2009, in line with the international accounting standards (IFRS), issued by IASB, as from the Consolidated Financial Statements for the year ended December 31, 2009. Accordingly, and with the objective of enabling comparison between the years, the Statements of Income for the 3rd quarter of 2009 are being presented with the adjustments arising from the new accounting practices, due to adoption of CPC 37 and CPC 43, as mentioned in Note 05.

(b) Consolidated financial statements

The consolidated quarterly information include operations of the Company and the following subsidiaries, in which ownership interests at balance sheet date are as follows:

	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 the entities whose financial and operating policies are controlled by the Company or in which the Company holds voting ownership interest of more than fifty percent or any other condition attributing controlling right to it. Currently, all subsidiaries are wholly-owned by the Company. These subsidiaries are fully consolidated as from the date control is transferred to the Company and stop being consolidated as from the date this control no longer exists.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. All intragoup balances, revenues, expenses, unrealized gains and losses arising from intragoup transactions are fully eliminated from consolidation.

A change in ownership interest in a subsidiary not resulting in control loss is recorded as a capital transaction.

The following criteria were followed in consolidation:

- Elimination of intercompany asset and liability balances;
- Elimination of investments and equity pickup in subsidiaries, against the investee's shareholders' equity; and
- Elimination of revenues and expenses from intercompany transactions.

03. Summary of Significant Accounting Practices

(a) Cash and cash equivalents

These comprise cash, bank deposits, other highly-liquid short-term investments redeemable up to 90 days from balance sheet date and with immaterial risk of change in market value and used by the Company to meet its short term cash needs.

(b) Financial assets

(i) Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which financial assets were acquired. Management determines classification of financial assets upon their initial recognition.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or calculable payments, which are not quoted in an active market. They are included in current assets, excepting those maturing within more than 12 months after balance sheet date (these are classified as noncurrent assets). The Company's loans and receivables comprise cash and cash equivalents, guarantee deposits, trade accounts receivable and other accounts receivable.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognized as of the trade date, which is the date on which the Company agrees to purchase or sell the asset. Investments are initially recognized at fair value, increased by transaction costs for all financial assets not measured at fair value through P&L. Financial assets are written off when the right to receive cash flow from the investments has expired or been transferred; in the latter case, as long as the Company has transferred all significant risks and rewards from title to such assets.

(c) Accounts receivable

(i) From customers

Accounts receivable from customers are initially recognized at fair value less a provision for impairment. The provision for impairment of accounts receivable from customers is set up when there is objective evidence that the Company will not be able to collect all receivables on their original maturity. Significant financial difficulties of debtors, probability of debtor to file a petition for bankruptcy or receivership and lack of or default on payment (of more than 180 days) are considered indication that accounts receivable may not be recovered.

The provision for impairment is calculated based on the analysis of receivables and set up for an amount considered by management to be sufficient to cover losses on receivables, according to the following criteria:

Receivables of up to R$5, overdue for more than 180 days:

These receivables, except those related to the Minas Gerais State Government and Belo Horizonte Municipal Government, are considered as loss when overdue for 180 days, being directly written off against the statement of income, in selling expenses account.

Receivables above R$5, overdue for more than 180 days:

A provision for impairment is set up for all receivables, except those related to the Minas Gerais State Government and Belo Horizonte Municipal Government, overdue from 180 to 360 days, credited to the allowance for doubtful accounts and charged against the statement of income.

Receivables overdue for more than 360 days are written off from accounts receivable and posted to the allowance for doubtful accounts.

Other receivables from Municipal and Federal Government Bodies:

Receivables from federal and municipal government bodies, resulting from agreements, contracts and other operations, overdue for more than 360 days are fully provisioned.

Amounts receivable from Minas Gerais State and Belo Horizonte Municipal Government (PBH):

The Company has not set up a provision for impairment of receivables from the Minas Gerais State Government due to lack of a history of default. Receivables from PBH not paid until the date of transfer of tariff amounts to the Water and Sewage Municipal Fund are fully discounted from the amount to be transferred, with no need of setting up a provision for impairment of receivables.

Supplementary provision:

Management also sets up a supplementary provision for other receivables falling due and overdue for less than 180 days, for customers that have account(s) included in the allowance for doubtful accounts.

(ii) Concession granting authority

The Company recognizes a credit receivable from the granting authorities (municipal governments) when it holds unconditional right to receive cash at concession end, as indemnification for the investments made and not recovered through rendering of the concession-related services. These financial assets are recorded at present value of the right and are calculated based on the net value of infrastructure built assets that will be indemnified by the granting authority, discounted based on weighted average cost of Company capital.

These accounts receivable are classified within current and noncurrent portions, considering expected receipt of these amounts, based on the concession end date.

(d) Currency and Currency Translation

Functional currency and reporting currency

The items included in the financial statements of each of the companies are measured using the currency prevailing in the main economic environment in which they operate ("the functional currency "). The consolidated financial statements are presented in Brazilian reais (R$), which is the functional currency of the Company and its subsidiaries.

Transactions in foreign currency are initially translated and recorded at the exchange rate to the functional currency of transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate to the functional currency of balance sheet date. All translation differences are recorded in the statement of income.

(e) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using average cost valuation method. Net realizable value is the estimated sales price in the normal course of business, less applicable variable selling expenses. Provision for slow-moving or obsolete inventories is set up when considered necessary by management.

(f) Investments

Investments in subsidiaries are stated using the equity pickup method.

(g) Intangible assets

Concessions

The Company recognizes as an intangible asset the right to charge to users the water supply and sewage services rendered, in accordance with ICPC 01 Interpretation – Concession Contracts.

Intangible assets are considered to be the residual value of construction revenue for the construction or acquisition of infrastructure assets by the Company, recognized in accordance with the items of this note, and the amount of financial asset referring to the unconditional right to receive cash at concession end as indemnification, recognized according to Note 06.

Amortization of intangible assets is started when these are made available for use in the place and condition necessary to operate as intended by the Company.

Amortization of intangible assets reflects the pattern in which future economic benefits from the asset are expected to be consumed by the Company, or concession end date, whichever takes place first. Asset consumption pattern is related to their economic useful lives over which assets built by the Company integrate the calculation base for measurement of the tariff for rendering concession services.

Amortization of intangible assets ends when the asset has been fully consumed or written off, and no longer computed in the calculation base of the tariff to render concession services, whichever takes place first.

Use rights

Use rights refer to cost incurred to renew public concessions, as refund by COPASA for the investments in infrastructure made by municipal governments. The amounts recorded in intangible assets refer to refunds already made by the Company to municipal governments as part of the agreement to renew the concessions for rendering water supply and sewage services. These investments do not integrate the Company's tariff base, however they represent the investment made by the Company to renew the concession.

These use rights are amortized by the straight line method over the related concession term.

Software Licenses

Acquired software licenses are recorded based on costs incurred to acquire and use them. These costs are amortized by the straight line method over estimated useful life of five years.

(h) Property, plant and equipment

Property, plant and equipment are presented at historic cost less depreciation and impairment, if applicable. Historic cost includes expenses directly attributable to acquisition of items, as well as interest on financing incurred in the acquisition until the date of beginning of asset operation. Capitalized financial charges are depreciated considering the same criteria and useful life determined for the fixed asset item to which they are incorporated.

Subsequent costs are included in the book value of the asset or recognized as a separate asset, as applicable, only when it is probable that future economic benefits related to the item will probably be obtained, the cost of the item may be reliably measured and the economic useful life is in excess of 12 months. The book value of items or parts that are replaced is written off. All the remaining repairs and maintenance are recorded against the statement of income for the year as incurred.

Land is not depreciated. Property, plant and equipment are depreciated over the estimated useful life of each asset, at the following rates:

	Years
Buildings	25 – 40
Machinery	10 – 15
Vehicles	3 – 5
Furniture, fixtures and equipment	3 – 8

The residual value and the useful life of assets are periodically reviewed and adjusted, as applicable, at the beginning of each year, on a prospective basis.

Assets recorded in property, plant and equipment are not linked to the public service concessions and basically comprise assets for general use and Company buildings.

The book value of an asset or a cash generating unit is immediately written down to its recoverable value if the book value of the asset or group of assets to which it belongs exceeds its estimated recoverable value (according to item (i) of this note).

Gains and losses on asset disposals are determined comparing the sales price with the book value, net of depreciation, and are recognized in "Other gains /losses, net" in the statement of income.

(i) Impairment of non-financial assets

The Company evaluates every balance sheet date where there is evidence of impairment of its assets. If there is such evidence, or when annual impairment testing of an asset is required, the Company estimates the asset recoverable value. An asset recoverable value corresponds to the lower of fair value of the asset or cash generating unit (CGU), less selling costs, or its value in use based on the discounted cash flow method, being determined for each asset, unless the asset does not generate cash inflows that are independent from those of other assets or group of assets. Asset impairment is considered to have occurred when the book value of an asset or CGU exceeds its recoverable value, which is then adjusted to its recoverable value. In estimating value in use, estimated future cash flows are discounted to present value, using a discount rate before taxes reflecting current time value of money and specific risks inherent to the asset. A proper valuation model is used to determine fair value less selling cost. These calculations are confirmed by valuation multiples and other fair value indicators available.

Impairment losses related to present and future operations are recognized in the statement of income in the category of expense consistent with the function of the affected asset.

For assets excluding goodwill, an evaluation is made every reporting date in relation to the existence of any evidence that impairment losses previously recognized no longer exist or may have been reduced. If such evidence exists, the Company estimates the recoverable value of the asset or cash generating unit. Impairment loss previously recognized is reversed only when there has been change in the assumptions used to determine the asset recoverable value, as long as the last impairment loss has been recognized. The reversal is limited so that the asset book value does not exceed its recoverable value, or its book value that would be determined, net of depreciation, if no impairment loss had been recognized for the asset in prior years. This reversal is recognized in the statement of income.

(j) Financial liabilities

Financial liabilities are recognized as from the date on which the Company assumes a contractual obligation of a financial instrument. They are initially recorded at fair value, plus transaction costs directly attributed to acquisition or issue thereof. The Company's financial liabilities are measured at amortized cost. The main financial liabilities recognized by the Company are accounts payable to suppliers, loans, financing and debentures.

(i) Accounts payable to suppliers

Accounts payable to suppliers mature within no longer than 30 (days), as such, are recognized at fair value.

(ii) Loans, financing and debentures

Loans are initially recognized at fair value, net of incurred transaction costs. Loans are subsequently measured at amortized cost. Any difference between amounts raised (net of transaction costs) and liquidation value is recognized in the statement of income for the period in which loans are in progress, using the effective interest rate method.

The charges paid to raise the loan are recognized as loan transaction costs if it is probable that the loan will be drawn down in full or in part.

The fair value of the convertible debt security liability is determined using market interest rate for the same debt security if this were not convertible, informed by the financial institution issuing it. This amount is recorded in liabilities based on amortized cost, until this obligation is extinguished upon debt security conversion or maturity. This is recognized and included in shareholders' equity, net of income and social contribution tax effects. The book value of the conversion option is not revaluated in subsequent years.

Loans are classified in current liabilities, unless the Company has the unconditional right of deferring liability liquidation for at least 12 months after balance sheet date.

(iii) Presentation for the net amount

Financial liabilities and assets are only presented for the net amount in the balance sheet if there is a current and enforceable legal right of offsetting recognized amounts and if there is the intention of offset, or of concurrently realizing the asset and liquidating the liability.

(k) Provisions

Provisions for taxes and judicial proceedings are recognized when the Company has a present obligation (constructive or not formalized) as a result of past events; it is probable that funds outflow will be necessary to settle the obligation; and the amount may be estimated with reasonable certainty.

When there is a series of similar obligations, the probability of the Company to settle them is determined taking into consideration the class of obligations as a whole. A provision is recognized even if the probability of settlement related to any individual item included in the same class of obligations is low.

If the time value of money is significant, provisions are discounted to present value using the current interest rate before tax reflecting, as applicable, the specific risks inherent to the obligation. When discount to present value is used, the increase in the provision due to elapsing of time is recognized as a financial expense.

(l) Interest on equity capital

Interest on equity capital payable to shareholders is treated as dividends, and charged against retained earnings.

Under tax legislation, interest payable to shareholders is calculated on the terms of Law No, 9249/95 and recorded in the statement of income, in financial expenses. For purposes of publication of the financial statements, interest on equity capital is reserved from financial expenses account and charged against retained earnings.

(m) Taxation

Income taxes comprise income and social contribution taxes – current and deferred. These taxes are recognized in the statement of income, except and in the proportion in which they are related to items directly recognized in shareholders' equity. In this case, the tax is also recognized in shareholders' equity.

(i) Income tax – current

Current income tax is calculated based on ruling or substantially enacted tax legislation, at the balance sheet date, of the Company and its subsidiaries that generate taxable income. Management periodically evaluates the position assumed in income tax returns in relation to situations in which applicable tax regulations are subject to interpretation. Management establishes provisions, as applicable, based on the amounts that have to be paid to the tax authorities.

(ii) Deferred taxes

Deferred taxes are generated by temporary differences at balance sheet date considering differences between tax and accounting bases of assets and liabilities.

Deferred tax liabilities are recognized for all temporary tax differences, excepting:

- when deferred tax liabilities arise from initial recognition of goodwill or one asset or liability in a transaction which is not a business combination and that, on the transaction date, does not affect book profit or profit or loss for tax purposes; and
- in connection with temporary tax differences related to investments in subsidiaries, when the time for reversal of temporary difference may be controlled and it is probable that temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all temporary differences in connection with unused tax credits and tax losses, to the extent in which it is probable that there will be generation of taxable income for deductible temporary differences to be realized, and unused tax credits and losses may be used except:

- when deferred income tax asset related to the deductible temporary difference is generated upon initial recognition of the asset or liability in a transaction that is not considered to be a business combination and, on the transaction date, does not affect book profit or profit or loss for tax purposes; and

- in connection with deductible temporary differences related to investments in subsidiaries, deferred tax assets are recognized only to the extent in which it is probable that temporary differences will be reversed in the near future and taxable income will be generated for temporary differences to be used.

The book value of deferred tax assets is reviewed every balance sheet date and written off to the extent in which it is no longer probable that there will be generation of taxable income to allow use of deferred tax asset, in full or in part. Adjusted deferred tax assets are revaluated every balance sheet date and recognized to the extent in which it is probable that future taxable income will allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applied in the year in which the asset is realized or the liability is settled, based on the tax rates (and tax legislation) in force at

balance sheet date.

(iii) Sales taxes

Revenues from sales and services are subject to the taxes and contributions below at the following statutory rates:

Taxes	Rate %
PIS/PASEP – Social Contribution Tax on Gross Revenue for Social Integration Program	1.65
COFINS – Social Contribution Tax on Gross Revenue for Social Security Financing	7.60
ICMS – State VAT	7.00 to 18.00

These charges are presented as sales deductions in the statement of income. The credits resulting from non-cumulative PIS/COFINS are stated deducting cost of service in the statement of income. The debits from financial income and the credits from financial expenses are disclosed deductively in these lines in the statement of income.

(n) Employee benefits

(i) Pension plan obligations

The Company has a pension plan for defined benefits, which establishes a pension amount to be received by an employee when retiring, which usually depends on one or more factors, such as age, length of service and remuneration.

The liability recognized in the balance sheet in relation to the pension plan for defined benefit is the present value of the defined benefit obligation at balance sheet date, less the fair value of plan assets, with the adjustments of unrecognized cost of past services. The defined benefit obligation is calculated on an annual basis by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined through the discount of future estimated cash outflows, using interest rates compatible with those prevailing in the market, which are denominated in the currency in which benefits will be paid and have maturity close to those of the pension plan obligation. The value of plan assets is measured based on fair value.

Actuarial gains and losses are recognized as revenue or expense when unrecognized net accumulated actuarial gains or losses for each plan at the end of prior reporting period exceed 10% of the higher of the obligation for defined benefits or fair value of plan assets as of that date. These gains or losses are recognized along remaining average length of work expected for employees participating in the plan.

(ii) Profit sharing

The Company provisions employee profit sharing, based on the operating and financial targets communicated to its employees. Such amounts are recorded in employee profit sharing account in current liabilities, and profit sharing account in the statement of income. The Company recognizes a provision when it is contractually obliged to or when a past practice created an obligation that is not formalized.

(o) Government grants and government assistance

Government grants and assistance are recognized when there is reasonable assurance that the conditions established by the government have been met and that they will be earned. Initially they are recorded as revenue in income for the time necessary to compare with the expenditure that the government intends to compensate.

When the Company receives non-monetary benefits, the asset and the benefit are recorded for the nominal value and reflected in the statement of income along the expected useful life of the asset, in equal annual installments.

(p) Capital

Incremental costs directly attributable to issue of new shares or options are stated in shareholders' equity as a deduction from the raised amount, net of taxes.

When the Company buys shares issued by it (treasury stock), the amount paid, including any directly attributable additional costs (net of income tax), is deducted from capital attributable to the Company's shareholders until the shares are cancelled or re-issued. When these shares are subsequently re-issued, any amount received, net of any additional directly attributable transaction costs, net of income and social contribution tax effects, is included in capital attributable to Company shareholders.

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable mainly due to sale of products and rendering of services in the normal course of Company activities. Revenue is presented net of taxes, sales returns, rebates and discounts, as well as after eliminating intercompany sales.

The Company bases its estimates on historic results, taking into consideration the type of customer, the type of transaction and specifications of each sale.

(i) Services rendered

The result of operations is determined on the accrual basis of accounting. Unbilled revenue from water supply, sewage and irrigation services is recorded at service rendering date and unbilled accounts receivable from customers, based on monthly estimates, so that there is timely matching of revenues and costs.

(ii) Construction contracts

A group of construction contracts is treated as a sole construction contract when: i) the group of contracts was negotiated as a sole package; ii) the contracts are so directly interrelated that are, in fact, part of the sole project with overall profit margin, and; the contracts are executed concurrently or sequentially.

Revenue from construction contracts is recognized in accordance with CPC 17 – Construction Contracts, using the percentage of completion (POC) method. The percentage of completion is defined based on the stage of execution in the physical –financial schedule of each contract.

Contract costs are recognized in the statement of income, as cost of services rendered, when incurred. All the costs directly attributable to contracts are considered for measurement of revenue, following the cost plus margin method. Revenue is recognized at the contracted or estimated annual rates, as under:

	2010	2009
Subcontractors	1.04%	1.04%
Construction materials	4%	4%
Contract supervision – Expansion division	12%	12%
Interest	12%	12%

When the end of a construction contract may not be reliably estimated, revenue is recognized but limited to incurred costs that will be recovered.

(iii) Financial income

Financial income is recognized based on the period elapsed, using the effective interest rate method. When evidence of impairment is identified in relation to a financial investment or account receivable, the Company reduces the corresponding book value to recoverable value, which corresponds to the discounted estimated future cash flow using the original effective interest rate of the instrument. Subsequently, with time elapsing, interest is incorporated to the asset, the contra entry being to financial income. This revenue is calculated based on the effective interest rate used to determine the recoverable value, i.e., the original interest rate of the financial investment or accounts receivable.

(iv) Sale of products

Sales revenue is presented net of taxes and applicable discounts. Sales taxes are recognized when sales are billed and sales discounts are recognized. Revenue from product sales is recognized when the amount of sales is reliably measured, the Company no longer holds control over the goods sold or any responsibility related to title to such goods, costs incurred or to be incurred in relation to the transaction may be reliably measured, it is probable that economic benefits will be received by the Company and the risks and rewards of products were fully transferred to buyer. Freight on sales is included in the cost of sales.

(r) Dividend distribution

Dividend distribution to Company shareholders is recognized as a liability in the financial statements at year end, based on Brazilian corporate legislation and the Company's by-laws. Any amount above minimum mandatory dividend is only provisioned as of the date it is approved by the general shareholders' meeting or paid, whichever takes place first.

The amount of minimum mandatory dividend is recorded in liabilities in "Dividends and interest on equity capital payable" account for being considered a legal obligation provided for by the Company's by-laws; however, the portion of dividends in excess of minimum mandatory dividend, declared by management after the accounting period to which the financial statements refer, but before the date of authorization of issue thereof, is recorded in "Proposed additional dividend" in shareholders' equity.

(s) Concession contracts

The Company has concession contracts for public water supply and sewage services. Concession contracts are executed with municipal governments, with Minas Gerais State intermediation. The concession contracts were recognized as required by ICPC 01.

Concession contracts represent right to charge to public service users, the amount of service tariff controlled by the Minas Gerais State Department Regulating Water Supply and Sewage Services – ARSAE-MG, during the period established in the concession agreements. The Company recognizes this right to charge service tariff to users in intangible assets during the concession period, and this amount is amortized as described in item (g) of this note.

In addition, the Company has in all of its contracts, except with the municipal government of Ipatinga and Além Paraíba, the unconditional right of receiving cash at concession period end as indemnification for having to return concession-related assets to the concession granting authorities. In these cases, the Company recognized a financial asset, discounted to present value, considering the best receipt estimate at concession end, as described in item (c) of this note.

See further information on concession contracts in Note 06.

(t) Cost of loans

Cost of loans directly related to acquisition or construction of an asset that requires significant time to be concluded and become operational is capitalized as part of the cost of the corresponding asset. All other costs of loans are recorded in expenses for the period in which they took place. Cost of loans includes interest and other costs incurred by an entity in connection with the loan.

As allowed by ICPC 01, the Company capitalizes cost of loans referring to intangible assets related to construction services related to public service concession contracts.

(u) Related parties

The Company recognizes in related parties the business relationships with its wholly-owned subsidiaries, financial transactions with key management members, with its controlling shareholder and with the companies and/or bodies related to it, whether directly or indirectly, as long as there are formal contractual relationships with these companies or bodies that generate financial transactions.

04. Professional Judgment, Accounting Estimates and Assumptions

Preparation of the quarterly financial information (Company and Consolidated) requires that management make professional judgment and estimates and adopt assumptions that affect the presented amounts of revenues, expenses, assets and liabilities, as well as contingent liabilities as of the reporting date. However, the uncertainty related to these assumptions and estimates could lead to results that require significant adjustment to the book value of the affected asset or liability in future periods.

The main matters subject to judgment and estimates are as under:

(i) Revenue recognition

The Company uses the percentage of completion (POC) method to record its fixed-price construction service contracts. Use of the POC method requires that the Company estimate services carried out until balance sheet date, as well as the percentage in relation to total contracted services. If the percentage of services carried out in relation to total contracted services differs from management estimates by more than 10%, revenue recognized in the third quarter would increase by R$ 9,969; if it differs by less than 10% from management estimates, revenue recognized in the third quarter would decrease by R$ 37,531.

(ii) Pension plan benefits

The current value of pension plan liabilities depends on several factors that are determined based on actuarial calculations that take into consideration certain assumptions. Among the assumptions considered in the determination of net cost (revenue) of pension plans, is the discount interest rate. Any change in these assumptions may affect the book value of pension plan liabilities.

The Company determines the applicable discount interest rate at each year end, to be used to determine the present value of estimated future cash outflows necessary to settle pension plan liabilities. In determining the applicable discount rate, the Company considers that the discount rate in Brazil, for purpose of abiding by applicable accounting standards, should be obtained based on return offered by government notes (NTN-B) as of the base date of the actuarial evaluation, without any adjustment for Brazil risk factors or expected future changes in yield of these notes.

Other important assumptions for pension plan liabilities are partially based on current market conditions. Additional information is presented in Note 18.

(iii) Taxes

There are uncertainties in relation to interpretation of complex tax regulations and the amount and timing of future taxable results.

Given the wide range of business relationships, as well as the long term nature and complexity of existing contractual instruments, differences between actual results and the adopted assumptions, or future changes in these assumptions could require future adjustments in tax revenue and expense already recorded. The Company records provisions based on applicable estimates for possible consequences of tax audits. The amount of such provisions is based on several factors, such as experience from previous tax audits and different interpretation of tax regulations between the taxed entity and the relevant tax authorities. These interpretation differences may arise in relation to several matters depending on conditions prevailing at the time.

Deferred tax assets are recognized for all unused tax losses to the extent in which it is probable that there will be generation of taxable income to allow use of the referred to tax losses. Significant professional judgment by management is required to determine the amount of deferred tax asset that may be recognized, based on the probable term and estimated amount of future taxable income, together with future tax planning strategies.

For further details, see Note 16.

(iv) Impairment of Non-financial Assets

Impairment occurs when the book value of an asset or cash generating unit exceeds recoverable value, which is the higher of fair value less selling costs and the value in use. Calculation of fair value less selling cost is based on information available on similar asset sale transactions or market prices less incremental costs for asset disposal. Calculation of the value in use is based on the discounted cash flow method. Cash flows derive from budget for the next 5 (five) years and do not include reorganization activities which the Company has not yet decided to perform or significant future investments that will improve the assets of the cash generating unit being tested. Recoverable value is affected by the discount rate used in the discounted cash flow method, as well as expected future cash receipts and the growth rate used for extrapolation purposes.

05. CPC 37-43 First-time Adoption of Accounting Pronouncements CPC 15 to 40

As described in Note 02, the financial quarterly information (Company and Consolidated) for the period ended September 30, 2010 are being presented considering early adoption of all CPC issued accounting pronouncements, as disclosed below:

5.1 Reconciliation resulting from adoption of CPC 37 and CPC 43

5.1.1 Reconciliation of consolidated statements of income – 3º quarter of 2009.

	Note	Recorded balances	Adjustments	Adjusted balances
REVENUES				
Revenue from water supply services		416,206	-	416,206
Revenue from sewage services		138,288	-	138,288
Revenue from construction	c	-	312,685	312,685
Revenue from finished products		185	-	185
NET REVENUE FROM SERVICES RENDERED		**554,679**	**312,685**	**867,364**
Cost of services	c/e	(272,880)	(4,609)	(277,489)
Construction cost	c	-	(303,276)	(303,276)
GROSS PROFIT		**281,799**	**4,800**	**286,599**
Selling expenses		(43,500)	-	(43,500)
Administrative expenses	b	(67,271)	157	(67,114)
Other operating income	d	9,156	1,675	10,831
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		**180,184**	**6,632**	**186,816**
Financial income	c	25,222	10,633	35,855
Financial expenses		(32,831)	974	(31,857)
FINANCIAL INCOME		**(7,609)**	**11,607**	**3,998**
Profit sharing		(6,015)	-	(6,015)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES		**166,560**	**18,239**	**184,799**
Income and social contribution taxes	a	(45,393)	(6,201)	(51,594)
NET INCOME FOR THE QUARTER		**121,167**	**12,038**	**133,205**
Number of outstanding shares at the end of the quarter		114,795,524		114,795,524
Earnings per share		1.06		1.16

5.1.2 Reconciliation of consolidated statements of income – January to September 2009.

	Note	Recorded balances	Adjustments	Adjusted balances
REVENUES				
Revenue from water supply services		1,217,749	-	1,217,749
Revenue from sewage services		412,796	-	412,796
Revenue from construction	c	-	688,457	688,457
Revenue from finished products		69	-	69
NET REVENUE FROM SERVICES RENDERED		**1,630,614**	**688,457**	**2,319,071**
Cost of services	c/e	(782,277)	(14,148)	(796,425)
Construction cost	c	-	(669,160)	(669,160)
GROSS PROFIT		**848,337**	**5,149**	**853,486**
Selling expenses		(124,585)	-	(124,585)
Administrative expenses	b	(218,142)	517	(217,625)
Other operating income	d	14,005	5,025	19,030
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		**519,615**	**10,691**	**530,306**
Financial income	e	117,095	11,512	128,607
Financial expenses		(112,893)	672	(112,221)
FINANCIAL INCOME		**4,202**	**12,184**	**16,386**
Profit sharing		(22,486)	-	(22,486)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES		**501,331**	**22,875**	**524,206**
Income and social contribution taxes	a	(139,289)	(7,777)	(147,066)
NET INCOME FOR THE QUARTER		**362,042**	**15,098**	**377,140**
Number of outstanding shares at the end of the quarter		114,795,524		114,795,524
Earnings per share		3.15		3.29

5.1.3 Reconciliation of consolidated cash flows – 3º quarter of 2009.

Cash flow from operating activities:	Note	Recorded balances	Adjustments	Adjusted balances
Net income for the quarter	a/b/c/d/e/f	121,167	12,038	133,205
Adjustments to reconcile net income and net cash				
Allowance for doubtful accounts		1,254	-	1,254
Interest accrued on trade accounts receivable		(3,165)	-	(3,165)
Monetary variation on trade accounts receivable		(851)	-	(851)
Deferred income and social contribution taxes	a	1,646	6,201	7,847
Exchange variation on collateral guarantee for financing		2,145	-	2,145
Gains on collateral guarantee for financing		(1,154)	-	(1,154)
Fixed assets disposed of, net		769	-	769
Depreciation and amortization		62,310	-	62,310
Interest on loans	f	12,218	(974)	11,244
Monetary and exchange variation on loans		(5,132)	-	(5,132)
Provision for taxes		1,262	-	1,262
Provision for contingencies		(2,665)	-	(2,665)
Reversal of provision for actuarial liabilities	d	(4,452)	(1,675)	(6,127)
Interest/Monetary Variation on Previminas/Cemig		3,303	-	3,303
Deferred revenue		(2,040)	-	(2,040)
Financial Assets	c	-	3,300	3,300
Adjusted income		**186,615**	**18,890**	**205,505**
Decrease (increase) in operating assets				
Decrease in trade accounts receivable – current and non-current		(10,789)	-	(10,789)
Decrease in inventories		(638)	-	(638)
Decrease in taxes recoverable		(202)	-	(202)
Decrease in collateral guarantee for financing		(177)	-	(177)
Increase in judicial deposits		16	-	16
Decrease in sundry credits – current and non-current		(12,109)	-	(12,109)
Increase (decrease) in operating liabilities				
Decrease in contractors and suppliers		(40,522)	-	(40,522)
Increase in taxes, fees and contributions		5,348	-	5,348
Increase in accrual for vacation pay		2,170	-	2,170
Increase in accrual for 13th monthly salary		10,369	-	10,369
Increase in employee profit sharing		6,014	-	6,014
Increase in technical cooperation agreement		8,270	-	8,270
Increase in supplementary pension plan – current and non-current		67	-	67
Decrease in electric energy – current and non-current		(4,747)	-	(4,747)
Decrease in sundry liabilities - current and non-current		(4,652)	-	(4,652)
Net cash from operating activities		**144,777**	**18,890**	**163,667**

Cash flow from investing activities:				
Funds from convertible debentures		814	-	814
Additions to fixed assets	b/c/e	(266,358)	(18,890)	(285,248)
Net cash used in investing activities		**(265,544)**	**(18,890)**	**(284,434)**
Cash flow from financing activities:				
Funding from new loans		41,451	-	41,451
Payment of principal - loans		(40,477)	-	(40,477)
Payment of interest on loans		(31,062)	-	(31,062)
Interest on equity paid in the quarter		(43,675)	-	(43,675)
Payment of principal - Previminas/Cemig		(6,283)	-	(6,283)
Payment of interest - Previminas/Cemig		(1,917)	-	(1,917)
Net cash from financing activities		**(81,963)**	**-**	**(81,963)**
Net increase in cash and cash equivalents		**(202,730)**	**-**	**(202,730)**
Cash and cash equivalents at beginning of the quarter		763,348		763,348
Cash and cash equivalents at end of the quarter		560,618		560,618

5.1.4 Reconciliation of consolidated cash flows – January to September 2009.

Cash flow from operating activities:	Note	Recorded balances	Adjustments	Adjusted balances
Net income for the quarter	a/b/c/d/e/f	362,042	15,098	377,140
Adjustments to reconcile net income and net cash				
Allowance for doubtful accounts		8,039	-	8,039
Interest accrued on trade accounts receivable		(9,419)	-	(9,419)
Monetary variation on trade accounts receivable		3,498	-	3,498
Deferred income and social contribution taxes	a	(549)	7,777	7,228
Exchange variation on collateral guarantee for financing		8,107	-	8,107
Gains on collateral guarantee for financing		(3,639)	-	(3,639)
Reversal of interest for the year on BNY collateral		4,262	-	4,262
Fixed assets disposed of, net		4,733	-	4,733
Depreciation and amortization		184,504	-	184,504
Interest on loans	f	56,317	(672)	55,645
Monetary and exchange variation on loans		(14,935)	-	(14,935)
Provision for taxes		12,274	-	12,274
Provision for contingencies		(2,126)	-	(2,126)
Reversal of provision for actuarial liabilities	d	(13,763)	(5,025)	(18,788)
Interest / Monetary variation on Previminas/Cemig		10,816	-	10,816
Deferred revenue		(5,962)	-	(5,962)
Financial assets	c	-	9,201	9,201
Adjusted income		**604,199**	**26,379**	**630,578**
Decrease (increase) in operating assets				
Decrease in trade accounts receivable – current and non-current		(21,429)	-	(21,429)
Decrease in inventories		(2,874)	-	(2,874)
Decrease in taxes recoverable		(5,402)	-	(5,402)
Decrease in collateral guarantee for financing		(4,510)	-	(4,510)
Decrease in judicial deposits		(470)	-	(470)
Decrease in sundry credits – current and non-current		(13,439)	-	(13,439)
Increase (decrease) in operating liabilities				
Decrease in contractors and suppliers		(1,652)	-	(1,652)
Decrease in taxes, fees and contributions		(3,776)	-	(3,776)
Increase in accrual for vacation pay		6,786	-	6,786
Increase in accrual for 13th monthly salary		29,651	-	29,651
Increase in employee profit sharing		10,362	-	10,362
Decrease in technical cooperation agreement		(9,583)	-	(9,583)
Decrease in supplementary pension plan – current and non-current		(3,910)	-	(3,910)
Decrease in advance for future capital increase		(256)	-	(256)
Decrease in electric energy – current and non-current		(9,671)	-	(9,671)
Decrease sundry liabilities - current and non-current		(275)	-	(275)
Net cash from operating activities		**573,751**	**26,379**	**600,130**

Cash flow from investing activities:				
Funds from convertible debentures		4,195	-	4,195
Additions to fixed assets	b/c/e	(667,164)	(26,379)	(693,543)
Net cash used in investing activities		**(662,929)**	**(26,379)**	**(689,348)**
Cash flow from financing activities:				
Funding from new loans		310,375	-	310,375
Payment of principal - loans		(124,526)	-	(124,526)
Payment of interest on loans		(110,837)	-	(110,837)
Interest on equity paid in the quarter		(191,897)	-	(191,897)
Payment of principal - Previminas/Cemig		(18,607)	-	(18,607)
Payment of interest - Previminas/Cemig		(5,708)	-	(5,708)
Net cash from financing activities		**(141,200)**	**-**	**(141,200)**
Net increase in cash and cash equivalents		**(230,418)**	**-**	**(230,418)**
Cash and cash equivalents at beginning of the quarter		791,036		791,036
Cash and cash equivalents at end of the quarter		560,618		560,618

There are no significant differences between the Company and consolidated statements of income and cash flows prepared and presented before and after the early adoption of the CPCs, As such, the Company is only presenting the reconciliation of the consolidated statements of income and cash flows.

a) **Deferred income and social contribution taxes**: deferred tax assets and liabilities were recorded on temporary differences between accounting and tax bases of assets and liabilities, including differences related to the transition tax regime.

b) **Write-off of pre-operating expenses**: According to the new Brazilian accounting practices issued by the CPC, as from January 1, 2008, pre-operating expenses no longer fall under the definition of assets, and are to be recorded in P&L for the year.

c) **Construction contracts**: due to adoption of ICPC 01 Concession Contracts as from January 1, 2008, the Company started to recognize construction costs and revenues as required by ICPC 01, in accordance with CPC 17, considering the construction margins defined in Note 03 (q). Previously, these asset construction or acquisition costs were recorded as property, plant and equipment, at transaction cost. In addition, due to the fact that the financial asset receivable from the granting authorities has been initially recorded at fair value (present value) and subsequently adjusted to amortized cost, the Company recognized financial income through to the time elapsed.

d) **Employee benefits**: the Company opted to recognize previously unrecognized accumulated gains and losses in the quarterly financial statements. Previously such amounts were not recognized in the quarterly financial statements, and only the portion of amortization of such amounts was included in P&L, as part of pension plan expenses.

e) **Donations and grants**: the Company receives donated assets that integrate its infrastructure assets for service rendering. These assets are not computed in the Company's tariff base. Until January 1, 2008, the Company used to classify these assets in property, plant and equipment, depreciating them over the estimated useful life, recognizing them as contra entry to capital reserve in shareholders' equity. After January 1, 2008, the Company started to recognize these assets against a corresponding asset reducing account, as allowed by CPC 07, recognizing a credit in the statement of income in the same proportion as that for recorded depreciation. Due to the fact that these assets belong to infrastructure of the municipalities, they were reclassified to intangible assets and their balances were subsequently adjusted against capital reserve and income reserve accounts, aiming at eliminating these assets since they do not represent future economic benefits since they are not components of the Company's tariff base.

f) **Convertible debentures:** Loans are initially recognized at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost. Any difference between the funds obtained (net of transaction costs) and the settlement amount is recognized in P&L in the period in which the loans are effective, using the effective interest rate method.

g)

06. Public Service Concession Contracts

The Company entered into utility concession contracts for supply of water and sewage services with 877 locations in the state of Minas Gerais. Concession contracts are signed with each municipality, for periods that vary between 30 and 99 years, all of which provide for similar rights and obligations on the part of the concessionaire and the granting authority.

The tariff system for water supply and sewage services is controlled by the Water Supply and Sewage Service Regulatory Agency – ARSEA – Minas Gerais State, being reviewed on an annual basis, aiming at maintaining the Company's economic and financial equilibrium, considering investments made as well as its cost and expense structure. Services are charged directly to users, based on consumed water and collected sewage volume times the authorized tariff.

The terms of the major concessions, as well as the most significant amendments made to the concession contracts for the quarter ended September 30, 2010 are described in Note 01.

At September 30, 2010, the Company records accounts receivable from the granting authorities (municipalities) in the amount of R$273,724, referring to the expected amount receivable at the end of the concession periods (R$271,671 at June 30, 2010). Such amounts were initially recognized at present value, having been discounted at the weighted average cost of capital (WAAC) associated with the related accounts receivable. Intangible assets were accounted for by the difference between fair value of assets constructed or acquired for purposes of provision of concession services and the book value of financial assets recognized.

The results of construction services carried out by the Company are as follows:

	09/30/2010	09/30/2009
Construction revenue	**251,281**	312,685
Construction cost	**245,086**	303,276

07. Cash and Cash Equivalents

(a) Cash and cash equivalents

	Company	
	09/30/2010	06/30/2010
Cash and banks	**19,326**	38,410
Short-term bank deposits	**86,622**	186,559
Total	**105,948**	224,969

	Consolidated	
	09/30/2010	06/30/2010
Cash and banks	**21,977**	40,834
Short-term bank deposits	**86,898**	186,662
Total	**108,875**	227,496

The Company maintains own funds from its activities invested in Bank Deposit Certificates - CDBs, which are fixed income securities of which the remuneration is substantially based on Interbank Deposit Certificate – CDI variation, which in 2010 third quarter, ranged from 98% to 115% (98% to 115% from July to September 2009). Financial income in third quarter, arising from investment of own funds, totaled R$3,360 (R$14,869 in 2009 third quarter), which R$ 4,330 comes from regular investment plus R$ 808 related to debentures guarantee deposits, reduced by R $ 1,778 that was overstated in May 2010.

From July to September 2010 and 2009, the Company classified its securities as cash and cash equivalents for being considered financial assets for immediate redemption and subject to low risk of change in their market value.

(b) Movement of financial investments:

	Company	
	2010	2009
At June 30	**186,559**	712,520
New investments	**409,100**	171,074
Yield	**3,360**	14,370
Redemption	**(512,397)**	(377,743)
At September 30	**86,622**	520,221

	Consolidated	
	2010	2009
At June 30	**186,662**	712,736
New investments	**409,300**	171,074
Yield	**3,364**	14,375
Redemption	**(512,428)**	(377,743)
At September 30	**86,898**	520,442

Financial assets only include amounts in Brazilian reais and there are no investments denominated in foreign currency.

None of these financial assets are overdue or involve impairment losses.

08. Trade Accounts Receivable and Other Accounts Receivable

Breakdown of trade accounts receivable by maturity is as follows:

	Company	
	09/30/2010	06/30/2010
Falling due	**84,530**	78,986
Overdue for up to 30 days	**65,504**	65,664
Overdue from 31 to 60 days	**24,002**	27,423
Overdue from 61 to 90 days	**11,946**	12,967
Overdue from 91 to 180 days	**21,424**	20,587
Overdue for more than 180 days	**35,822**	35,148
Billed amounts	**243,228**	240,775
Unbilled amounts	**207,245**	197,712
Trade accounts receivable	**450,473**	438,487
(-) Provision for losses on trade accounts receivable	**(21,524)**	(43,715)
	428,949	394,772
Long-term accounts receivable (Note 26)	**186,577**	192,829
Trade accounts receivable, net	**615,526**	587,601
Prepayments	**10,731**	9,663
Collateral and guarantees	**100,840**	100,482
Receivables from affiliates (*)	**57,215**	53,437
Committed financial investment (**)	**40,771**	44,090
Other receivables	**45,313**	56,739
	870,396	852,012
Noncurrent assets	**(400,420)**	(405,840)
Current assets	**469,976**	446,172

	Consolidated	
	09/30/2010	06/30/2010
Falling due	**88,470**	83,104
Overdue for up to 30 days	**65,504**	65,664
Overdue from 31 to 60 days	**24,002**	27,423
Overdue from 61 to 90 days	**11,946**	12,967
Overdue from 91 to 180 days	**21,424**	20,587
Overdue for more than 180 days	**35,822**	35,148
Billed amounts	**247,168**	244,893
Unbilled amounts	**207,306**	197,900
Trade accounts receivable	**454,474**	442,793
(-) Provision for losses on trade accounts receivable	**(22,580)**	(44,884)
	431,894	397,909
Long-term accounts receivable (Note 26)	**186,577**	192,829
Trade accounts receivable, net	**618,471**	590,738
Prepayments	**11,006**	9,922
Collateral and guarantees	**100,840**	100,482
Committed financial investment (**)	**40,771**	44,090
Other receivables	**47,173**	58,598
	818,261	803,830
Noncurrent assets	**(344,988)**	(354,186)
Current assets	**473,273**	449,644

At September 30, 2010, out of total accounts receivable, R$478,352 were not overdue (R$469,527 in June 2010).

At September 30, 2010, trade accounts receivable in the amount of R$110,378 (R$115,072 in June 2010) were past due, but were not backed by provision for losses. These accounts refer to a series of independent customers that do not have a history of recent default. The aging analysis of these accounts receivable is set out below:

	09/30/2010	06/30/2010
Up to three months	**95,086**	98,942
From three to six months	**14,781**	15,725
Minas Gerais State Government	**511**	405
Total	**110,378**	115,072

On the 2010 third quarter, trade accounts receivable amounting to R$21,524 (R$43,715 in June 30, 2010) were overdue and impaired. Impaired accounts receivable mainly refer to customers that render health services, for which COPASA, following its social policy, does not interrupt water supply and sewage services. According to the evaluation made, a portion of these overdue accounts receivable is recoverable. Aging of these accounts receivable is as follows:

	09/30/2010	06/30/2010
Falling due	**553**	1,970
Overdue up to 30 days	**756**	2,158
Overdue from 31 to 60 days	**844**	2,316
Overdue from 61 to 90 days	**706**	2,233
Overdue from 91 to 180 days	**2,398**	4,862
Overdue from 181 to 360 days	**4,475**	10,126
Overdue for more than 360 days	**11,792**	20,050
Total	**21,524**	43,715

The Company’s trade accounts receivable and other accounts receivable are denominated solely in Brazilian reais, and there are no accounts receivable in foreign currency.

Movement in the allowance for doubtful accounts receivable of the Company is as follows:

	2010
At June 30	43,715
Allowance for doubtful accounts receivable	14,762
Trade accounts receivable written off in the year as loss	(36,953)
At September 30	**21,524**

The provision for impairment of trade accounts receivable was recorded in the statement of income for the quarter as "other expenses ". The amounts debited to the provision accounts are usually written off when they are not expected to be recovered.

The other classes of trade accounts receivable and other accounts receivable do not contain assets for which there is evidence of impairment.

The maximum exposure to risk at balance sheet date corresponds to the book value of each class of the aforementioned accounts receivable. The Company maintains tariff revenue as collateral for financing (Note 20).

(*) Refers to loan agreements and expenses with salaries and social charges of employees ceded by COPASA to its subsidiaries and that are being refunded as contractually provided for, R$41,161 referring to Águas Minerais, R$14,137 referring to COPANOR and R$1,917 referring to Serviços de Irrigação (R$39,474, R$12,061 and R$1,902 in June 30, 2010, respectively).

(**) Refers to funds from the National Water Agency - ANA, held by COPASA, in connection with the Program for Depolluting Hydrographic Basins - PRODES, to be transferred in the form of payment for sewage treatment services by the Ribeirão do Onça sewage treatment unit, in the municipality of Belo Horizonte and the Betim Central sewage treatment unit, in the municipality of Betim, upon meeting the target sewage treatment and depollution volumes. Due to partial attainment of targets, the Company also maintains such amounts in noncurrent liabilities, in deposit for works account (Note 12). In November 2009, February and August 2010, ANA approved draw down of the amount of R$2,030, R$2,044 and R$4,264, respectively, referring to the two of four quarterly installments, related to attainment of the first stage of targets for Ribeirão do Onça sewage treatment unit.

09. Investments

	Company	
	09/30/2010	**06/30/2010**
In subsidiaries stated by the equity method		
Copasa Águas Minerais de Minas S.A.	1	1
Copanor	1	1
Copasa Serviços de Irrigação S.A.	1	1
Other	260	260
Total	**263**	**263**

	Consolidated	
	09/30/2010	**06/30/2010**
Other	260	260
Total	**260**	**260**

The main information on subsidiaries is as follows:

Subsidiaries	Shareholders' equity	Capital	AFCI	Net income (loss)	Number of shares	Copasa ownership interest (%)
09/30/2010						
Águas Minerais	(10,044)	13,929	19,357	(43,330)	13,929	100
Copanor	(10,058)	1	-	(10,059)	1	100
Serviços de Irrigação	(1,037)	1	-	(1,038)	1	100
06/30/2010						
Águas Minerais	(7,426)	13,929	19,357	(40,712)	13,929	100
Copanor	(8,787)	1	-	(8,788)	1	100
Serviços de Irrigação	(1,240)	1	-	(1,241)	1	100

Movement of investments in subsidiaries is as follow:

	06/30/2010	Equity pickup	AFCI	09/30/2010
Águas Minerais	1	-	-	1
Copanor	1	-	-	1
Serviços de Irrigação	1	-	-	1
Total	**3**	**-**	**-**	**3**

At September 30, 2010, subsidiaries recorded capital deficiency of R$21,142 (R$17,456 at June 30, 2010), for which the Company set up provision for losses. This provision is stated in Non-current liabilities, under Sundry obligation.

	06/30/2010	Equity pickup	AFCI	09/30/2010
Águas Minerais	(7,427)	(2,618)	-	(10,045)
Copanor	(8,788)	(1,271)	-	(10,059)
Serviços de Irrigação	(1,241)	203	-	(1,038)
Total	**(17,456)**	**(3,686)**	**-**	**(21,142)**

Copasa Águas Minerais presents accumulated losses and working capital deficiency. Operations of this subsidiary started in September 2008 and due to high costs it has not yet succeeded in meeting its targets for projected sales.

Copasa Águas Minerais is in the process of reviewing its structure of costs and business feasibility studies. Continuity of operations of this subsidiary will depend on the operating reorganization in order to adjust to the circumstances prevailing in the market in which it operates as well as support from the Company. The financial statements of Copasa Águas Minerais, the base for equity pickup and the consolidated financial statements of the Company, were prepared assuming that it will remain as a going concern and do not include adjustments related to realization and classification of its assets or valuation of its liabilities, which could be required should it not be possible for this subsidiary to continue operating.

On January 28, 2010, the Board of Directors of COPASA MG authorized a minority investment of R$21,8 million in a Special Purpose Entity, together with Odebrecht Engenharia Ambiental and Lumina Resíduos Industriais S.A., corresponding to 15.5% of participation.

10. Intangible Assets

COST	Company					
	Water Systems	Sewage Systems	Use Rights	Other	Under Construction	Total
Cost:						
Book balance at 06/30/10	**3,655,998**	**1,704,943**	**189,184**	**(70,285)**	**2,692,872**	**8,172,712**
Reclassifications	1,848	1,011	(2,658)	(16,064)	7,585	(8,278)
Additions	34,710	21,355	4,198	(15,244)	216,832	261,851
Write-offs	(123)	1,245	34	(638)	-	518
Book balance at 09/30/10	**3,692,433**	**1,728,554**	**190,758**	**(102,231)**	**2,917,289**	**8,426,803**
Amortization and impairment:						
Book balance at 06/30/10	**(2,239,215)**	**(617,242)**	**(36,243)**	**(20,389)**	**-**	**(2,913,089)**
Reclassifications	(1,896)	(1,016)	2,655	10,057	-	9,800
Write-offs:	(38,941)	(19,828)	(1,673)	(1,196)	-	(61,638)
Additions:	39	15	2	83	-	139
Book balance at 09/30/10	**(2,280,013)**	**(638,071)**	**(35,259)**	**(11,445)**	**-**	**(2,964,788)**
Net balance at 09/30/10	**1,412,420**	**1,090,483**	**155,499**	**(113,676)**	**2,917,289**	**5,462,015**
Net balance at 06/30/10	**1,416,783**	**1,087,701**	**152,941**	**(90,674)**	**2,692,872**	**5,259,623**

Amortization for the third quarter was recorded in the statement of income as cost of services rendered of R$57,860 (R$54,804 in 2009 third quarter), selling expenses of R$935 (R$1,108 in 2009 third quarter) and administrative expenses of R$2,843 (R$2,716 in 2009 third quarter).

The Company made reclassifications from adjustments in the positions of groups that involve intangible assets.

COST	Consolidated					
	Water Systems	Sewage Systems	Use Rights	Other	Under Construction	Total
Cost:						
Book balance at 06/30/10	**3,655,998**	**1,704,943**	**189,184**	**(69,052)**	**2,691,701**	**8,172,774**
Reclassifications	1,898	1,011	(2,640)	(17,297)	7,585	(9,443)
Additions	34,710	21,355	4,198	(15,244)	218,003	263,022
Write-offs	(123)	1,245	34	(638)	-	518
Book balance at 09/30/10	**3,692,483**	**1,728,554**	**190,776**	**(102,231)**	**2,917,289**	**8,426,871**
Amortization and impairment:						
Book balance at 06/30/10	**(2,239,215)**	**(617,241)**	**(36,243)**	**(20,391)**	**-**	**(2,913,090)**
Reclassifications	(1,896)	(1,017)	2,648	9,958	-	9,693
Write-offs:	(38,941)	(19,828)	(1,674)	(1,095)	-	(61,538)
Additions:	39	15	2	83	-	139
Book balance at 09/30/10	**(2,280,013)**	**(638,071)**	**(35,267)**	**(11,445)**	**-**	**(2,964,796)**
Net balance at 09/30/10	**1,412,470**	**1,090,483**	**155,509**	**(113,676)**	**2,917,289**	**5,462,075**
Net balance at 06/30/10	**1,416,783**	**1,087,701**	**152,941**	**(89,443)**	**2,691,701**	**5,259,683**

Amortization for the third quarter was recorded in the statement of income as cost of services rendered of R$57,721 (R$54,780 in 2009 third quarter), selling expenses of R$960 (R$1,232 in 2009 third quarter) and administrative expenses of R$2,857 (R$2,535 in 2009 third quarter).

The Company made reclassifications from adjustments in the positions of groups that involve intangible assets.

In the third quarter, the Company capitalized interest and financial charges of R$20,322 (R$22,655 in 2009 third quarter) in the Construction in progress account.

11. Property, Plant and Equipment

	Company				
COST	**Land and Construction**	**Machinery and Equipment**	**Vehicles**	**Other**	**Total**
Cost:					
Book balance at 06/30/10	**91,816**	**161,469**	**101,646**	**173**	**355,104**
Reclassifications	(445)	(2,472)	(43)	(28)	(2,988)
Additions	1,072	5,887	673	23	7,655
Write-offs	-	(13)	(14)	-	(27)
Book balance at 09/30/10	**92,443**	**164,871**	**102,262**	**168**	**359,744**
Amortization and impairment:					
Book balance at 06/30/10	**(57,600)**	**(117,443)**	**(86,727)**	**(173)**	**(261,943)**
Reclassifications	447	2,473	23	(1,480)	1,463
Additions	(515)	(3,047)	(1,682)	1,524	(3,720)
Write-offs	-	4	14	-	18
Book balance at 09/30/10	**(57,668)**	**(118,013)**	**(88,372)**	**(129)**	**(264,182)**
Net balance at 09/30/10	**34,775**	**46,858**	**13,890**	**39**	**95,562**
Net balance at 06/30/10	**34,216**	**44,026**	**14,919**	**-**	**93,161**

Depreciation for the third quarter was recorded in the statement of income as cost of services rendered of R$3,492 (R$3,308 in 2009 third quarter), selling expenses of R$56 (R$67 in 2009 third quarter) and administrative expenses of R$172 (R$164 in 2009 third quarter).

The Company made reclassifications from adjustments in the positions of groups that involve PP&E.

COST	Consolidated					
	Land and Construction	Machinery and Equipment	Vehicles	WIP	Other	Total
Cost:						
Book balance at 06/30/10	**91,837**	**161,468**	**101,694**	**4,559**	**18,913**	**378,471**
Reclassifications	(466)	17,379	647	-	(17,494)	66
Additions	1,072	5,887	673	63	23	7,718
Write-offs	-	(13)	(14)	-	-	(27)
Book balance at 09/30/10	**92,443**	**184,721**	**103,000**	**4,622**	**1,442**	**386,228**
Amortization and impairment:						
Book balance at 06/30/10	**(57,600)**	**(117,514)**	**(86,773)**	**-**	**2,065**	**(259,822)**
Reclassifications	447	2,122	(210)	-	(3,741)	(1,382)
Additions	(515)	(3,046)	(1,689)	-	1,316	(3,934)
Write-offs	-	4	14	-	-	18
Book balance at 09/30/10	**(57,668)**	**(118,434)**	**(88,658)**	**-**	**(360)**	**(265,120)**
Net balance at 09/30/10	**34,775**	**66,287**	**14,342**	**4,622**	**1,082**	**121,108**
Net balance at 06/30/10	**34,237**	**43,954**	**14,921**	**4,559**	**20,978**	**118,649**

Depreciation for the third quarter was recorded in the statement of income as cost of services rendered of R$3,690 (R$3,524 in 2009 third quarter), selling expenses of R$61 (R$79 in 2009 third quarter) and administrative expenses of R$183 (R$163 in 2009 third quarter).

The Company made reclassifications from adjustments in the positions of groups that involve PP&E.

12. Suppliers and Other Obligations

	Company	
	09/30/2010	**06/30/2010**
Accounts payable to suppliers	**59,413**	60,295
Taxes payable	**45,591**	32,261
Taxes in installments (3)	**243,779**	237,622
Vacation accrual	**101,373**	91,345
Interest on equity capital (Note 19)	**56,931**	56,746
Electric power (1)	**46,463**	51,740
Deposit for construction works (2)	**41,992**	41,106
Other accounts payable	**54,102**	52,245
	649,644	623,360
Noncurrent liabilities	**(302,532)**	(286,611)
Current liabilities	**347,112**	336,749

	Consolidated	
	09/30/2010	**06/30/2010**
Accounts payable to suppliers	**65,645**	64,681
Taxes payable	**45,431**	32,112
Taxes in installments	**243,779**	237,622
Vacation accrual	**101,684**	91,581
Interest on equity capital (Note 19)	**56,931**	56,746
Electric power	**46,463**	51,740
Deposit for construction works	**41,995**	41,109
Other accounts payable	**32,985**	34,815
	634,913	610,406
Noncurrent liabilities	**(281,393)**	(269,158)
Current liabilities	**353,520**	341,248

The noncurrent portion mainly comprises installment payment of debt to Companhia Energética de Minas Gerais – CEMIG and taxes paid in installments.

(1) Electric power:

This refers to payment in installments of debt arising from overdue bills, according to the formal debt acknowledgment document executed with Companhia Energética de Minas Gerais – CEMIG on October 4, 2004, in which the Company acknowledged debt of R$78,495, payable in 96 equal, monthly and successive installments up to September 2012, restated by reference to the IGP-M variation plus 0.5% interest p.m. At September 30, 2010, there were 24 remaining installments payable. The current portion also records the amount of monthly bills, amounting to R$3,353 (R$4,179 at June 30, 2010).

(2) Deposit for construction works:

In December 2003, the Company received onlending of funds from the Program for Depollution of Hydrographic Basins - PRODES, amounting to R$12,636, made by the National Water Agency - ANA, as consideration for Federal Government participation in the construction of Ribeirão do Onça sewage treatment unit, in Belo Horizonte. As provided for in clause 6 of contract No. 012/2003, dated November 21, 2003, the Company will receive for sewage treatment in two successive quarterly installments, after confirmation of attainment of the depollution targets by the referred to agency. The contract was amended to extend the original validity of up to December 31, 2007 to July 1, 2013, also the requirement that Company obtain the referred to confirmation of attainment of targets was requested on July 1, 2009, as provided for in the 3rd Contractual Amendment, dated August 15, 2007. Since the Company already has, since November 2008, studies that confirm attainment of phase 1 targets, for July 2009, there was recognition of the corresponding right on the basis of one third of the amount passed on by ANA, totaling R$7,499, namely R$1,250 to financial income and R$6,249 to deferred revenue account at December 31, 2008. There has been normal compliance with the established target schedule, after confirmation of attainment of phase 1 targets, with quarterly filing of reports with ANA. Deferred revenue recorded in 2008 was recognized as revenue for 2009 in the amount of R$6,249, together with R$708 related to 1/3rd of revenue received in the year for the application of funds received. In 3Q10, R$59 was recognized as income relating to 1/3 of interest accrued in the quarter from investment of funds received. The amount updated to September 30, 2010 referring to such transfer is of R$17,197 (R$20,978 at June 30, 2010) (Note 08).

In December 2007, the Company received R$18,720 related to new onlending made by the National Water Agency - ANA, as consideration for participation of Federal Government in the construction of the Central Sewage Treatment Unit, in Betim. As provided for by clause 6 of contract No, 039/2007, dated December 11, 2007, the Company will receive for sewage treatment services in twelve successive quarterly installments, after confirmation of attainment of depollution targets by the referred to agency. The Company started the process of confirmation of attainment of targets of the Program for Depollution of Hydrographic Basins - PRODES on July 1, 2009 and submitted a report to ANA on October 15, 2009 for approval, however the agency made inquiries and presented technical considerations, scheduling a meeting for January 29, 2010 for clarifications to be provided and for continuity of the program. When receiving approval for first measurement, the Company will have made available 1/12th of the funds existing in the committed account. As such, every three months the Company will issue a measurement report and submit it to ANA for approval, until completing the twelve contractually provided for measurements. However, there is the possibility of renegotiating with the agency the date of new measurements, due to non-conclusion of works that will affect attainment of established targets, The amount applied including restatement through to September 30, 2010 related to this onlending totaled R$23,574 (R$23,112 June 30, 2010) (Note 08).

(3) Taxes in installments:

	Company	
	09/30/2010	06/30/2010
Taxes in installments (*)	**33,536**	21,797
ISS in installments (**) (note 26)	**210,243**	215,825
Total	**243,779**	237,622
Current portion	**(34,733)**	(44,793)
Noncurrent portion	**209,046**	192,829

(*) In 2001, the Company acquired IPI premium credits of R$65,800 from third parties at a 15% discount, which were used for offset against own tax liabilities. The referred to credits were acquired based on injunctions obtained through judicial proceedings filed by the companies selling the credits. Although Brazilian IRS has issued the documents supporting application for tax offset, the tax authorities have considered on several occasions that acquired tax credits may not be used for tax offset purposes, whether due to their origin (credits assigned by third parties), their nature (IPI premium credit) or their provisional assignment (a final unappealable ruling has not yet been handed down on the legal proceedings). Higher Court used to recognize, until recently, right to the IPI premium credit. However, there has been recent change in Higher Court case law, to support the position that for being a sectorial tax incentive, it was valid until October 5, 1990.

In view of the currently prevailing case law scenario, despite the understanding that the matter depends on a final Supreme Court ruling, our outside legal advisors consider that this matter involves probable unfavorable outcome.

However, the Company decided to pay this contingency, and on November 27, 2009 applied for debt payment in twelve installments, in conformity with Provisional Executive Order No, 470, of 2009. For recording purposes, all the credits acquired were restated, totaling R$157,179. In view of this, the provision balance of R$70,299 was increased by R$86,880, and revenue in connection with adhesion to the installment payment was credited for R$91,788, thus remaining a balance of R$65,391 in the provision for IPI premium credit, which was the amount subject matter of payment in installments. In September 2010 the Company made a new application for installment, in the amount of R$28,086 in twelve installments, in addition to the previous application.

(**) Refers to the application for tax offset in which tax and non-tax debts of COPASA will be offset using tax credits on water supply and sewage service invoices due by the Municipal Government of Belo Horizonte. Reciprocal debts are being paid in 120 monthly consecutive installments, bearing 1%

interest and restated by the IPCA-E.

13. Loans and Debentures

	Company	
	09/30/2010	06/30/2010
Current		
State Government /BDMG	**6,683**	7,375
Savings and Loans Bank – CEF	**96,870**	93,341
National Treasury	**34,246**	33,748
BNDES – BNE	**2,011**	1,520
Federal Government – bonus	**6,234**	5,906
Bank loans and financing	**146,044**	141,890
Simple debentures	**96,091**	93,450
Convertible debentures	**2,914**	457
Debentures	**99,005**	93,907
	245,049	235,797
Noncurrent		
State Government /BDMG	**12,972**	13,788
Savings and Loans Bank – CEF	**655,439**	655,519
National Treasury	**85,939**	94,276
BNDES – BNE	**286,850**	272,048
Federal Government – bonus	**52,857**	55,763
Bank loans and financing	**1,094,057**	1,091,394
Simple debentures	**523,738**	524,772
Convertible debentures	**133,740**	134,669
Debentures	**657,478**	659,441
	1,751,535	1,750,835
Total loans	**1,996,584**	1,986,632

The comparison between book and fair values is as follows:

	Book Value		Fair Value	
	09/30/2010	06/30/2010	09/30/2010	06/30/2010
Bank loans and financing	**1,240,101**	1,233,284	**1,217,715**	1,227,153
Simple debentures	**619,829**	618,222	**514,074**	606,123
Convertible debentures	**136,654**	135,126	**133,740**	133,102
Total loans	**1,996,584**	1,986,632	**1,865,529**	1,966,378

The market value of these liabilities is calculated through the projection of the debt balance, restated by the contractual rate, over the remaining payment months. The amount arrived at is discounted, on a retroactive basis to current period, using the following market rates:

Lines	Contractual rate	Period-months	Market rate	Observations
State Government /BDMG	8.95%	54	7.33%	CEF rate because theres is no similar
CEF/FGTS	10.10%	213	7.33%	Quote of CEF rate in September/10
National Treasury	5.38%	40	7.33%	CEF rate because theres is no similar
BNDES/BNE	7.52%	123	7.52%	Quote of CEF rate in September/10
Federal Government	4.83%	163	7.33%	CEF rate because theres is no similar
Simple Debentures	8.69%	78	9.30%	Quote of CEF rate in September/10

Convertible Debentures	8.30%	40	8.30%	Quote of CEF rate in September/10

a) Bank loans and financing

Bank loans and financing mature until 2032 with average coupon of 8.53% p.a. (8.50% p.a. at June 30, 2010), The noncurrent maturity schedule is as follows:

Maturity	09/30/2010	06/30/2010
2011	**38,424**	72,076
2012	**173,978**	170,366
2013	**170,590**	170,628
2014	**137,721**	133,625
2015	**105,122**	101,257
2016	**73,974**	70,995
2017 onwards	**390,248**	372,447
Total	**1,094,057**	1,091,394

The book value of the Company's loans in foreign currency totaled R$ 59,091 (R$ 61,669 at June 30, 2010).

b) Collateral for bank loans and financing

In relation to financing, the Company offers the following guarantees:

Federal Government - bonus:

These are guaranteed until the amount of contract balance by collateral signature from the Minas Gerais State Government and the Company's tariff revenue, until the limit sufficient for payment of installments and other charges due on each maturity date.

Discount Bond and Par Bond:

As additional guarantee for this financing, the Company maintains pledge with Banco do Brasil over the amount of R$25,878, including restatement until September 30, 2010 (R$27,188 in June 30, 2010), applying average price for USA Treasury Coupon Zero Bonus, recorded in collateral for financing account.

Contract for assignment and commitment of credit rights:

In order to ensure fulfillment of Company obligations, assumed in the contracts for onlending of FGTS funds, under the "Sanitation for All" Program, executed by and between the Loans and Savings Bank – CEF, as managing agent, and Unibanco, contracts were entered into for the assignment and commitment of credit rights, on July 4, 2006, with the managing agents Bradesco, Itaú and CEF, as set out below:

			Guarantees		
Contract	Number	Principal	Assignment of credit rights	Committed account	Reserve account
Credit opening I		256,428			
Assignment of credit rights	2006 1637		17,000	17,000	24,066
Amendment I	2006 2933		17,000	17,000	
Credit opening II		284,593			
Assignment of credit rights	2006 1639		15,300	15,300	
Amendment I	2006 2934		15,300	15,300	
Total		**541,021**			**24,066**

For these contracts the Company provided the following guarantees:

Assignment of a portion of credit rights resulting from public water supply and sewage services rendered by COPASA to its private consumers, for the minimum amounts of R$17,000 and R$15,300 per month, on a non-cumulative basis, restated by reference to IPC-A variation informed by FIP.

Assignment of assignor's credit rights against CEF, related to the funds deposited in the committed account and the reserve account, maintained in investment funds, short-term investments or held in any other form, resulting from payment of assigned credit rights.

At September 30, 2010, the short-term investment fund comprising the reserve account balance, which should correspond to 3 (three) times the amount of the installments falling due, recorded in collateral for financing account, amounted to R$ 24,066 (R$24,025 in June 30, 2010).

Other financing:

The loan and financing agreements entered into with CEF, destined to perform construction works and network and building connection expansion services, are guaranteed by deposits in pledge account of which the minimum balance corresponds to 1 (one) time the amount of the monthly charge, for the agreement executed on December 9, 2003, and 3 (three) times the monthly charge, for the contract executed on June 30, 2004, calculated based on the amount of last collection available for these agreements. This account balance, recorded in collateral for financing, at September 30, 2010, amounted to R$8,805 (R$8,014 in June 2010).

The loan and financing agreements executed with the National Bank for Economic and Social Development – BNDES, for optimization and expansion of water supply and sewage systems in the concession areas, are secured by assignment of part of credit rights resulting from public water supply and sewage services rendered, for the minimum amounts of R$3,000 and R$23,000 per month, restated on an annual basis by reference to IPCA/IBGE variation, and by deposits in pledge account of which the minimum balance corresponds to 3 (three) times the amount of the installments falling due. The balance of this account, recorded in collateral for financing account, at September 30, 2010, amounted to R$5,427 (R$5,161 in June 2010).

Other financing are secured by collateral signature from the Minas Gerais State Government and the Company's tariff revenue.

c) Simple and convertible debentures

		Company			
		09/30/2010		06/30/2010	
Subscription / series	Subscription date	Current	Non-current	Current	Non-current
Non-convertible debentures					
Subscription 1st Issue					
1st and 2nd	06/30/2004	**7,847**	**21,911**	7,854	23,845
3rd and 4th	11/09/2004	**7,847**	**21,911**	7,854	23,845
5th and 6th	07/29/2004	**7,847**	**21,911**	7,854	23,845
7th	12/19/2005	**3,923**	**10,956**	3,927	11,922
8th and 9th	04/24/2006	**7,847**	**21,911**	7,854	23,845
10th	12/19/2006	**3,923**	**10,956**	3,927	11,922
11th and 12th	03/23/2007	**7,846**	**21,912**	7,854	23,844
		47,080	**131,468**	47,124	143,068
Subscription 3rd, Issue					
1st to 6th	12/06/2007	**16,337**	**130,757**	16,351	134,719
7th	09/25/2008	**2,723**	**21,793**	2,725	22,453
8th	12/06/2008	**8,169**	**65,378**	8,175	67,360
9th to 11th	03/30/2009	**8,169**	**65,378**	8,175	67,360
12th to 14th	11/27/2009	**2,722**	**21,793**	2,725	22,453
15th to 17th	05/26/2010	**8,169**	**65,378**	8,175	67,359
18th	07/02/2010	**2,722**	**21,793**	-	-
		49,011	**392,270**	46,326	381,704
Total non-convertible		**96,091**	**523,738**	93,450	524,772
Convertible debentures					
Subscription - 2nd Issue					
Sole	08/28/2007	**1,655**	**81,255**	283	82,183
Sole	09/06/2007	**1,199**	**50,004**	166	50,005
Sole	12/03/2007	**60**	**2,481**	8	2,481
Total convertible		**2,914**	**133,740**	457	134,669
Total		**99,005**	**657,478**	93,907	659,441

Nonconvertible debentures

Subscription - 1st issue:

In June 2004, the Company carried out private issue and placement of simple debentures, not convertible into shares, through exclusive subscription by the National Bank for Economic and Social Development - BNDES, A total of 300 (three hundred) debentures of R$1,000 each were issued in 12 (twelve) series of R$25,000 each, The subscription price for each series was equivalent to the nominal value plus interest described below, calculated on a pro rata temporis basis, from issue date until effective subscription date, The contractual terms and conditions were as follows:

Issue date	June 15, 2004
Term	10 years
Grace period for the amount of principal	36 months
Amortization	84 months
Final maturity	July 15, 2014
Remuneration	Long-term interest rate - TJLP + 3.58% p.a.
Guarantee	20% of revenue received, plus reserve account

This 1st issue is secured by 20% of the Company’s tariff revenue and a reserve account of which the minimum balance corresponds to the payment of three monthly installments falling due, related to the debentures of all series placed and subscribed, deposited in an investment fund, recorded in collateral for financing account, At September 30, 2010, the pledged amount totaled R$15,815 (R$16,078 in June 30, 2010).

The funds from this debenture issue are destined to projects for the expansion and modernization of water supply and sewage systems in the concession areas.

Subscription - 3rd issue:

In December 2007, the Company carried out private issue and placement of simple debentures not convertible into shares, through exclusive subscription by the National Bank for Economic and Social Development – BNDES, comprising 450 (four hundred and fifty) debentures of R$1,000, issued in 18 (eighteen) series of R$25,000 each, The contractual terms and conditions were as follows:

Issue date	June 1, 2007
Term	12 years
Grace period for the amount of principle	30 months
Amortization	114 months
Final maturity	December 15, 2019
Remuneration	Long-term interest rate - TJLP + 2.3% p.a.
Guarantee	Variable, with assignment and commitment of receivables, plus the reserve account

This 3rd issue of debentures is secured by the minimum monthly amount of R$18,000, restated on an annual basis by reference to IPCA variation, related to the Company's tariff revenue and a reserve account, of which the minimum balance corresponds to the payment of three monthly installments falling due, related to the debentures of all series placed and subscribed, deposited in an investment fund, recorded in collateral for financing account. At September 30, 2010, the pledged amount totaled R$20,849 (R$20,016 at June 30, 2010).

Subscription – 4th issue:

In July 2010, the Company carried out private issue and placement of simple debentures not convertible into shares, which the issue will be held in three series, with the first and third series, in amount of R$222,210 and R$296,280, respectively, will be through exclusive subscription by the National Bank for Economic and Social Development – BNDES, and the second serie, in amount of R$222,210 will be through exclusive subscription by the BNDES Participações S.A. – BNDESPAR. The first and the second series will consist of 3,000 (three thousand) debentures each, and the third one will consist of 4,000 (four thousand) debentures, totaling 10,000 (ten thousand) debentures of R$74.07 each. The contractual terms and conditions were as follows:

Issue date	July 15, 2010
Term	144 months for 1st and 3rd series and 145 months for 2nd serie
Grace period for the amount of principle	36 months for 1st and 3rd series and 37 months for 2nd serie
Amortization	108 months for 1st and 3rd series and 09 yearly for 2nd serie
Final maturity	December 15, 2022
Remuneration	Long-term interest rate - TJLP + 1.55% p.a. for 1st and 3rd series and IPCA + 1.55% p.a. for 2nd serie
Guarantee	Fiduciary assignment

This 4th issue of debentures is secured by the minimum monthly amount of R$32,000, restated on an annual basis by reference to IPCA variation, related to the Company's tariff revenue and a reserve account, of which the minimum balance corresponds to the payment of three monthly installments falling due, related to the debentures of all series placed and subscribed, deposited in an investment fund, recorded in collateral for financing account.

Until September 30, 2010 there was no subscription on this 4th issue.

Subscription – 2nd issue:

On July 16, 2007, the Company entered into a Private Agreement for Issue of Debentures Convertible into Shares, in the amount of R$141,024, with the following terms and conditions:

Issue date	June 1, 2007
Number of debentures	1,130,000
Unit nominal value in reais	R$124.80
Grace period for the amount of principal	59 months
Amortization	June 1, 2012 and June 1, 2013
Remuneration	Long-term interest rate - TJLP + 2.3% p.a.
Guarantee	Variable

The fair value of the financial component recorded in liabilities was calculated using market interest rate for an equivalent non-convertible debt security, The residual value, representing the value of the capital conversion option, is included in shareholders' equity in income reserves (Note 19).

Company shareholders have right of first refusal for debenture subscription purposes in proportion to the number of shares issued by COPASA and held by them on July 30, 2007, and to subscribe to 01 (one) debenture, shareholder would have to hold 102 (one hundred and two) shares of COPASA, The right of first refusal was to be exercised within 30 days as from July 30, 2007, the date of publication of the related Communication to Shareholders, as such elapsed on August 28, 2007, COPASA shares (CSMG3) were negotiated on a debenture subscription ex right basis since July 31, 2007.

The conversion option shall be made between June 2, 2008 and May 31, 2012, when each debenture may be converted into four common shares issued by the Company, and between June 1, 2012 to May 31, 2013, when each debenture may be converted into two common shares of the Company, for the price of R$31,20 per share, restated on the agreement terms, At September 30, 2010, the following conversion had been made:

	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
Total	**33,639**	**134,556**

The convertible debt security recognized in the balance sheet is calculated as under:

	09/30/2010	06/30/2010
Liability component	**134,669**	137,101
Financial expense	**1,985**	3,225
Interest paid	**-**	(5,657)
Liability component at the end of the period	**136,654**	134,669

The fair value of the liability component of the convertible debt bond at September 30, 2010 totals R$136,654. The fair value is calculated by using the cash flows discounted at the rate of a similar instrument without option of conversion, of 2.8% p.a., plus TJLP.

The funds from 2nd and 3rd debenture issue are being used in the Company's investment plan for the period 2007/2010, being earmarked for modernization, expansion and implementation of water supply and sewage systems, optimization of operations, with improvement in the control over reduction of losses, as well as studies and projects related to water supply and sewage services and investments in new concession and institutional development.

Contractual covenants

The Company has covenants in its loan and financing agreements requiring enforcement of special guarantees, as described below:

(a) Covenants of syndicated loan agreements:

Index	**Limit**
Total liabilities /shareholders' equity	Equal to or lower than 1.0
EBITDA/debt service	Equal to or higher than 1.55
Water and sewage connections /number of employees	Equal to or higher than 350

(b) Covenants of CEF contracts - contracts originally entered into with Unibanco, involving FGTS funds, were subsequently transferred to be managed by CEF, as described in item 2 "Contract for assignment and commitment of credit rights" above.

Index	**Limit**
Total liabilities /shareholders' equity	Equal to or lower than 1.0
EBITDA/debt service	Equal to or higher than 1.7
Current ratio (adjusted)	Higher than 0.9
Water and sewage connections / employees headcount	Higher than 365

(c) Covenants of contracts with BNDES - BNA/BND/BNE:

Index	Limit
Net debt /EBITDA	Equal to or lower than 3.0
EBITDA/ROL	Equal to or higher than 36%
EBITDA/debt service	Equal to or higher than 1.5

(d) BNDES/debentures contract covenants:

Index	Limit
EBITDA/debt service	Equal or higher than 1.5
EBITDA margin	Equal or higher than 33%
Level of indebtedness	Equal or lower than 70%

At September 30, 2010, there was no breach of the above covenants relating to loans and debentures.

14. Provisions for Other Payables and Charges

Provisions are recorded by the Company based on probable cash outlay expected by management. Provisions are recorded in current or noncurrent liabilities based on the time such cash outlays are expected to take place.

	Company	
	09/30/2010	06/30/2010
Provision for taxes	**37,530**	47,234
Provision for contingencies	**30,960**	28,436
Total	**68,490**	75,670

	Consolidated	
	09/30/2010	06/30/2010
Provision for taxes	**37,530**	47,234
Provision for contingencies	**31,380**	28,822
Total	**68,910**	76,056

The criterion adopted by the Company, after consulting the opinion of its legal advisors, is to set up provision for civil, tax and labor proceedings as well as legal obligations considered as involving probable losses.

Movement of provisions is as under:

	Company				
	Provisions			Judicial	
	Civil	Labor	Tax	Deposits	Total
June 30, 2010	13,789	15,220	47,795	(1,134)	75,670
Additions	3,079	3,139	54	(1,304)	4,968
Reversals	(28)	(785)	(9,704)	-	(10,517)
Used	(35)	(1,615)	-	19	(1,631)
September 30, 2010	**16,805**	**15,959**	**38,145**	**(2,419)**	**68,490**

	Consolidated				
	Provisions			Judicial	
	Civil	Labor	Tax	Deposits	Total
June 30, 2010	13,789	15,674	47,795	(1,202)	76,056
Additions	3,079	3,264	54	(1,395)	5,002
Reversals	(28)	(785)	(9,704)	-	(10,517)
Used	(35)	(1,615)	-	19	(1,631)
September 30, 2010	**16,805**	**16,538**	**38,145**	**(2,578)**	**68,910**

Used amounts refer to liquidated provisions or terminated proceedings with an unfavorable outcome for the Company, which were classified as accounts payable.

The amounts represent a provision for certain judicial proceedings filed against the Company, and the charges on the provision are posted to the statement of income in "administrative expenses". In the opinion of the Company's legal advisors, these judicial proceedings will not probably generate any significant loss besides the amounts provisioned at September 30, 2010.

The Company is a party in several judicial proceedings arisen in the normal course of its activities, of civil, labor and tax nature.

(a) Provisions

Civil provisions

Civil provisions relate to proceedings for indemnification for pain, suffering and damages or for refund of amounts overpaid or paid in duplicate, COPASA estimates the provision based on billed amounts subject to be questioned and on recent court rulings.

The Minas Gerais State prosecution unit filed a civil proceeding questioning tariff escalation applied in the municipality of Belo Horizonte in 2003.The proceeding questions the fact that the escalation has been applied to bills issued after tariff adjustment and not consumption period, and claims its reversal, The final ruling partially granted the initial claim, and established that the Company must refund to consumers the portion paid referring to consumption period before the date on which the adjustment was enacted. The case is in the phase of liquidation of final judgment amount, estimated at September 30, 2010 is R$297 (R$295 at June 30, 2010).

Associação Verde Gaia de Proteção Ambiental filed a civil proceeding against COPASA questioning noncompliance with article 2 of State Law No, 12503/97, related to the obligation of concessionaires of public water supply services to invest 0.5% of their operating revenue in environment protection and preservation of the explored hydrographic basin. The lower court ruling in favor of claimant and the current Minas Gerais State Court position on the environmental matter involved, led the proceeding to be considered as involving probable loss. In view of this, the Company set up a provision sufficient to cover probable losses from this proceeding, amounting at September 30, 2010 is R$31 (R$30 at June 30, 2010).

The Edifício Roma apartment complex filed a pain and suffering and property damage lawsuit with refund of amounts against COPASA, claiming undue collection of water tariff, as consumption reduced after installation of an air eliminator. No decision has been handed down to date based on court records. At September 30, 2010, the case totaled R$1,404 (R$1,366 at June 30, 2010).

Maria José Gomes filed a pain and suffering and property damage lawsuit against COPASA, due to damages caused to her property resulting from water leakage, No decision has been handed down to date based on court records. At September 30, 2010, the case totaled R$851 (R$773 at June 30, 2010).

Construtora Leme Engenharia filed a lawsuit challenging the restatement of contracted values with COPASA, and the claim was deemed partially valid, with a final decision having been rendered. At September 30, 2010, the case totaled R$1,049, (R$1,021 at June 30, 2010).

Labor provisions

The proceedings in which the Company holds direct liability mostly refer to pain and suffering and damages due to occupational disease or accident, overtime, and "*in itinere*" hours, health exposure and hazard exposure additional, on-call-additional, salary differences arising from salary parity for the same function, questioning of dismissal for cause, continuity of health care and basket of food staple benefits. The Company set up a provision for all labor claims classified as involving probable loss, which corresponds to approximately 44% of the amount of

estimated risk of all labor proceedings.

The Company is also a party in judicial proceedings as jointly liable defendant, being main liability attributed to subcontractors hired by the Company to render maintenance and construction services. In these cases, when claimant prevails, the referred to subcontractors usually bear the penalties established in the handed down rulings. However, if it is not financially possible for them to pay such penalties, the Company may be judicially requested to pay the labor debt, as such these proceedings are considered as involving probable loss. In these cases, the Company sets up a provision for adventitious penalties, amounting at September 30, 2010 to R$2,802 (R$2,222 at June 30, 2010), further taking into consideration existence of subcontractors facing financial difficulties, as such, considered.

In addition, the Company is a party in twenty one administrative proceedings arisen from a labor audit, which led to a labor assessment notice being drawn against the Company for failing to include the effects of overtime on weekly paid rest, considering that this represents salary underpayment. Infraction notices were issued applying penalty for each employee in this situation. This penalty generated FGTS deposit adjustments and monetary fine. These proceedings are considered by the legal advisors to involve probable losses, therefore a provision was set up at September 30, 2010, in the amount of R$4,442 (R$3,834 at June 30, 2010).

There still is a labor proceeding in connection with the civil proceeding, pending judgment by the 24th labor court of Belo Horizonte, in which SINDÁGUA and the Ministry of Labor allege discrimination in the Company’s dismissal and motivation policy. This proceeding is considered to involve probable loss, as such, a provision was set up at September 30, 2010 in the amount of R$1,195 (R$1,118 at June 30, 2010).

Provisions for taxes

The Company is a party in several tax proceedings. The main such proceeding refers to PIS/PASEP and COFINS assumed credits for the period January 2004 to August 2007, totaling R$37,530 including restatement through to September 30, 2010 (R$47,234 at June 30, 2010). The Company believes that ruling legislation is silent about determination of tax credits on the purchase of inputs used in rendering its services. Based on the conclusion from the study conducted by independent consultants, which reconstructed the estimated calculation base of the referred to taxes, management decided to set up the referred to provision until the legal base of these credits is defined. The provision considers the best estimate of future cash outlays to settle this liability.

(b) Contingent liabilities

COPASA is also a party in other proceedings involving possible losses. For these proceedings no provision was set up for adventitious losses, since the Company considers to have solid legal base supporting the procedures adopted in the

judicial opposition, and that they involve remote risk of loss.

Administrative and judicial proceedings pending judgment against the Company are as follows:

	Company	
Nature	**09/30/2010**	**06/30/2010**
Civil (*)	**328,554**	415,713
Tax (**)	**42,012**	40,867
Total	**370,566**	456,580

(*) Refer to indemnification suits filed by customers claiming indemnification for damages, pain and suffering and loss of profit, pending judgment of several court levels, which may be divided as under:

Individual actions

The Company and its subsidiaries are parties to a significant number of individual indemnification suits due to water supply disconnection and damages caused to construction works. Such suits were filed in the normal course of Company business activities and involve indemnification for pain and suffering and damages, such as indemnification for damage to properties and vehicles and accidents occurred in the course of Company activities, among others. Management does not believe that such judicial proceedings will materially affect, whether individually or together, the business activities of the Company and its subsidiaries, their result of operations, financial situation or prospects.

Collective actions

The Company is a party in civil suits and class actions claiming revocation, suspension or rejection of 11 of the Company's concession contracts entered into with the municipalities of Almenara, Barbacena, Caratinga, Campina Verde, Cataguases, Divinópolis, Frutal, Nanuque, Ribeirão das Neves, São Roque de Minas and Três Corações. In addition, the Company, the Municipality of Belo Horizonte and the Department for the Development of the Capital City - SUDECAP are defendants in a collective action claiming declaration of invalidity of the cooperation agreement entered into by them. This action is pending judgment, and the final reasons have already been presented claiming that a collective action does not apply because the agreement is lawful and, as such, the proceeding should be extinguished. At September 30, 2010, no ruling had been handed down on these proceedings and, excepting for Caratinga, no provision has been set up for the referred to proceedings, since based on the aforementioned criteria the cases involve remote and possible, but not probable, chances of an unfavorable outcome. There is also Minas Gerais State Court case law in favor of the Company, related to a similar case, as well as favorable opinion of renowned jurists in relation to the Company's opinion that the concession contracts and the cooperation agreement with the municipality of Belo Horizonte

are lawful.

The Company is also a party in a collection suit involving a defined amount and the obligation to do arising from the obligations provided for in the conduct agreement entered into with the State Public Prosecution Department in Betim, amounting at June 30, 2010 to R$36,025. A petition for stay of execution was filed in order to prove that the construction works subject matter of the referred to agreement were carried out as a consequence of the disorderly population growth in the municipality and that infrastructure works that were not carried out are the responsibility of the municipal government. The referred to proceeding is in the phase of finding of facts to confirm the allegations, and prosecutors proposed a formalized agreement with the Company. Because of that, the process was reclassified to probable loss, in amount of R$1,907 at September, 2010.

Environmental suits

The Company is a party in several civil suits and class actions involving environmental matters arising in the normal course of its activities. These judicial proceedings are mostly related to environmental recovery of damaged areas, construction of sewage treatment units and investments for environment protection. Although most of these proceedings do not individually involve significant amounts, the Company may come to have to invest significant amounts in the construction of sewage treatment units and/or review some of its business practices.

A significant class environmental action involving the Company amounted to R$63,092 at September 30, 2010 (R$61,386 at June 30, 2010). This class action claims environmental recovery of a damaged area due to sewage discharge into São Francisco River. This action is pending judgment and the Company considers that the case involves a possible unfavorable outcome.

Conduct Agreement – TAC

Several Conduct Agreements (TAC) were entered into with the Minas Gerais State Public Prosecution Department about environmental matters. resulting from civil and administrative inquests. A TAC has also been entered into in the course of a civil suit filed by Public Prosecution Department, which provides for implementation of a complete sewage system in the municipality of Paracatu, as well as civil indemnification.

The obligations arising from these TAC’s mostly comprise the conduction of works for the implementation or improvement of the basic sanitation networks, as well as the construction of sewage treatment units, to avoid collected sewage to be discharged into rivers without any treatment. The funds required by TAC’s entered into by the Company are included in its investment program.

(**) These refer to several tax proceedings. The most significant is in connection with a Brazilian IRS tax notice received in April 2004, since the Company failed to include in the calculation base of PASEP and COFINS, financial income from exchange variation on obligations generated by the decrease in the exchange rate to the US dollar. The tax notice including restatement through to September 30, 2010 amounts to R$27,579 (R$26,834 at June 30, 2010) and involves possible contingent loss since there is no case law related to the matter. However, the Company, lodged an appeal with the administrative authorities against the referred to tax notice, and will support its opposition in higher court levels until a final ruling is handed down on the case. Based on the opinion of the Company's legal advisors, management believes that no provision related to this notice should be set up.

In relation to COFINS, the appeal lodged with the administrative authorities was dismissed on June 14, 2005. In relation to PIS/PASEP, the appeal filed with the administrative authorities is pending judgment by the second Board of Appeals. However, a recent Supreme Court ruling considered that Law No, 9718/98 is unconstitutional in relation to the expansion of the calculation base of these contributions. In view of this, the Company intends to file a judicial proceeding claiming revocation of the tax notice that was issued based on unconstitutional legislation.

15. Employee Profit Sharing

Company management, abiding by the Collective Agreement 2005/2007 entered into with the Labor Union, approved the Company's Employee Profit Sharing Program, as decided by the meeting held on October 28, 2005, and in conformity with ruling legislation. The amount to be distributed corresponds to 25% of minimum mandatory dividends paid to shareholders, i,e, 6.25% of net income for the first quarter, after deduction of the legal reserve, based on performance in attaining targets, the percentage of completion of the Company's Investment Program approved for the first quarter, the number of water connections per employee and operating results.

However, the Collective Agreement 2008/2010 introduced certain changes, approved by the meeting held on July 25, 2008, establishing that profit sharing shall be distributed on a linear basis to all employees and paid in two installments of 50% each, the first included in payroll for April and the second in payroll for October.

At March 31, June 30 and September 30, 2010, the Company set up a provision of R$ 7,564, R$5,997 and R$10,248, respectively, for employee profit sharing for the nine months of 2010 (R$22,486 in 2009).

16. Income and Social Contribution Taxes

a) Income and social contribution taxes in the quarter

Income taxes in Brazil comprise Corporate Income Tax and Social Contribution Tax on Net Profit, at the statutory rates of 25% and 9%, respectively, representing a total rate of 34% for September 2010 and 2009. The amounts recorded as income tax expenses in the Company's income statement are reconciled at the statutory rates, as follows:

	Company	
Period from July 1 to September 30	**2010**	**2009**
Income for the quarter before taxes	**129,144**	118,664
Nominal rate	**34%**	34%
Expected expense at the nominal rate	**(43,909)**	(40,346)
Income and social contribution taxes on:		
(Additions)/exclusions		
Donations and subsidies	**(3,103)**	(2,321)
Realization of special monetary restatement	**(772)**	(822)
Equity pickup	**(1,553)**	(1,689)
Temporary provisions	**(2,288)**	1,382
Provision for profit sharing	**3,484**	2,045
Other (additions)/exclusions	**(8,996)**	(2,298)
	(57,137)	(44,049)
Current income and social contribution taxes	**(44,512)**	(47,380)
Deferred income and social contribution taxes	**(12,625)**	3,331
	(57,137)	(44,049)
Effective rate	**44%**	37%

b) Deferred income and social contribution taxes

Deferred income and social contribution taxes are calculated on income and social contribution tax losses and corresponding temporary differences between the calculation bases of the taxes on assets and liabilities and the book values recorded in the quarterly information. The tax rates, currently defined to determine such deferred credits, are of 25% for income tax and 9% for social contribution tax.

Deferred tax assets are recognized to the extent that it is likely that future taxable profit will be available for use in the offset of temporary differences, based on projections of future profit calculated and grounded on internal assumptions and on future economic scenarios that may, therefore, undergo changes.

Offsetable amounts are as follows:

	Company	
Balance sheet balances	**09/30/2010**	**06/30/2010**
Non-current assets		
Temporary differences:		
Provisions for contingencies	**314,245**	314,618
Provisions for actuarial obligations	**380,058**	379,557
Provisions for CPC adjustments	**261,264**	267,361
Other	**44,973**	46,794
Total	**1,000,540**	1,008,330
Deferred income tax	**250,135**	252,083
Deferred social contribution tax	**90,088**	90,750
	340,223	342,832
Non-current liabilities		
Temporary differences:		
Provisions for losses on investments in subsidiaries	**21,142**	-
Deferred foreign exchange variation gains (on financing)	**24,327**	25,524
Provisions for CPC adjustments	**107,793**	98,279
Total	**153,262**	123,803
Deferred income tax	**38,315**	30,951
Deferred social contribution tax	**13,794**	11,142
	52,109	42,093

In P&L for the quarter from July 01 to September 30	**09/30/2010**
1. Increase/(decrease) in deferred tax assets	
Deferred income tax (decrease)	(1,947)
Deferred social contribution tax (decrease)	(662)
	(2,609)
2. Decrease/(increase) in deferred tax liabilities	
Deferred income tax	7,365
Deferred social contribution tax	2,651
	10,016
Deferred tax losses in the quarter (1 - 2)	
(Increase)/decrease in tax expenses	(12,625)

At the meetings held on March 25, 2010 by the Audit Committee and on March 26, 2010 by the Board of Directors, approval was given to the technical study prepared by the Financial Executive Board and Investor Relations, referring to projection of future profitability adjusted to present value, which evidences the capacity of

realization of deferred tax assets.

According to such technical study, taxable profit enables the realization of deferred tax assets existing at September 30, 2010, as shown below:

Expected realization of deferred tax assets (in thousands of reais)	Expected realization amount
in 2010	42,828
in 2011	23,294
in 2012	24,570
in 2013	22,784
in 2014	20,232
After 2014	206,515
	340,223

Should significant events occur so as to change the projections, they will be revised in the course of the year.

17. Technical Cooperation Agreements

These refer to funds received as from July 2006, in connection with the agreement entered into by the Company with the State Department for Regional Development and Urban Policy - SEDRU, aiming at technical and financial cooperation to expand public sanitation systems, in the Jequitinhonha river valley region, Estrada Real (in Ouro Preto) and other regions in the interior of the Minas Gerais State.

The funds received in connection with this agreement are used in works specified by the agreements, being recorded in technical cooperation agreement account in current liabilities when received and in current assets, when used, for subsequent matching of accounts.

Breakdown of the net balance of agreements is set out below:

	Company		
	Receivable (asset)	**Advance (liability)**	**Net**
September 30, 2010			
State	230,077	(213,244)	**16,833**
Other	30,017	(16,602)	**13,415**
Total	260,094	(229,846)	**30,248**
June 30, 2010			
State	218,621	(207,962)	**10,659**
Other	30,037	(16,597)	**13,440**
Total	248,658	(224,559)	**24,099**

	Consolidated		
	Receivable (assets)	Advance (liability)	Net
September 30, 2010			
State	415,337	(401,636)	**13,701**
Other	30,017	(16,602)	**13,415**
Total	445,354	(418,238)	**27,116**
June 30, 2010			
State	375,059	(375,468)	**(409)**
Other	30,037	(16,597)	**13,440**
Total	405,096	(392,065)	**13,031**

18. Pension Plan

On December 7, 1982, the Company entered into an agreement and started sponsoring the Social Security Foundation of Minas Gerais - FUNDASEMG, of which the rights and liabilities were subsequently assumed by PREVIMINAS, which was created to provide pension plan benefits to participating employees, ensuring maintenance of their plan for defined benefits with the referred to Foundation, Contribution to the plan by the Company and employees are on an equal basis, in accordance with Complementary Law No, 108 and No,109, dated May 29, 2001, of which the amount is determined based on prior actuarial studies.

The plan supplements pensions for disability, age, length of service and special pensions, and also offers supplementation benefits related to health care, pension, benefit to dependents of incarcerated plan participants and one-time death benefit payment.

Contributions to the pension plan for defined benefits for the next year are estimated at R$ 44,863.

Movement of current liabilities is set out below:

	Company	
	09/30/2010	06/30/2010
Liabilities – Initial	**486,027**	484,338
Amounts recognized in the statement of income - actuarial liabilities	**501**	768
Contributions of Copasa	**8,597**	8,320
Provision of monthly contribution	**11,172**	10,980
Financial cost	**(245)**	1,842
Pension plan amortization	**(1,731)**	(1,679)
Amortization of monthly contribution	**(20,143)**	(18,542)
Liabilities – Ending	**484,178**	486,027
Long-term liabilities	**14,135**	14,434
Short-term liabilities	**470,043**	471,593

Strategy of private pension to be offered to Company employees:

Since 2002, the private pension plan for defined benefit (DB) sponsored by the Company has presented actuarial deficit, which has required increases in contributions on the part of the Company and its employees, which up to November 2008 total approximately 127%, according to the statements of actuarial evaluation results – DRAAs, In December 2009, this plan had 10,656 active participants and 2,520 participants receiving benefits.

In accordance with the Company's Board of Directors decision and aiming at clearing the Company's pension plan deficit, the following initiatives are scheduled for 2010: (i) not allow admission of new participants in the current plan for defined benefits (DB), (ii) create a new plan with no deficit, allowing all participants and beneficiaries of the current DB plan to migrate to this plan and (iii) create a new plan for defined contribution (DC) to be offered to all employees and directors, also allowing migration of all participants and beneficiaries of the current DB plan. Due to the various stages and approvals involved, the migration process will take place in the second six-month period.

After conclusion of this process, the Company estimates that it will have three different plans; to wit: a) the current DB plan closed for new participants, but which will continue active and receiving contributions, b) the DB plan with no deficit created solely to manage resulting employee benefits; and c) the DC plan allowing admission of new employees and directors.

On June 23, 2010, the National Superintendency of Pension Funds – PREVIC adopted a new strategy for the Company Post Retirement, including the closing of the current Post Retirement Benefit Plan, the creation of Plan COPASA Liquided and New Plan Copasa, in the form of Defined Contribution. In the period from August 2, 2010 to October 20, 2010, all active employees, away from the job, and assisted should access the simulator to know and choose an alternative to the proposed Post Retirement Benefit Plan, which will be implemented on November 01, 2010. At this stage is not possible to estimate the impact of this migration process.

19. Shareholders' Equity and Dividends

(a) Capital

	Number of shares – in thousands	Capital
At June 30, 2010	115,300	2,636,460
Issued shares – convertible debentures	-	-
At September 30, 2010	115,300	2,636,460

Authorized common shares total 115,300 thousand shares. All issued shares have been paid in, Shares have no par value.

The Company is controlled by the Minas Gerais State Government, which holds 53.07% ownership interest in the Company. The remaining 46.93% ownership interest is held by other shareholders.

The Company has 370 thousand common shares of own issue in treasury, in the amount of R$9,190, mainly acquired from the Minas Gerais State Government, through operations related to payment of debts arising from water supply and sewage services and technical cooperation agreements. These shares are maintained as "treasury stock ". The Company has the right to re-issue such shares on a later date. All shares issued by the Company have been paid in.

On August 4, 2008, March 6 and 12, April 1, June 18 and July 2 and 21, 2009 several debenture holders converted 188, 5,396, 973, 20,595, 2,039, 4,208 and 240 debentures, respectively into 134,556 common shares of the Company, on the basis of one debenture to four common shares, as established in the 2nd Convertible Debenture Issue Document (Note 13). The Company's Free Float at September 30, 2010 was of 46.6%.

On September 24, 2010, Mackenzie Financial Corporation, as managing mutual fund advisor and/or sub-advisor, informed that such funds had decreased from 5.02% to 4.98% of the Company's total capital.

(b) Profit retention

At the Annual Shareholders' Meeting held on April 27, 2010 approval was given to the profit retention proposal in the amount of R$319,733 (R$136,653 in 2008) for future Company investments. in line with the "action plan" approved by the Board of Directors, to be carried out in the long term.

(c) Tax incentive reserve

This reserve was constituted using a portion of tax incentives resulting from donations and government grants, and recorded in the statement of income for

the year as from January 1, 2008.

In 2009, the amount of R$6,957 (R$1,250 in 2008) was recorded in the statement of income in connection with the incentive for attaining 1st phase targets for the Ribeirão do Onça sewage treatment unit (Note 12), granted by the National Water Agency - ANA, with funds from the Program for Depollution of Hydrographic Basins - PRODES.

(d) Dividends

Pursuant to the Company's Articles of Incorporation, shareholders are entitled to minimum mandatory dividends corresponding to 25% of net profit for the year, adjusted by decrease or increase in the amounts specified in items I, II and III, article 202 of Law No, 6404/76. Approved dividends are not subject to interest, and the amounts not claimed within three years of the Annual Shareholders' Meeting that approved them will be forfeited in favor of the Company.

The payment of dividends relating to 2010 was approved at the meeting held on March 26, 2010 by the Board of Directors and decided at the Special General Meeting of April 28, 2010, in the form of interest on equity, in the percentage of 50%.

The Company's Board of Directors approved the payment of interest on equity to shareholders in the meeting below:

Date	Gross amount declared	Value per share
03/26/2010	43,673	0.38
06/28/2010	56,741	0.49
09/28/2010	56,936	0.50
	157,350	

Interest on equity declared will be attributed to mandatory dividends relating to 2010.

As allowed by Law No, 9249/95, article 9 and observing the Long-Term Interest Rate – TJLP, interest was recorded as financial expenses for deductibility purposes in the determination of income and social contribution taxes, generating tax benefit of R$19,358. Interest on equity capital is being charged against retained earnings, in shareholders' equity.

Movement of interest on equity capital payable account is as follows:

	09/30/2010	06/30/2010
Open balance	**56,746**	91,149
Interest on equity capital	**56,936**	56,741
Withholding income tax in advance	**(3,446)**	-
Payment 2nd. Quarter 2010	**(53,305)**	(91,144)
Balance of interest on equity capital in current liabilities	**56,931**	56,746

20. Financial Risk Management Policy and Objective

(a) Financial risk management

The Company's main financial liabilities refer to loans and payable, accounts payable and other payables. The main purpose of these financial liabilities is to raise funds necessary for Company operations. The Company has loans and other credits, trade accounts receivable and other receivables and demand and short-term cash deposits directly resulting from its operations.

The Company is exposed to market, credit and liquidity risks.

The Company's financial department manages these risks, supported by the executive board, which provides advice on financial risks and proper financial risk governance for the Company. The executive board provides assurance to the Company's financial department that the Company activities in which financial risks are assumed follow proper policies and procedures and that financial risks are identified, evaluated and managed in accordance with the Company's policy on Group risk. The Company follows the policy of not carrying out operations with derivatives.

The Board of Directors reviews and establishes policies for managing each of these risks, as summarized below.

(i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument may float due to market price changes. Market price involves three risks; to wit, interest rate, exchange rate and commodities price and other price risks, such as share price risk. Financial instruments affected by the market risk include loans payable, deposits and instruments available for sale.

The sensibility analysis in the following sections refers to the position at September 30, 2010 and June 30, 2010.

The sensibility analysis was prepared based on net debt amount, considering constant fixed to variable interest rate ratio of debt and the percentage of financial instruments in foreign currency.

The analyses exclude changes from the impact on market variables and on the book value of pension and post-employment plan liabilities, provisions, non-financial assets and liabilities from foreign operations.

Sensibility analysis for the corresponding statement of income item is the effect of presumed changes on the related market risks. It is based on financial assets and liabilities presented at September 30, 2010 and June 30, 2010.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument may float due to changes in market interest rates. The Company's exposure to changes in market interest rates mainly refers to the Company's long-term liabilities subject to variable interest rates.

The Company is exposed to the risk of increase in international interest rates, with impact on loans and financing in foreign currency with variable interest rate (mainly the basket of interest rates of contracts linked to Federal Government -Bonus).

Several scenarios are simulated taking into consideration refinancing, renewal of existing positions and financing. Based on these scenarios, the Company defines a reasonable interest rate change and calculates the impact on net income. The scenarios are prepared only considering main financial assets and liabilities.

Sensibility to interest rate

The table below evidences sensibility to a possible change in interest rates in this loans payable portion. Keeping all the other variables unchanged, the Company's net income before taxes is affected by the impact on loans payable subject to variable interest rates, as under:

	Increase /decrease in base points	Effects on income before taxes
09/30/10		
R$	+ 0.5%	(9,085)
R$	- 0.5%	9,085
06/30/10		
R$	+ 0.5%	(9,049)
R$	- 0.5%	9,049

Presumed movement in base points for the interest rate sensibility analysis is based on the current interest rates prevailing in the market, indicating volatility significantly higher than that in prior years.

Foreign exchange risk

Foreign exchange rate risk is the risk that the fair value of future cash flows of a financial instrument may float due to changes in exchange rates. The Company's exposure to the risk of exchange rate variation mainly refers to equipment import operations, short-term investments and loans and financing, basically in relation to the US dollar.

Financing in foreign currency is destined to specific works for the improvement and expansion of water supply and sewage systems. The Company does not have instruments providing hedge against these exchange rate risks.

The Company's exposure in foreign currency, represented by its indebtedness in US dollars, totaled R$59,061 at September 30, 2010 (R$61,669 in June 30, 2010), 3.0 % of its total indebtedness (3,1% in June 30, 2010). The Company presented at September 30, 2010, collateral of R$25,878 (R$27,188 at June 30, 2010) for part of financing in foreign currency (Note 13).

Sensibility to exchange rate

The table below presents sensibility to reasonable variation that may occur in the exchange rate to the US dollar, maintaining all the other variables unaltered, of the Company's income before taxes and shareholders' equity.

	Change in US$ exchange rate	Effect on income before taxes
09/30/10	+ 20%	(11,574)
	- 20%	11,574
	+10%	(5,787)
	-10%	5,787
06/30/10	+ 20%	(12,206)
	- 20%	12,206
	+10%	(6,103)
	-10%	6,103

Changes in net income and shareholders' equity originate in changes in loans denominated in US dollars.

(ii) Credit risk

Credit risk is the risk of a business counterparty of not fulfilling an obligation provided for in a financial instrument or contract with customer, which would generate financial loss. The Company is exposed to credit risk in its operating and financing activities, including bank deposits, foreign exchange operations and other financial instruments.

Accounts receivable

Customer credit risk is subject to procedures, controls and policy established by the Company in relation to this risk. Credit limits are established for all customers based on internal credit rating criteria. A significant portion of sales is spread to several customers. In the case of these customers, there is low credit risk due to portfolio pulverization and the control procedures monitoring such risk. Doubtful accounts receivable are adequately covered by a provision for any losses on the realization of such receivables.

Financial instruments and cash deposits

The credit risk related to balances with banks is managed by the Company's treasury department in accordance with the policy established by it. Cash surplus is invested only with approved banks and within the limits established for each of them. Counterparty credit risk is reviewed on an annual basis. The Company's funds are mainly invested in securities of independent entities fitting at least into rating "A".

Quality of financial assets that are not overdue or impaired may be evaluated by reference to external credit rating or historic information on counterparty default.

	Company	
	09/30/2010	**06/30/2010**
Total trade accounts receivable	**615,526**	587,601
Current account, bank deposits and short-term investments		
AAA	**29,512**	94,711
AA	**40,061**	56,017
BBB	**36,376**	74,241
	105,949	224,969

	Consolidated	
	09/30/2010	**06/30/2010**
Total trade accounts receivable	**618,471**	590,738
Current account, bank deposits and short-term investments		
AAA	**32,478**	97,237
AA	**40,061**	56,017
BBB	**36,376**	74,242
	108,875	227,496

(iii) Liquidity risk

The Company monitors the risk of funds shortage through a liquidity planning tool.

Prudent liquidity risk management entails maintenance of sufficient cash and securities and capacity to settle market positions.

Management monitors the Company's liquidity risk, considering expected cash flow as well as cash and cash equivalents (Note 07). Generally, this is made locally by the Company's operating companies, in accordance with the practice and the limits established by the Company. These limits vary depending on the locality in order to take into consideration liquidity in the market in which the entity operates. In addition, the Company's liquidity management policy involves projection of cash flows and analysis of level of net assets required to reach such projections, monitoring of liquidity risks in the balance sheet in relation to internal and external regulatory requirements and maintenance of debt financing plan.

The table below presents 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 presented in the table correspond to contractual undiscounted cash flows. The balances due within up to 12 months equal carry over balances since the discount impact is not significant.

	Maturity brackets (i)			
	Up to 01 year	**From 1 to 3 years**	**From 3 to 5 years**	**Above 5 years**
At September 30, 2010				
Amortization	234,041	666,949	396,809	691,575
Interest	143,408	221,628	127,219	193,969
Loans and financing	**377,499**	**888,577**	**524,028**	**885,544**
Suppliers and other liabilities	**93,583**	**46,785**	**25,230**	**66,229**
At June 30, 2010				
Amortization	227,841	688,058	430,247	753,862
Interest	143,222	181,926	111,880	135,938
Loans and financing	**371,063**	**869,984**	**542,127**	**889,800**
Suppliers and other liabilities	**94,080**	**51,716**	**25,293**	**66,557**

(i) Maturity analysis only applies to financial instruments, therefore legal and statutory liabilities such as taxes, dividends, interest on equity capital, pension plan and provisions, among others, are not included.

The Company does not have operations with derivative instruments.

The table below sets out collateral provided by COPASA for financing contracts.

Institution	Collateral (committed revenue)	09/30/2010	06/30/2010
CEF until 1998 and National Treasury	22% of receivables	**52,292**	100,078
Unibanco 2002 and syndicated loans 2004	R$17 MM annually restated by IPCA since 07/04/06	**20,544**	20,542
Syndicated loans II – 2006	R$15,3 MM monthly restated by IPCA, since 07/04/06	**18,489**	18,488
BNDES 2004 (debenture issue I)	20% of receivables	**18,973**	90,980
BNDES 2007 (debenture issue III)	R$18 MM annually restated by IPCA, since 12/12/07	**20,032**	20,650
BNDES PAC 2007/2008	Committed revenue of R$26 MM, restated by IPCA, since 05/20/08	**29,006**	29,006

(b) Capital risk management

The main objective of the Company's capital risk management is to ensure maintenance of solid credit rating and free capital ratio allowing continuous conduction of business activities to maximize value generation for shareholders.

Capital structure is managed and adjusted by the Company considering changes in economic conditions. In order to maintain or adjust capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

There was no change in the objectives, policies or processes in the quarters ended September 30, 2010 and June 30, 2010.

Alike other companies in the sector, the Company monitors capital based on financial leverage and third-party capital (indebtedness) indices. Financial leverage index corresponds to 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 shareholders' equity, as disclosed in the consolidated balance sheet, with net debt.

In 2010, the Company's strategy, which remained unaltered in relation to 2009, was that of maintaining the financial leverage and third-party capital indices below 100%. The total liabilities to shareholders' equity ratio at September 30, 2010 and June 30, 2010 may be summarized as under:

	Company	
	09/30/2010	**06/30/2010**
Total loans (Note 13)	**1,996,584**	1,986,632
Less: cash and cash equivalents (Note 07)	**(105,948)**	(224,969)
Net debt	**1,890,636**	1,761,663
Total shareholders' equity	**3,927,316**	3,865,557
Total capital	**5,817,952**	5,627,220
Financial leverage index - %	**32**	31
Indebtedness index - %	**51**	51

	Consolidated	
	09/30/2010	**06/30/2010**
Total loans (Note 13)	**1,996,584**	1,986,632
Less: cash and cash equivalents (Note 07)	**(108,875)**	(227,496)
Net debt	**1,887,709**	1,759,136
Total shareholders' equity	**3,927,316**	3,865,557
Total capital	**5,815,025**	5,624,693
Financial leverage index - %	**32**	31
Indebtedness index - %	**51**	51

The increase in the 3Q2010 index is due to the increase in total net debt, the decrease in short-term financial investments and the increase in loans and financing (Notes 07 and 13).

(c) Fair value estimate

The Company does not have financial assets or liabilities measured at fair value, The Company's financial assets and liabilities, presented in Note 3 (j) are classified as loans and receivables at amortized cost.

21. Revenues

The Company's operating revenues for the trimesters ended September 30, 2010 and 2009 are set out below:

	Company		Consolidated	
	09/30/2010	09/30/2009	09/30/2010	09/30/2009
Revenue from water supply and sewage services	**671,276**	**619,852**	674,559	621,928
Revenue from product sales	**-**	**-**	367	185
Construction revenue	**251,281**	**312,685**	251,281	312,685
Total billing	**922,557**	**932,537**	926,207	934,798
Sales taxes	**(61,035)**	**(56,325)**	(61,478)	(56,503)
Other deductions	**(11,440)**	**(10,931)**	(11,473)	(10,931)
Net revenue	**850,082**	**865,281**	853,256	867,364

22. Expenses by Nature

	Company	
	09/30/2010	09/30/2009
Salaries and charges	**185,848**	168,393
Materials	**22,364**	24,192
Outsourced services	**111,932**	104,014
General	**24,432**	19,959
Depreciation and amortization	**65,358**	62,167
Uncollectible accounts	**13,554**	12,213
Provisions for losses	**743**	-
Construction Costs	**245,086**	303,276
Provisions	**34,706**	4,724
Equity method	**3,890**	4,968
Other	**4,971**	9,338
Total	**712,884**	713,244

	Consolidated	
	09/30/2010	09/30/2009
Salaries and charges	**187,615**	169,881
Materials	**22,761**	24,485
Outsourced services	**113,525**	105,582
General	**25,048**	20,697
Depreciation and amortization	**65,472**	62,313
Uncollectible accounts	**13,761**	12,749
Provisions for losses	**743**	-
Construction Costs	**245,086**	303,276
Provisions	**34,830**	4,724
Other	**6,271**	10,361
Total	**715,112**	714,068

23. Expenses with Employee Benefits

	Company	
	09/30/2010	09/30/2009
Salaries	**101,561**	93,671
Social security costs	**32,688**	27,978
Employee Terminal Benefit	**6,398**	8,125
Defined benefit pension plan costs	**8,596**	7,114
Workers' meal program	**22,069**	19,232
Workers' healty program	**10,973**	7,717
Other benefits	**3,563**	4,556
Total	**185,848**	168,393
Employees headcount (not audited)	**11,421**	11,342

	Consolidated	
	09/30/2010	09/30/2009
Salaries	**102,959**	94,761
Social security costs	**32,933**	28,221
Employee Terminal Benefit	**6,463**	8,192
Defined benefit pension plan costs	**8,596**	7,114
Workers' meal program	**22,105**	19,284
Workers' healthy program	**10,987**	7,725
Other benefits	**3,572**	4,584
Total	**187,615**	169,881
Employees headcount (not audited)	**11,600**	11,435

24. Financial Income (Expenses)

The changes in financial income (expense), net for 2010 as compared to the same 2009 period is as under:

	Company		
	7/1/2010 to 09/30/2010	7/1/2009 to 09/30/2009	Variation
Interest receivable	**12,078**	11,910	**168**
Financial investments yield	**3,360**	4,726	**(1,366)**
Monetary and exchange variation revenue	**3,870**	9,231	**(5,361)**
Other revenues	**3,869**	10,634	**(6,765)**
Total revenue	**23,177**	36,501	**(13,324)**
Interest payable on financing	**(25,684)**	(27,473)	**1,789**
Monetary and exchange variation expense	**(3,284)**	(3,793)	**509**
Other expenses	**(431)**	(355)	**(76)**
Total expense	**(29,399)**	(31,621)	**2,222**
Financial income (expense), net	**6,222**	4,880	**(11,102)**

	Consolidated		
	7/1/2010 to 09/30/2010	7/1/2009 to 09/30/2009	Variation
Interest receivable	**12,131**	11,913	**218**
Financial investments yield	**3,363**	4,730	**(1,367)**
Monetary and exchange variation revenue	**2,675**	8,578	**(5,903)**
Other revenues	**4,087**	10,634	**6,547**
Total revenue	**22,256**	35,855	**(13,599)**
Interest payable on financing	**(25,739)**	(27,475)	**1,736**
Monetary and exchange variation expense	**(3,284)**	(3,793)	**509**
Other expenses	**(496)**	(589)	**93**
Total expense	**(29,519)**	(31,857)	**2,338**
Financial income (expense), net	**(7,263)**	3,998	**(11,261)**

25. Transactions with Related Parties

The Company is controlled by the Minas Gerais State, which holds 53.07% ownership interest in the Company, The remaining 46.93% ownership interest is held by several shareholders.

In addition to the balance payable to CEMIG, presented in Note 12, and the agreements described in Note 17, the remaining transactions with related parties are basically those with the Minas Gerais State Government and the subsidiaries. The main such balances and operations are set out below:

	Company			
	09/30/2010			
	Subsidiaries			Other
	Águas Minerais	Copanor	Serviços Irrigação	Minas Gerais State
Assets				
Current assets				
Trade accounts receivable				
Billed amounts	-	-	-	7,605
Agreements	-	-	-	16,833
Noncurrent assets				
Loans	41,161	14,137	1,917	-
Investments	1	1	1	-
Total assets	**41,162**	**14,138**	**1,918**	**24,438**
Liabilities				
Current liabilities				
Interest on equity capital	-	-	-	30,313
Noncurrent liabilities				-
Provision for losses on investments	10,045	10,059	1,038	-
Total liabilities	**10,045**	**10,059**	**1,038**	**30,313**

	Third Quarter 2010			
Statement of income				
Revenue from water supply and sewage services	-	-	-	22,477
Monetary variation revenue	896	256	41	-

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	Company			
	06/30/2010			
	Subsidiaries			Other
	Águas Minerais	Copanor	Serviços Irrigação	Minas Gerais State
Assets				
Current assets				
Trade accounts receivable				
Billed amounts	-	-	-	6,963
Agreements	-	-	-	10,659
Noncurrent assets				
Loans	39,474	12,061	1,902	-
Investments	1	1	1	-
Total assets	**39,475**	**12,062**	**1,903**	**17,622**
Liabilities				
Current liabilities				
Interest on equity capital	-	-	-	30,209
Noncurrent liabilities				
Provision for losses on investments	7,427	8,788	1,241	
Total liabilities	**7,427**	**8,788**	**1,241**	**30,209**
		Third Quarter 2009		
Statement of income				
Revenue from water supply and sewage services	-	-	-	19,154
Monetary variation revenue	480	136	37	-

Balances and transactions with related parties are conducted under prices and conditions considered by Management as compatible with those prevailing in the market, except concerning the form of financial settlement, which may occur through special negotiations (offset of accounts).

The Company's Board of Directors meeting of May 29, 2009, authorized write-off of assets, including chattels and properties, existing at April 30, 2009 related to the systems of concessions operated by COPASA MG, which will be transferred to subsidiary COPANOR, with proposed indemnification for the amount estimated based on discounted cash flow, totaling R$39,929, to be paid by the Minas Gerais State Government, through subsidiary Copasa Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S/A – COPANOR. The payment will take place as the formal documents for revocation of concession contracts are executed by and between COPASA MG and the municipal governments. The net book value of all the assets to be transferred at April 30, 2009 aggregated R$14,726. Depreciation and amortization charges stopped being generated for these transferred assets. In 2009, transferred assets totaled R$ 6,004 and revenue from the disposal thereof aggregated R$ 6,080. In 2010 first quarter, transferred assets summarized R$1,303, however did not represent any disposal'revenue. In 2010 second and third quarter there was no transferred assets or any disposal'revenue.

- Electric power supply

  COPASA is one of the major consumers of electric power in the State of Minas Gerais, where electricity is supplied primarily by the Minas Gerais electric power utility company CEMIG, controlled by COPASA's controlling shareholder, i,e,, the State of Minas Gerais. More than 300 electric power supply agreements were signed, each one for a specific consumer unit, as mentioned in Note 12.

- Financing agreements with BDMG

  Varying financing agreements were made with BDMG during the normal course of business.

- Agreements with CODEMIG

  As of March 22, 2006, the Company signed an intention protocol for technical cooperation and, as of June 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 the Company's contracts with the 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 case of default, the Federal Government was 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 existing balances in the State's revenue centralizing accounts maintained in a certain financial institution, in amounts sufficient to settle any installment in default. As of September 30, 2010, the outstanding balance under these agreements totals R$120,185, as mentioned in Note 13.

  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. As of September 30, 2010, the outstanding balance of these agreements is R$59,091, as mentioned in Note 13.

- Remuneration of key management members

Key management members include Board of Directors and Executive Board members, Executive Committee members and the Internal Audit Officer. Remuneration paid or payable to key management members, for employee services rendered by them, is as follows:

	09/30/2010	09/30/2009
Salaries and other short-term benefits to employees	**705**	833
Post-employment benefits	**29**	45
	734	878

26. Water Supply and Sewage Services in Belo Horizonte

The Minas Gerais State Government and the Belo Horizontal Municipal Government entered into on November 13, 2002, a cooperation agreement, ensuring to the Company the right to continue rendering water supply and sewage services in Belo Horizonte for other 30 years.

The first amendment to this agreement was made on April 30, 2004. The main items of the consolidated amended cooperation agreement are as follows:

1º) All water and sewage network pipes owned by the Municipal Government, existing on May 23, 2000, were sold and transferred to the Company, after being duly appraised, through payment in the form of Municipal Government ownership interest in the Company, observing the provisions of Municipal Law No, 8754, dated January 16, 2004. Purchase of the referred to assets for R$280,220 was approved by the Special Shareholders' Meeting of April 30, 2004, as per the valuation report prepared by independent specialized appraisers.

2º) At the end of this cooperation agreement, the assets sold to the Company and incorporated to its assets shall be returned to the Municipal Government, through repurchase, after being appraised at the time.

3º) The assets resulting from investments made by the Company, from May 24, 2000 to the end of the cooperation agreement, shall also be returned to Municipal Government and refunded to the Company, after being appraised at the time.

4º) The municipality declared and recognized the debt for which it is responsible, in the total amount of R$70,662 on November 30, 2002, corresponding to water and sewage service bills issued until November 2002 still pending payment. This debt is being paid in 335 monthly and consecutive installments equivalent to 202,838,77 m^3 of water each, since January 2005. The amount of each installment in current currency is obtained by multiplying the volume to be settled by the value of the average tariff billed per m^3 in Belo Horizonte, plus simple compensatory interest of 0,5% per month, as from November 2002. However, as of February 24, 2010, with the signing of a compensation of mutual debts, the debt has been paid in 120 consecutive monthly installments, with interest of 1% and annual IPCA-E inflation adjustment (notes 8 and 12). At September 30, 2010, the balance receivable totaled R$210,243, of which R$23,666 is recorded in current assets and R$186,577, in non-current assets (R$215,825 at June 30, 2010, of which R$22,996 is recorded in current assets and R$192,829, in non-current assets).

5º) The Company will assume the costs of the Program for Environmental Recovery and Sanitation of River Valleys and Streams in Belo Horizonte - DRENURBS, until the maximum amount of R$170,000. The Company and the Municipal Government are negotiating the index to restate the installments and a new date to start the payments, which contractually should have started in January 2008, in monthly installments for 24 months, however, to balance sheet date said negotiation had not been concluded. The amounts will be monetarily restated by an index to be established by the parties before beginning of payments.

6º) Operating Agreement with the Municipal Government of Belo Horizonte

The Company entered into a cooperation agreement with the Municipal Government of Belo Horizonte to render water supply and sewage services.

On February 7, 2006, the Company entered into an operating agreement with the Municipal Government of Belo Horizonte for integration and compatibilization of planning, control and execution of ventures of the Capital City Development Department - SUDECAP, other municipal bodies and COPASA, aiming at preparation of projects, execution of implementation works and maintenance of water supply and sewage infrastructure, as well as conduction of urbanization, river valley treatment, rain water drainage and sanitary hygiene related education activities. Under paragraph 1 and 2 of clause 2, in situations previously agreed upon, services under the responsibility of COPASA may be rendered by SUDECAP, and conversely, services under the responsibility of SUDECAP may be rendered by COPASA. Matching of accounts shall be carried out by the parties on an annual basis, referring to cost of services rendered by each of them, with payment of updated computed debts within 30 (thirty) days after such matching of accounts. However, the first amendment to the agreement, dated March 20, 2007, included a new paragraph in clause 5, establishing that debts arising from social programs shall be paid 30 (thirty) days after approval of measured services, and no longer upon annual matching of accounts. Due to the change introduced by the 1st amendment to the agreement, the Company paid R$1,257 to SUDECAP on May 8, 2007, R$1,816 on November 9, 2007, and R$1,836 on March 10, 2008. These payments refer to works carried out by SUDECAP related to construction of water and sewage network construction in Aglomerado da Serra region, in Belo Horizonte, which were incorporated to the Company's assets. On November 17, 2008, two matching of accounts were carried out, which resulted in receipt by COPASA of R$51 and R$315 on December 30, 2008, which were recorded in the statement of income. In 2009, there were no such amounts to be recorded. In 2010, January to September, the Company paid the amount of R$205.

27. Commitments

Copasa entered into new venture construction contracts, under which obligations are recorded as services are rendered. The main outstanding contracts with subcontractors and suppliers at September 30, 2010 are listed below:

Subcontractor	Amount	Execution Date	Term in days (1)
Comim Construtora Ltda.	118,956	11/25/2008	720
Egesa Engenharia S/A.	42,121	09/13/2010	1,080
Comim Construtora Ltda.	40,951	11/28/2008	720
Construtora Barbosa Mello S.A.	40,300	08/04/2009	420
Mecanorte Construcções Empreendimentos Ltda.	38,710	05/22/2009	540
Mecanorte Construcções Empreendimentos Ltda.	37,033	05/08/2009	540
Prefisan Ltda.	36,869	02/05/2010	540
SONEL Soc. Nacional Elétrica Hidr. Ltda.	30,851	12/29/2008	720
Goetze Lobato Engenharia Ltda.	28,399	10/01/2009	540
SONEL Soc. Nacional Elétrica Hidr. Ltda.	23,650	08/11/2010	540
Construtora R. Fonseca	22,731	06/30/2009	1,080
Socienge Construções Ltda.	16,707	02/05/2010	840

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

Upon renewal or review of some concession contracts, 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 along the remaining concession term. Sewage interceptors are incorporated to the Company's intangible assets.

The main committed amounts refer to the following municipalities:

	Amount		
Municipality	Committed	Realized	% realization
Betim	80,286	73,521	91.57
Belo Horizonte (note 24)	170,000	-	-
Contagem	81,363	76,116	93.55
Montes Claros	121,941	60,114	49.30
Ribeirão das Neves	86,411	70,977	82.14
Teófilo Otoni	54,360	-	-

28. Insurance

The company and its subsidiaries contracted services of third party liability insurance for members of the board, directors and managers of commercial companies in order to ensure compensation referring to occasional judicial and extrajudicial agreements, arbitral awards made by courts , final judicial convictions, including attorneys' fees and court costs, during the course of proceedings based on civil liability for acts of management practiced by these people, exercising their functions.

The Company does not have insurance to cover damages caused to its buildings and/or installations on the closing date of the quarterly financial information as of September 30, 2010.

29. ICMS Levy (State VAT)

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 from years 1989 to 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 needed a particular law to regulate it, ADIN was declared impaired by loss of the subject matter, and this issue has been clearly provided for by a Supreme Court decision awarded on Direct Unconstitutionality Proceeding No, 2224, published on March 21, 2007, whereby the supply of treated water to final 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 state law that there would be no impact of ICMS (State VAT) on the supply of drinking water by companies 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.

EXECUTIVE BOARD

RICARDO AUGUSTO SIMÕES CAMPOS	Chief Executive Officer
LUIZ OTÁVIO MOTA VALADARES	Vice Chief Executive Officer
CARLOS GONÇALVES DE OLIVEIRA SOBRINHO	Environment And New Business Officer
VALÉRIO MÁXIMO GAMBOJI PARREIRA	Southwest Operations Officer
GELTON PALMIERI ABUD	Corporate Management Officer
JUAREZ AMORIM	Metropolitan Operations Officer
MARCIO LUIZ MURTA KANGUSSU	North Operations Officer
MARCOS ANTÔNIO TEIXEIRA	Planning and Venture Management Officer
PAULA VASQUES BITTENCOURT	Finance and Investor Relations Officer

ACCOUNTANT IN CHARGE

GERALDO MAGELA MOREIRA CALÇADO	Accountant - CRCMG - 36,109
PACÍFICO AUGUSTO VIEIRA	Accounting, Cost and Assets Superintendent CRCMG – 55,682

01. Financial performance

The charts below present the Company's financial performance for the third quarter of 2010 as compared to the same prior year quarter:

	Company						
	09/30/10		09/30/09			Variation	
Statement of income	R$	%	R$	%	Adjustments	R$	%
Revenue from water supply services	498,103	53.99	464,746	49.84		33,357	7.18
Revenue from sewage services	173,173	18.77	155,106	16.63		18,067	11.65
Construction revenue	251,281	27.24	312,685	33.53	312,685	(61,404)	-19.64
Gross operating revenue	**922,557**	**100.00**	**932,537**	**100.00**	**312,685**	**(9,980)**	**-1.07**
Deductions	(72,475)	-7.86	(67,256)	-7.21		(5,219)	7.76
Net operating revenue	**850,082**	**100.00**	**865,281**	**100.00**	**312,685**	**(15,199)**	**-1.76**
Cost of services rendered	(281,132)	-33.07	(274,833)	-31.76	(4,609)	(6,299)	2.29
Construction costs	(245,086)	-28.83	(303,276)	-35.05	(303,276)	58,190	-19.19
Gross profit	**323,864**	**38.10**	**287,172**	**33.19**	**4,800**	**36,692**	**12.78**
Selling expenses	(43,765)	-5.15	(41,094)	-4.75		(2,671)	6.50
Administrative expenses	(86,933)	-10.23	(67,407)	-7.79	157	(19,526)	28.97
Other operating income (expenses)	2,823	0.33	12,086	1.40	1,675	(9,263)	-76.64
Equity pickup	(3,687)	-0.43	(4,968)	-0.57		1,281	-25.79
Financial income (expenses), net	(6,222)	-0.73	4,880	0.56	11,607	(11,102)	n.m.
Interest on equity capital	(56,936)	-6.70	(37,911)	-4.38		(19,025)	50.18
Income before income taxes	**129,144**	**15.19**	**152,758**	**17.65**	**18,239**	**(23,614)**	**-15.46**
Income and social contribution taxes	(57,137)	-6.72	(51,449)	-5.95	(6,201)	(5,688)	11.06
Employee profit sharing	(10,248)	-1.21	(6,015)	-0.70		(4,233)	70.37
Reversal of interest on equity capital	56,936	6.70	37,911	4.38		19,025	50.18
Net income/loss for the year	**118,695**	**13.96**	**133,205**	**15.39**	**12,038**	**(14,510)**	**-10.89**

- **Gross operating revenue** – Gross operating revenue decreased R$9,980 or 1.07%, reaching R$922,557 in 3Q10, as compared to R$932,537 in 3Q09.

Major variations and reasons:

- **Water supply –** The variation of water supply services in 3Q10 increased 7.18% against the same prior-year period. This increase is due to the average tariff increase of 3.96%, in force as from March 2010, 306,772 new water connections due to population increase and assumption of new systems. The increase in billed water volume supplied in the period was of 5,189,190 m^3, from 153,098,228 m^3 to 158,287,418 m^3, corresponding to 3.39%, and increase in billed water volume supplied per water connection was of 0.85%, from 12.55 m^3 in 2009 to 12.66 m^3 in 2010.

- **Sewage –** Revenue from sewage services increased 11.65%. This increase is due to average tariff increase of 3.96% as from March 2010 and 393,486 new water connections, corresponding to 5.57%, due to population increase and assumption of new systems The increase in billed water volume supplied in the period was of 4,757,852 m^3, from 91,797,537 m^3 to 96,555,389 m^3, and the increase in billed water volume supplied per water connection went from 12.99 m^3 in 2009 to 12.94 m^3 in 2010.

- **Revenue from construction** – Revenue from construction decreased R$61,404 or 19.64%, from R$312,685 in 3rd quarter of 2010 to R$251,281 in the same 2010 period. The variation was due to Company investments made in 3rd quarter of 2010.

Deductions from operating revenue	Company 09/30/10	09/30/09	Variation R$	%
PIS/PASEP	10,887	10,047	840	8.36
COFINS	50,148	46,278	3,870	8.36
Unconditional discounts	11,440	10,931	509	4.66
Total	**72,475**	**67,256**	**5,219**	**7.76**

- **Deductions from operating revenue**

Taxes on sales – The increase is due to the increase in PIS/PASEP and COFINS payments as a direct consequence of the increase in gross revenue, which is the calculation base of these taxes. The balance in 3rd quarter of 2010 was of R$67,256, increasing to R$72,475 in 3rd quarter of 2010.

Unconditional discounts – Unconditional discounts are granted to our large consumers as well as to not-for-profit philanthropic entities. The increase in discounts and rebates in the 3rd quarter of 2010 as compared to the same 2009 period is due to tariff adjustments in March 2010.

- **Operating costs and expenses**

The cost of services rendered, comprising water and sewage system operation, conservation and maintenance expenses, decreased R$51,891, as shown below:

Costs of services rendered	09/30/10	09/30/09	Company Adjustments	Variation R$	%
Personnel	102,974	95,929		7,045	7.34
Materials	19,995	22,095		(2,100)	-9.50
Electric energy	54,729	55,097		(368)	-0.67
Outsourced services	36,132	33,351		2,781	8.34
Tariff transfer to municipalities	15,060	14,325		735	5.13
General expenses	3,291	3,371		(80)	2.37
Depreciation and amortization	61,352	62,721	4,609	(1,369)	-2.18
Construction costs	245,086	303,276	303,276	(58,190)	-19.19
Taxes recoverable and tax credits (PIS-PASEP/COFINS)	(12,401)	(12,056)		(345)	2.86
*** Total**	**526,218**	**578,109**	**307,885**	**(51,891)**	**-8.98**

Personnel operating costs	09/30/10	09/30/09	Variation R$	Variation %
Regular hourly wage	43,388	39,626	3,762	9.49
Overtime hourly wage	2,995	2,926	69	2.36
Bonus according to position	545	516	29	5.62
Vacation pay	5,962	9,080	(3,118)	-34.34
Vacation allowance and bonus	2,340	0	2,340	n.m.
13th monthly salary	4,761	4,393	368	8.38
Health exposure premium	1,217	1,011	206	20.38
Sickness allowance	7	1	6	n.m.
Institutional performance bonus	3,687	3,606	81	2.25
Social security	16,365	14,991	1,374	9.17
FGTS	3,751	4,727	(976)	-20.65
Workers' compensation insurance	2,878	1,398	1,480	n.m.
Severance pay and 30-day resignation notice	90	49	41	83.67
Professional training	6	0	6	n.m.
Standard snack	289	270	19	7.04
Subsidized transportation ticket	1,204	1,500	(296)	-19.73
Supplementary programs – COPASS	1,494	1,313	181	13.79
Health program	2,242	2,764	(522)	-18.89
Workers' meal program	13,242	12,943	299	2.31
Social security program	4,615	3,795	820	21.61
Other welfare programs	669	613	56	9.14
Management performance bonus	276	252	24	9.52
Employee profit sharing	0	0	0	n.m.
Professional training – operational technicians	98	619	(521)	-84.17
Professional training –graduation courses	0	0	0	n.m.
Professional training – seminars/congresses	1	21	(20)	-95.24
Professional training – management training	2	2	0	0.00
Maternity leave extension	15	0	15	n.m.
Expansion costs	(6,704)	(7,649)	(945)	-12.35
DVHM costs	(145)	(145)	0	0.00
Population increase –own labor	(2,316)	(2,693)	(377)	-14.00
*** Total**	**102,974**	**95,929**	**7,045**	**7.34**

- **Personnel** – Increase in personnel expenses by R$7,045 or 7.34% is due to:

  - Adjustment of 5.49% resulting from the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the Institutional Performance Bonus (GDI) in the salaries of employees as from August 2009, and functional adjustments arising from the growth due to learning programs, in July 2010, with impacts in the subsequent months.

  - Increase of R$1,480 in the workers' compensation insurance due to increase in the percentage of Social Security Occupational Injuries Risk (RAT) from 2 to 4.24% on employee compensation as from January 2010.

  - Increase of R$820 or 21.61% in the Social Security program, due to adjustment by 5.45% in employee profit sharing, calculated on salaries above the Previminas cap; and extraordinary contribution of 11% calculated of the contribution amount as from March 2010, ruling until November 2010.

- Adjustment of R$299 in the workers' meal program as a result of 7.8% increase in the basket of food staples and of 9.37% in the meal voucher established by the 2010/2011 collective bargaining agreement.

- Such increases were offset by the fall of R$976 in FGTS, referring to book adjustment of the provision for FGTS, which was overstated in June 2010, in addition to decrease of R$3,118 in vacation pay due to a lesser number of employees using such benefit in the period.

➢ **Materials** – The decrease of R$2,100 or 9.5% in materials is due to the decrease by R$1,124 or 12.89%, in treatment materials mainly arising from fall in clot price in this quarter, and by R$619 in systems conservation and maintenance materials, offset by the increase in office and design materials and fuel and lubricants for vehicles, totaling R$376.

➢ **Third party services** - Expenses with outsourced services increased by R$2,781 or 8.34%. The main variation in the period mainly due to the increase of R$1,050 or 21.34% in cleaning, surveillance, courier and reception services due to the process of distribution of costs of administrative units, which started to be more adequately allocated to the units.

➢ **Tariff transfer and general expenses –** general expenses increased R$735 or 5.13%, led by the tariff transfer, which increased 5.13% in 3Q10, when compared to the same prior year period, due to increase in funds collected in the period, which grew R$272, corresponding to 5.04%.

➢ **Construction costs** – Construction costs fell by R$58,190 or 19.19%, from R$303,276 in 3Q09 to R$245,086 in the same 2010 period. The variation resulted from a reduction in investments made by the Company in 3Q10 in relation to 3Q09.

Selling expenses – The Company's selling expenses increased R$2,671 or 6.5% in 3Q10 as compared to the same prior-year period. Breakdown of the Company's selling expenses is set out below:

	Company			
Selling expenses	**09/30/10**	**09/30/09**	**Variation**	
			R$	**%**
Personnel	24,292	22,895	1,397	6.10
Materials	919	708	211	29.80
Outsourced services	3,798	3,911	(113)	-2.89
General expenses	211	192	19	9.90
Depreciation and amortization	991	1,175	(184)	-15.66
Allowance for doubtful accounts	13,554	12,213	1,341	10.98
*** Total**	**43,765**	**41,094**	**2,671**	**6.50**

Personnel expenses	Company 09/30/10	09/30/09	Variation R$	%
Regular hourly wage	9,833	8,883	950	10.69
Overtime hourly wage	391	398	(7)	-1.76
Bonus according to position	20	35	(15)	-42.86
Vacation pay	1,295	2,003	(708)	-35.35
Vacation allowance and bonus	522	0	522	n.m.
13th monthly salary	1,002	937	65	6.94
Health exposure premium	3	5	(2)	-40.00
Sickness allowance	0	0	0	n.m.
Institutional performance bonus	852	826	26	3.15
Social security	3,478	3,180	298	9.37
FGTS	1,057	994	63	6.34
Workers' compensation insurance	519	225	294	n.m.
Severance pay and 30-day resignation notice	11	11	0	0.00
Professional training	0		0	n.m.
Standard snack	211	221	(10)	-4.52
Subsidized transportation ticket	197	322	(125)	-38.82
Supplementary programs – COPASS	312	285	27	9.47
Health program	530	676	(146)	-21.60
Workers' meal program	3,000	2,958	42	1.42
Social security program	839	694	145	20.89
Other welfare programs	186	170	16	9.41
Management performance bonus	23	21	2	9.52
Professional training – operational technicians	11	51	(40)	-78.43
Professional training – seminars/congresses	0	2	(2)	n.m.
*** Total**	**24,292**	**22,895**	**1,397**	**6.10**

- **Personnel** – Increase in personnel expenses of R$1,397 or 6.1% is due to:

  - Adjustment of 5.49% resulting from the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the Institutional Performance Bonus (GDI) in the salaries of employees as from August 2009, and functional adjustments arising from the growth due to learning programs, in July 2010, with impacts in the subsequent months.

  - Increase of R$294 in the workers' compensation insurance due to increase in the percentage of Social Security Occupational Injuries Risk (RAT) from 2 to 4.24% on employee compensation as from January 2010.

  - Increase of R$145 or 20.89% in the Social Security program, due to adjustment by 5.45% in employee profit sharing, calculated on salaries above the Previminas cap; and extraordinary contribution of 11% calculated of the contribution amount as from March 2010, ruling until November 2010.

- **Allowance for doubtful accounts** – Increase of R$1,341 or 10.98% due to increase in losses on collection of bills overdue for more than 180 days.

Administrative expenses – The expenses with the Company management structure, including the Board of Directors, Supervisory Board, executive board offices and related supervisory authorities increased R$19,526 or 28.97%, as set out below:

Administrative expenses	09/30/10	09/30/09	Company Adjustments	Variation R$	Variation %
Personnel	58,582	49,569		9,013	18.18
Materials	1,450	1,389		61	4.39
Outsourced services	17,273	11,655		5,618	48.20
General expenses	5,870	2,071		3,799	n.m.
Depreciation and amortization	3,015	2,723	(157)	292	10.72
Provision for losses	743	0		743	n.m.
*** Total**	**86,933**	**67,407**	**(157)**	**19,526**	**28.97**

Administrative expenses	09/30/10	09/30/09	Company Variation R$	Variation %
Regular hourly wage	22,049	19,747	2,302	11.66
Overtime hourly wage	212	189	23	12.17
Bonus according to position	885	822	63	7.66
Director/Board fees	353	488	(135)	-27.66
Vacation pay	2,887	4,972	(2,085)	-41.93
Vacation allowance and bonus	1,404	0	1,404	n.m
13th monthly salary	2,414	2,302	112	4.87
Health exposure premium	28	29	(1)	-3.45
Sickness allowance	0	1	(1)	n.m.
Institutional performance bonus	1,931	1,901	30	1.58
Social security	8,197	7,638	559	7.32
FGTS	1,590	2,405	(815)	-33.89
Workers' compensation insurance	1,252	545	707	n.m.
Severance pay and 30-day resignation notice	60	70	(10)	-14.29
Professional training	37	267	(230)	-86.14
Standard snack	207	222	(15)	-6.76
Subsidized transportation ticket	489	417	72	17.27
Supplementary programs – COPASS	709	658	51	7.75
Health program	5,686	2,020	3,666	n.m.
Workers' meal program	5,119	2,619	2,500	95.46
Social security program	3,142	2,625	517	19.70
Other welfare programs	449	495	(46)	-9.29
Refund – assignment of employee based on agreement	(1,298)	(1,463)	(165)	-11.28
Management performance bonus	581	521	60	11.52
Employee profit sharing	0	0	0	n.m.
Professional training – operational technicians	167	56	111	n.m.
Professional training - graduation courses	11	0	11	n.m.
Professional training – seminars/congresses	6	23	(17)	-73.91
Professional training – management training	6	0	6	n.m.
Maternity leave extension	9	0	9	n.m.
*** Total**	**58,582**	**49,569**	**9,013**	**18.18**

- **Personnel** – Increase in personnel expenses of R$9,013 or 18.18% is due to:

  - Adjustment of 5.49% resulting from the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the Institutional Performance Bonus (GDI) in the salaries of employees as from August 2009, and functional adjustments arising from the growth due to learning programs, in July 2010, with impacts in the subsequent months.

  - Increase of R$707 in the workers' compensation insurance due to increase in the percentage of Social Security Occupational Injuries Risk (RAT) from 2 to 4.24% on employee compensation as from January 2010.

  - Increase of R$517 or 19.7% in the Social Security program, due to adjustment by 5.45% in employee profit sharing, calculated on salaries above the Previminas cap; and extraordinary contribution of 11% calculated of the contribution amount as from March 2010, ruling until November 2010.

  - Adjustment of R$2,500 in the workers' meal program as a result of 7.8% increase in the basket of food staples and of 9.37% in the meal voucher established by the 2010/2011 collective bargaining agreement.

  - Increase of R$3,666 in the health program due to change in the recording of such expenses, which, until 2009, were accounted for by means of provisions and, as from 2010, they are recorded for the amounts effectively paid. Furthermore, an extraordinary payment of R$1,039 was made to the Company's Supplementary Health Program, as such program recorded an administrative deficit.

  - Such increases were offset by the fall of R$814 in FGTS, referring to book adjustment of the provision for FGTS, which was overstated in June 2010, in addition to decrease of R$2,085 in vacation pay due to a lesser number of employees using such benefit in the period.

- **Outsourced services** – Expenses with outsourced services increased R$5,618 in 3Q10 against the same prior-year period, basically due to the following:

  - Institutional advertising campaigns and relating to the environment and citizenship made in several cities in the interior of the Minas Gerais state, amount to R$3,791.

  - Increase of R$1,962 in amounts referring to data transmission in the 3rd and 4th quarters of 2009, which were only paid as from May 2010, in view of the inconsistency in the registration information of the service providers.

  - Increase of R$771 referring to cleaning, surveillance, courier and reception services, due to salary adjustment (7.0%), and meal ticket (18.8%) based on the category's collective bargaining agreement entered into in January 2010, and to adjustment of input products (4.8%). Also, part of the payments for such services referring to 2009 was suspended for revision of the

amounts charged. After such revision, the payments referring to 2009 were made in this quarter.

- **General expenses –** general expenses increased R$3,799 in 3Q10 against the same prior-year period. The reason for such increase was the collection for use of water and sewage disposal systems of the Rio das Velhas, Rio Piracicaba, Rio Jundiaí and Rio Araguari basins as from July 2010.

Company				Variation	
Other operating income/expenses	**09/30/10**	**09/30/09**	**Adjustments**	**R$**	**%**
Revenue from technical services	2,046	560		1,486	n.m.
Reversal of nondeductible provision	10,864	11,356	1,675	(492)	-4.33
Recovery of accounts written off as loss	28,503	2,677		25,826	n.m.
Other revenues	1,087	7,103		(6,016)	-84.70
Equity pickup	203	0		203	n.m
Total other operating income	**42,703**	**21,696**	**1,675**	**21,007**	**96.82**
Adventitious or windfall losses	(37,926)	(7,776)		(30,150)	n.m.
Other expenses	(1,751)	(1,834)		83	-4.51
Equity pickup – Copanor	(1,270)	(456)		(814)	n.m.
Equity pickup – Águas Minerais	(2,620)	(4,067)		1,447	-35.58
Equity pickup – Irrigation services	0	(445)		445	n.m.
Total other operating expenses	**(43,567)**	**(14,578)**		**(28,989)**	**n.m.**
Total other operating income (expenses)	**(864)**	**7,118**	**1,675**	**(7,982)**	**n.m.**

Major variations and reasons:

- **Other operating income** – Other operating income incredsox R$21,007 or 96.82%, mainly due to reversal of R$10,405 relating to PIS/COFINS matching credit and recovery of R$28,503 written off of accounts receivables.

- **Other operating expenses** – The increase of R$28,989 in other operating expenses refers to provision for new legal proceedings, in the net amount of R$6,272, and provision for IPI premium credit of R$28,101.

  - **Financial income (expenses)** – These reflect the results from financial investments, amounts receivable, loans, financing and debentures. Analysis of variation is conducted based on the net result of financial income and expenses of the same nature, as set out in the chart below:

			Company	Variation	
	09/30/10	**09/30/09**			
Financial income and expenses			**Adjustments**	**R$**	**%**
Monetary and exchange variation	3,870	9,231		(5,361)	-58.08
Interest	12,078	11,910		168	1.41
Actual financial investment yield	3,360	11,862	7,136	(8,502)	-71.67
Other revenues	3,869	3,498	3,497	(371)	-10.61
Total financial income	**23,177**	**36,501**	**10,633**	**(13,324)**	**-36.50**
Monetary and exchange variation	(3,284)	(3,793)		509	-13.42
Interest on financing	(25,684)	(27,473)	974	1,789	-6.51
Other expenses	(431)	(355)		(76)	21.41
Total financial expenses	**(29,399)**	**(31,621)**	**974**	**2,222**	**-7.03**
Net financial result	**(6,222)**	**4,880**	**11,607**	**(11,102)**	**n.m.**

Major variations and reasons:

- **Monetary and exchange variation** – Expenses and income from monetary and exchange variations presented a net variation of R$4,852, mainly due to reversals in liabilities, of R$6,143 in 2009 and R$2,939 in 2010, net of reversals in assets, of R$2,145 in 2009 and R$1,310 in 2010.

  - **Actual financial investment yield** – The negative variation of R$8,502 refers to decrease in short-term investments in the period, due to payments made to suppliers. The balance in 3Q09 was of R$11,862 falling to R$3,360 in this quarter.

  - **Interest on equity capital** – In the 3rd quarter of 2010 the Company recorded an increase in interest on equity capital of R$56,936 as compared to R$37,911 in the 3rd quarter of 2009, a variation of R$19,025 due to the provisioning of 50% of interest on equity capital payable to shareholders as compared to 35% in 2009.

  - **Pretax income** – This account recorded an increase of R$23,614 or 15.46%, from R$152,758 in 3Q09 to R$129,144 in 3Q10.

  - **Provision for income and social contribution taxes** – Income and social contribution taxes in the 3rd quarter of 2010 totaled R$57,137 against R$51,449 in 3Q09, with a variation of R$5,688 or 11.06%.

  - **Employee profit sharing** – In the 3rd quarter of 2010, a provision was set up of R$10,248 for employee profit sharing, as compared to R$6,015 in 2009, representing a variation of R$4,233.

  - **Net income for the quarter** – Net income for the 3rd quarter of 2010 decreased R$14,510, or 10.89%, falling from R$133,205 in 3Q09 to R$118,695 in 3Q10.

  - **Income generation or EBITDA** – There was income generation of R$251,465 in 3Q10 against R$242,999 in 3Q09, representing an increase of R$8,466 or 3.48%. EBITDA was of 39.20 in this quarter, compared to 42.31 in 2009, corresponding to a 3.11 p.p. decrease.

The table below presents the EBITDA calculation:

	Company			
	09/30/10	09/30/09	Variation	
EBITDA			**R$**	**%**
Net income [1]	118,695	133,205	(14,510)	(10.89)
(-) Revenue (expense) from construction	(6,195)	(9,409)	(3,214)	(34.16)
Net income not considering revenue (expense) from construction	112,500	123,796	(11,296)	(9.12)
Provision for IRPJ and CSLL	57,137	51,449	5,688	11.06
Amortization and depreciation	65,358	66,619	(1,261)	(1.89)
Employees' profit sharing	10,248	6,015	4,233	70.37
Financial result	6,222	(4,880)	11,102	n.m.
EBITDA [1] [2]	251,465	242,999	8,466	3.48
EBITDA margin	39,20	42,31		-3.11 p.p.

(1) EBITDA means net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization charges. Since financial income (expenses), income and social contribution taxes and amortization and depreciation are not considered, EBITDA indicates our overall economic performance, which is not affected by changes in interest rates, in income and social contribution tax rates or depreciation and amortization levels. Consequently, we believe that EBITDA is a significant tool for periodic comparison of our operating performance, and serves as a base for certain administrative decisions. We believe that EBITDA allows attaining better understanding of our financial performance as well as our capacity to meet our obligations and obtain funds for our capital expenditures and to meet our working capital needs. EBITDA, however, presents limitations for use thereof 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 expenses and other related charges.

(2) EBITDA margin is calculated based on net revenue from services, which corresponds to net operating revenue plus other operating revenue.

02. Balance sheet

3rd ITR	Company 09/30/10	06/30/10	Variation R$	Variation %
Current assets	643,808	736,976	(93,168)	-12.64
Noncurrent assets	6,572,207	6,373,278	198,928	3.12
Total assets	**7,216,015**	**7,110,254**	**105,761**	**1.49**
Current liabilities	643,990	617,895	26,095	4.22
Noncurrent liabilities	2,644,709	2,626,802	17,907	0.68
Shareholders' equity	3,927,316	3,865,557	61,759	1.60
Total liabilities and shareholders' equity	**7,216,015**	**7,110,254**	**105,761**	**1.49**

• Current assets	Company 09/30/10	06/30/10	Variation R$	Variation %
Cash and cash equivalents	105,948	224,970	(119,021)	-52.91
Trade accounts receivable	428,949	394,772	34,177	8.66
Inventories	25,643	26,060	(417)	-1.60
Taxes recoverable	25,283	36,607	(11,325)	-30.94
Technical cooperation agreement	30,248	24,099	6,150	25.52
Sundry receivables	27,737	30,469	(2,732)	-8.97
Total current assets	**643,808**	**736,976**	**(93,168)**	**-12.64**

» Cash

Balance at 09/30/2010: 105,948 Variation ($): (119,022)
Balance at 06/30/2010: 224,970 Variation (%): -52.91
Situation: **Decrease**

This account balance decreased in the period due to redemption of financial investments to current bank account in order to pay dividends to shareholders and for payment to Company suppliers.

» Trade accounts receivable

Balance at 09/30/2010: 428,949 Variation ($): 34,177
Balance at 06/30/2010: 394,772 Variation (%): 8.66
Situation: **Increase**

The variation in this group refers to billings from public and private customers, which were previously written down as loss and have been recovered and renegotiated.

» Taxes recoverable

Balance at 09/30/2010: 25,283 Variation ($): (11,325)
Balance at 06/30/2010: 36,607 Variation (%): -30.94
Situation: **Decrease**

This account balance decreased due to offset of withholding IRPJ in July and August.

» Technical cooperation agreement

Balance at 09/30/2010:	30,248	Variation ($):	6,150
Balance at 06/30/2010:	24,099	Variation (%):	25.52

Situation: **Increase**

The increase in receivables originates from expenses assumed with the Company's own funds, not reimbursed in the period.

• **Noncurrent assets**	Company 09/30/10	06/30/10	Variation R$	Variation %
Trade accounts receivable	186,577	192,829	(6,251)	-3.24
Deferred income and social contribution taxes	340,223	342,720	(2,498)	-0.73
Judicial deposits	8,784	8,769	15	0.17
Financing guarantee	100,840	100,482	358	0.36
Receivables from subsidiaries	57,215	53,437	3,778	7.07
Financial assets	273,724	271,671	2,053	0.76
Sundry receivables	47,004	50,323	(3,319)	-6.60
Total noncurrent assets	**1,014,367**	**1,020,231**	(5,864)	-0.57
Investments	263	263	0	0.00
Intangible assets	5,462,015	5,259,623	202,392	3.85
Property, plant and equipment	95,562	93,161	2,400	2.58
Total permanent assets	**5,557,840**	**5,353,047**	204,791	3.83
Total noncurrent assets	**6,572,207**	**6,373,278**	**198,928**	**3.12**

» Trade accounts receivable

Balance at 09/30/2010:	186,577	Variation ($):	(6,251)
Balance at 06/30/2010:	192,829	Variation (%):	-3.24

Situation: **Decrease**

The variation refers to write-off of intercompany loans receivable determined by the Matching of Accounts provision agreed with the Belo Horizonte municipality.

» Receivables from subsidiaries

Balance at 09/30/2010:	57,215	Variation ($):	3,778
Balance at 06/30/2010:	53,437	Variation (%):	7.07

Situation: **Increase**

The variation results from new disbursements made to Copanor, of R$3,600, and Águas Minerais, of R$820.

» Sundry credits

Balance at 09/30/2010:	47,004	Variation ($):	(3,319)
Balance at 06/30/2010:	50,323	Variation (%):	-6.60

Situation: **Decrease**

The decrease in this group refers to release of R$4,264 referring to the 3rd installment of the 1st stage of the measurement made by ANA, offset by earnings of R$945 from investment of the funds.

» Intangible assets

Balance at 09/30/2010:	5,462,015	Variation ($):	202,392
Balance at 06/30/2010:	5,259,623	Variation (%):	3.85

Situation: **Increase**

The balance variation results from investments made for construction in progress.

• **Current liabilities**	Company 09/30/10	06/30/10	Variation R$	Variation %
Loans and financing	146,044	141,890	4,153	2.93
Debentures	99,005	93,907	5,099	5.43
Contractors and suppliers	59,413	60,296	(883)	-1.46
Taxes, charges and contributions	45,591	32,261	13,331	41.32
Taxes in installments	34,733	44,793	(10,061)	-22.46
Provision for vacation pay and 13th salary	101,373	91,345	10,028	10.98
Employee profit sharing	37,694	30,915	6,779	21.93
Interest on equity capital	56,931	56,746	185	0.33
Private pension plan	14,135	14,434	(299)	-2.07
Electric energy	24,908	25,317	(409)	-1.61
Sundry obligations	24,163	25,992	(1,829)	-7.04
Total current liabilities	**643,990**	**617,895**	**26,095**	**4.22**

» Taxes, charges and contributions

Balance at 09/30/2010:	45,591	Variation ($):	13,331
Balance at 06/30/2010:	32,261	Variation (%):	41.32

Situation: **Increase**

The balance variation is due to increase in PIS/COFINS by R$2,556 and in IRPJ and CSLL by R$13,598, offset against reversal of FGTS (40%), for which a provision was set up in duplicate in the June and July payroll, in the amount of R$2,469.

» Taxes in installments

Balance at 09/30/2010:	34,733	Variation ($):	(10,061)
Balance at 06/30/2010:	44,793	Variation (%):	-22.46

Situation: **Decrease**

The account variation refers to decrease of R$22,208 in the REFIS amortization of the IPI credit premium, offset by addition of R$5,617 relating to supplementation of the REFIS of the IPI credit premium and by transfer of R$6,531 from the noncurrent portion.

» Provision for vacation pay and 13th monthly salary

Balance at 09/30/2010:	101,373	Variation ($):	10,028
Balance at 06/30/2010:	91,345	Variation (%):	10.98

Situation: **Increase**

The account increase results from salary adjustment of 5.49% established by the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the institutional performance bonus (GDI) and and functional adjustments arising from the growth due to learning programs.

» Employee profit sharing

Balance at 09/30/2010:	37,694	Variation ($):	6,779
Balance at 06/30/2010:	30,915	Variation (%):	21.93

Situation: **Increase**

The increases arises from the provision realized on the income accrued in the period, in the amount of R$10,248, offset against payment of R$3,469 referring to profit sharing of 2009.

• **Sundry obligations**	Company			
	09/30/10	**06/30/10**	**Variation**	
			R$	**%**
Tariff transfer	3	0	3	n.m.
Concession debts	19,717	19,303	415	2.15
Total local governments	19,720	19,303	418	2.16
Other	4,443	6,690	(2,247)	-33.59
Total sundry obligations	**24,163**	**25,992**	**(1,829)**	**-7.04**

• **Noncurrent liabilities**	Company			
	09/30/10	**06/30/10**	**Variation**	
			R$	**%**
Caixa Econômica Federal	655,439	655,519	(80)	-0.01
State government / BDMG	12,972	13,788	(816)	-5.92
National Treasury	85,939	94,276	(8,337)	-8.84
BNDES/BNE	286,850	272,048	14,802	5.44
In local currency	1,041,200	1,035,631	5,568	0.54
Federal government - bonus	52,857	55,763	(2,906)	-5.21
In foreign currency	52,857	55,763	(2,906)	-5.21
Total loans and financing	1,094,057	1,091,394	2,662	0.24
Non-convertible debentures	523,738	524,772	(1,034)	-0.20
Convertible debentures	133,740	134,669	(929)	-0.69
Total debentures	657,478	659,441	(1,963)	-0.30
Provision for contingencies	30,960	28,436	2,525	8.88
Provision for taxes	37,530	47,234	(9,704)	-20.54
Taxes in installments	209,046	192,829	16,218	8.41
Pension plan	470,043	471,593	(1,550)	-0.33
Electric energy	21,555	26,423	(4,868)	-18.42
Advance for future capital contribution	8,797	8,797	0	0.00
Deferred income and social contribution taxes	52,109	42,093	10,016	23.80
Other liabilities	63,134	58,562	4,572	7.81
Total noncurrent liabilities	**2,644,709**	**2,626,802**	**17,907**	**0.68**

» National Treasury

Balance at 09/30/2010:	85,939	Variation ($):	(8,337)
Balance at 06/30/2010:	94,276	Variation (%):	-8.84

Situation: **Decrease**

This account variation results from transfer for renegotiation of the short-term debt to be amortized over the next 12 months.

» BNDES/BNE

Balance at 09/30/2010:	286,850	Variation ($):	14,802
Balance at 06/30/2010:	272,048	Variation (%):	5.44

Situation: **Increase**

This account increased due to new disbursements made on 08/26/2010, in the amount of R$15,243.

» Provision for taxes

Balance at 09/30/2010:	37,530	Variation ($):	(9,704)
Balance at 06/30/2010:	47,234	Variation (%):	-20.54

Situation: **Decrease**

The decrease is due to write-off of the provision set up for 2004, regarding excess offset of PIS/COFINS matching credit, in the amount of R$9,704.

» Taxes in installments

Balance at 09/30/2010:	209,046	Variation ($):	16,218
Balance at 06/30/2010:	192,829	Variation (%):	8.41

Situation: **Increase**

This account increase arises from addition of R$22,469 relating to supplementation of REFIS of the IPI credit premium, offset by transfer of R$6,531to the short-term portion.

» Electric energy

Balance at 09/30/2010:	21,555	Variation ($):	(4,868)
Balance at 06/30/2010:	26,423	Variation (%):	-18.42

Situation: **Decrease**

Refers to transfer for short-term debt renegotiation, to be amortized over the next 12 months.

» Deferred income and social contribution taxes

Balance at 09/30/2010:	52,109	Variation ($):	10,016
Balance at 06/30/2010:	42,093	Variation (%):	23.80

Situation: **Increase**

The increase refers to adjustment in the period of the provision for losses on investment in subsidiaries of R$21,142.

	Company			
• **Shareholders' equity**	**09/30/10**	**06/30/10**	**Variation**	
			R$	**%**
Beginning balance	**3,865,557**	**3,731,416**	**134,141**	**3.59**
Net income	118,695	234,555	(115,860)	-49.40
Interest on equity capital	(56,936)	(100,414)	43,478	-43.30
Ending balance	**3,927,316**	**3,865,557**	**61,759**	**1.60**

The increase in shareholders' equity is due to the increase in the Company's profit, net of credit of interest on equity capital and employee profit sharing.

01. General Data on Customer Services

Copasa's operating performance in the third quarter of 2010 (3Q10) evidences that the Company continues growing in a sustainable manner. The population served by water supply increased by 408 thousand people, thus reaching 13.1 million inhabitants with water supply connection, as compared to 12.6 million in the third quarter of 2009 (3Q09). The number of municipalities receiving water supply services increased from 602 in September/2009 to 603 in September/2010.

COPASA MG

General Data on Customer Services With Water Supply

3Q 2010 and 2009 (*)

Items	Units	3Q10	3Q09	Variation	
				amount	%
Municipalities with concession (1)	number	613	611	2	0,3
Municipalities with concession (2)	number	603	602	1	0,2
Population served (3)	ıousand inhabitant	13.061	12.653	408	3,2
Billed connections	ousand connectioı	3.471	3.362	109	3,2
Network length	km	42.939	41.107	1.832	4,5
Volume of billed water supply	1.000 m³/quarter	159.248	153.501	5.747	3,7
Volume of produced water	1.000 m³/quarter	226.084	219.161	6.923	3,2

(1) - Total municipalities in which the Company holds concessions: capitals, villages, settlements or other.
(2) - Total municipalities in which the Company carries out operations: capitals, villages, settlements or other.
(3) - Population with water supply connection.

(*) Consolidated data (includes locations served by the subsidiary COPANOR)

In relation to billed water connections there was an increase of 109 thousand connections, totaling 3.47 million new connections, representing an increase of 3.2% in relation to 3Q09. The water distribution network was expanded by 1,832 km, totaling 42,939 km, up 4.5% as compared to the 3Q09 (41,107 km).

In relation to sewage systems, the expansion was higher as a result of the efforts to increase the percentage of served population in the areas in which the Company operates and in new concessions. The number of served municipalities increased by 6.1%, from 147 in September/2009 to 156 in 3Q10, thus resulting in total population of 7.7 million people with sewage connection (7.3 million in 3Q09), representing a 4.8% increase (349 thousand people).

COPASA MG

General Data on Customer Services With Sewage

3Q 2010 and 2009 (*)

Items	Units	3Q10	3Q09	Variation	
				amount	%
Municipalities with concession (1)	number	207	194	13	6,7
Municipalities with operation (2)	number	156	147	9	6,1
Served population (3)	ıousand inhabitant	7.680	7.331	349	4,8
Billed connections	ousand connectioı	1.932	1.826	106	5,8
Network extension	km	16.204	15.072	1.132	7,5
Volume of billed sewage services	1.000 m³/quarter	96.556	91.801	4.755	5,2
Volume of treated sewage	1.000 m³/quarter	36.741	28.501	8.240	28,9

(1) - Total municipalities in which the company holds concessions: capitals, villages, settlements or other.

(2) - Total municipalities in which the company has operations: capitals, villages, settlements or other.

(4) - Population with sewage connection in relation to total population (urban + rural) in the state.

(*) Consolidated data (includes locations served by the subsidiary COPANOR).

These services are rendered through 1.93 million billed sewage connections (1.83 million in 3Q09), representing an increase of 106 thousand connections (5.8%). The sewage collection network was expanded by 1,132 km, totaling 16,204 km, up 7.5% in relation to 3Q09.

Treated sewage volume reached 36.7 million m³ in the quarter, up 28.9% in relation to the same prior year period, mainly due to the beginning of operation of the new Sewage Treatment Stations (ETEs), such as ETE Montes Claros, with nominal capacity of 1,087 liters/second.

02. Performance indicators

The Company's expansion in the period led to an increase in billed water supply and sewage service volume by 10.5 million m³ in relation to the 3Q09. This result was due to the increase in the population served by water supply and sewage services in the areas in which the Company operates and the beginning of services in other areas. In the third quarter of 2010, the Company started billing of water supply services in the city of Onça de Pitangui and of sewage services in the cities of Arceburgo, Buritis, Carmo do Paranaíba, Divino, Estrela do Sul, Itacarambi, Mateus Leme, Natércia, Santos Dumont and Taiobeiras.

COPASA MG

Operating/commercial performance indicators

3Q10 and 3Q09 (*)

Items	Units	3Q10	3Q09	Variation	
				amount	%
1-Employees	nº	11.574	11.342	232	2,0
2-Employees/connections (A+E)	emp/1.000 connection	2,14	2,19	-0,05	-2,3
3-Billed volume					
Water	1.000 m³/quarter	159.248	153.501	5.747	3,7
Sewage	1.000 m³/quarter	96.556	91.801	4.755	5,2
Total	1.000 m³/quarter	255.804	245.302	10.502	4,3
4-Produced volume of water	1.000 m³/quarter	226.084	219.161	6.923	3,2
5-Water metering index	%	99,88	99,86	0,02	0,0
6-Water not converted into revenue - ANCR (1)	l/connection/day	241,99	242,28	-0,29	-0,1

(1) - Average in the last 12 months

(*) Consolidated data (includes locations served by the subsidiary COPANOR).

In relation to the performance indicators, the highlight was personnel productivity, which is measured by the employee /1000 connections (water + sewage) ratio, increasing from 2.19 employees/1000 connections in 3Q09 to 2.14 in 3Q10, due to the rise observed in the number of connections.

The percentage of water metered connections remained high, reaching 99.88% in September/2010, higher than that in the 3Q09 (99.86%), which is one of the best among sanitation companies.

The Water not Converted into Revenue (ANCR) index, which corresponds to the difference between distributed volume and the volume effectively billed to consumers, reached 241.9 l/ connection/day in the 2Q10, down 0.1% in relation to the 3Q09 (242.3). Studies have shown that such indicator, which includes actual water losses resulting from pipe leakages, theft and incorrect measurement, is one of the lowest among sanitation companies in Brazil.

This performance is the result of the Program to Reduce Water Losses (PRPA) implemented by the Company and which it has developed since 2003 based on concepts from the National Program Against Water Waste (PNCDA) and the International Water Association (IWA).

03. Investments in 3Q10

In 3Q10, investments were mainly intended to construction of the interconnection between the Rio das Velhas and Paraopeba (Blue Line) systems, expansion and improvement of the Rio das Velhas production systems, which belongs to the Integrated System of the Metropolitan Region of Belo Horizonte (RMBH), expansion of the water supply system of Teófilo Otoni, implementation of the pipeline for interconnection of the water supply system in the northeastern region of RMBH, implementation of the water treatment station of Teófilo Otoni and Pará de Minas, implementation of the sanitary sewage systems of Brumadinho and Santos Dumont, and expansion of the sanitary sewage systems of Santa Luzia and Pedro Leopoldo.

INVESTMENTS (IN MILLIONS OF R$)	2009	Estimated 2010	3Q10	3Q09
WATER	516.0	502.2	100.3	138.4
SEWAGE	495.0	412.5	131.3	149.5
OTHER	21.0	35.3	5.4	7.5
TOTAL	**1,032.0**	**950.0**	**237.0**	**295.4**

04. Financial performance

The charts below present the consolidated financial performance for the third quarter of 2010 as compared to the same prior year period:

	Consolidated						
	09/30/10		09/30/09			Variation	
Statement of income					Adjustments		
	R$	**%**	**R$**	**%**		**R$**	**%**
Revenue from water supply services	501,386		466,822			34,564	7.40
Revenue from sewage services	173,173		155,106			18,067	11.65
Construction revenue	251,281		312,685		312,685	(61,404)	-19.64
Revenue from finished products	367		185			182	98.38
Gross operating revenue	**926,207**		**934,798**		**312,685**	**(8,591)**	**-0.92**
Deductions	(72,951)		(67,434)			(5,517)	8.18
Net operating revenue	**853,256**	**100.00**	**867,364**	**100.00**	**312,685**	**(14,108)**	**-1.63**
Cost of services rendered	(283,206)	-33.19	(277,489)	-31.99	(4,609)	(5,717)	2.06
Construction costs	(245,086)	-28.72	(303,276)	-34.97	(303,276)	58,190	-19.19
Gross profit	**324,964**	**38.09**	**286,599**	**33.04**	**4,800**	**38,365**	**13.39**
Selling expenses	(44,259)	-5.19	(43,500)	-5.02		(759)	1.74
Administrative expenses	(88,926)	-10.42	(67,114)	-7.74	157	(21,812)	32.50
Other operating income (expenses)	1,667	0.20	10,831	1.25	1,675	(9,164)	-84.61
Financial income (expenses), net	(7,263)	-0.85	3,998	0.46	11,607	(11,261)	n.m.
Interest on equity capital	(56,936)	-6.67	(37,911)	-4.37		(19,025)	50.18
Income before income taxes	**129,247**	**15.15**	**152,903**	**17.63**	**18,239**	**(23,656)**	**-15.47**
Income and social contribution taxes	(57,240)	-6.71	(51,594)	-5.95	(6,201)	(5,646)	10.94
Employee profit sharing	(10,248)	-1.20	(6,015)	-0.69		(4,233)	70.37
Reversal of interest on equity capital	56,936	6.67	37,911	4.37		19,025	50.18
Net income/loss for the year	**118,695**	**13.91**	**133,205**	**15.36**	**12,038**	**(14,510)**	**-10.89**

- **Gross revenue** – Gross revenue decreased R$8,591 or 0.92%, reaching R$926,207 in 3Q10, as compared to R$934,798 in 3Q09.

Major variations and reasons:

- **Water supply –** The variation of water supply services in 3Q10 increased 7.4% against the same prior-year period. This increase is due to the average tariff increase of 3.96%, in force as from March 2010, 306,772 new water connections due to population increase and assumption of new systems. The increase in billed water volume supplied in the period was of 5,189,190 m^3, from 153,098,228 m^3 to 158,287,418 m^3, corresponding to 3.39%, and increase in billed water volume supplied per water connection was of 0.85%, from 12.55 m^3 in 2009 to 12.66 m^3 in 2010.

- **Sewage –** Revenue from sewage services increased 11.65%. This increase is due to average tariff increase of 3.96% as from March 2010 and 393,486 new water connections, corresponding to 5.57%, due to population increase and assumption of new systems The increase in billed water volume supplied in the period was of 4,757,852 m^3, from 91,797,537 m^3 to 96,555,389 m^3, and the increase in billed water volume supplied per water connection went from 12.99 m^3 in 2009 to 12.94 m^3 in 2010.

- **Revenue from construction** – Revenue from construction decreased R$61,404 or 19.64%, from R$312,685 in 3Q09 to R$251,281 in the same 2010 period. The variation was due to Company investments made in 3Q10.

	Consolidated			
Deductions from operating revenue	**09/30/10**	**09/30/09**	**Variation R$**	**Variation %**
PIS/PASEP	10,954	10,074	880	8.74
COFINS	50,460	46,401	4,059	8.75
ICMS	64	28	36	n.m.
Unconditional discounts	11,473	10,931	542	4.96
Total	**72,951**	**67,434**	**5,517**	**8.18**

- **Gross revenue deductions**

  Taxes on sales – The increase is due to the increase in PIS/PASEP and COFINS payments as a direct consequence of the increase in gross revenue, which is the calculation base of these taxes. The balance in 3Q09 was of R$67,434, increasing to R$72,951 in 3Q10.

  Unconditional discounts – Unconditional discounts are granted to our large consumers as well as to not-for-profit philanthropic entities. The increase in discounts and rebates in the 3rd quarter of 2010 as compared to the same 2009 period is due to tariff adjustments in March 2010.

- **Operating costs and expenses**

Costs of services rendered – The cost of services rendered, comprising water and sewage system operation, conservation and maintenance expenses, decreased R$52,473, as shown below:

			Consolidated		
Costs of services rendered	**09/30/10**	**09/30/09**	**Adjustments**	**Variation**	
				R$	**%**
Personnel	103,392	96,474		6,918	7.17
Materials	20,250	22,414		(2,164)	-9.65
Electric energy	55,266	55,494		(228)	-0.41
Outsourced services	36,610	34,070		2,540	7.46
Tariff transfer to municipalities	15,060	14,326		734	5.12
General expenses	3,751	3,854		(102)	-2.67
Depreciation and amortization	61,410	62,913	4,609	(1,503)	-2.39
Construction costs	245,086	303,276	303,276	(58,190)	-19.19
Taxes recoverable and tax credits (PIS-PASEP/COFINS)	(12,534)	(12,056)		(478)	3.96
*** Total**	**528,291**	**580,765**	**307,885**	**(52,473)**	**-9.03**

	Consolidated			
Personnel operating costs	**09/30/10**	**09/30/09**	**Variation**	
			R$	**%**
Regular hourly wage	43,767	39,923	3,844	9.63
Overtime hourly wage	2,996	2,937	59	2.01
Bonus according to position	545	516	29	5.62
Vacation pay	5,971	9,133	(3,162)	-34.62
Vacation allowance and bonus	2,340	0	2,340	n.m.
13th monthly salary	4,761	4,393	368	8.38
Health exposure premium	1,217	1,011	206	20.38
Sickness allowance	7	1	6	n.m.
Institutional performance bonus	3,687	3,606	81	2.25
Social security	16,371	15,013	1,358	9.05
FGTS	3,753	4,733	(980)	-20.71
Workers' compensation insurance	2,878	1,401	1,477	n.m.
Severance pay and 30-day resignation notice	90	51	39	76.47
Professional training	6	0	6	n.m.
Standard snack	292	275	17	6.18
Subsidized transportation ticket	1,204	1,501	(297)	-19.79
Supplementary programs – COPASS	1,494	1,313	181	13.79
Health program	2,248	2,772	(524)	-18.90
Workers' meal program	13,253	12,990	263	2.02
Social security program	4,615	3,795	820	21.61
Other welfare programs	669	613	56	9.14
Refund – assignment of employee based on agreement	0	87	(87)	n.m.
Management performance bonus	276	252	24	9.52
Employee profit sharing	0	0	0	n.m.
Professional training – operational technicians	99	622	(523)	-84.08
Professional training –graduation courses	0	0	0	n.m.
Professional training – seminars/congresses	1	21	(20)	-95.24
Professional training – management training	2	2	0	0.00
Maternity leave extension	15	0	15	n.m.
Expansion costs	(6,704)	(7,649)	(945)	-12.35
DVHM costs	(145)	(145)	0	0.00
Population increase –own labor	(2,316)	(2,693)	(377)	-4.00

*** Total**	**103,392**	**96,474**	**6,918**	**7.17**

- **Personnel** – Increase in personnel expenses by R$6,918 or 7.17% is due to:

  - Adjustment of 5.49% resulting from the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the Institutional Performance Bonus (GDI) in the salaries of employees as from August 2009, and functional adjustments arising from the growth due to learning programs, in July 2010, with impacts in the subsequent months.

  - Increase of R$1,477 in the workers' compensation insurance due to increase in the percentage of Social Security Occupational Injuries Risk (RAT) from 2 to 4.24% on employee compensation as from January 2010.

  - Increase of R$820 or 21.61% in the Social Security program, due to adjustment by 5.45% in employee profit sharing, calculated on salaries above the Previminas cap; and extraordinary contribution of 11% calculated of the contribution amount as from March 2010, ruling until November 2010.

  - Adjustment of R$263 in the workers' meal program as a result of 7.8% increase in the basket of food staples and of 9.37% in the meal voucher established by the 2010/2011 collective bargaining agreement.

  - Such increases were offset by the fall of R$980 in FGTS, referring to book adjustment of the provision for FGTS, which was overstated in June 2010, in addition to decrease of R$3,162 in vacation pay due to a lesser number of employees using such benefit in the period.

- **Materials** – The decrease of R$2,164 or 9.65% in materials is due to the decrease by R$1,124 or 12.89%, in treatment materials mainly arising from fall in clot price in this quarter, and by R$619 in systems conservation and maintenance materials, offset by the increase in office and design materials and fuel and lubricants for vehicles, totaling R$376.

- **Third party services** - Expenses with outsourced services increased by R$2,312 or 7.04%. The main variation in the period is due to increase of R$1,050 or 21.34% in cleaning, surveillance, courier and reception services due to the process of distribution of costs of administrative units, which started to be more adequately allocated to the units.

- **Tariff transfer and general expenses –** general expenses increased R$631 or 2.45%, led by the tariff transfer, which increased 5.13% in 3Q10, when compared to the same prior year period, due to increase in funds collected in the period, which grew R$272, corresponding to 5.04%.

- **Construction costs** – Construction costs fell by R$58,190 or 19.19%, from R$303,276 in 3Q09 to R$245,086 in the same 2010 period. The variation resulted from a reduction in investments made by the Company in 3Q10 in

relation to 3Q09.

Selling expenses – The Company's selling expenses increased R$759 or 1.74% in 3Q10 as compared to the same prior-year period. Breakdown of the Company's selling expenses is set out below:

	Consolidated			
Selling expenses	**09/30/10**	**09/30/09**	**Variation**	
			R$	**%**
Personnel	24,516	24,246	270	1.11
Materials	931	782	149	19.05
Outsourced services	3,807	4,099	(292)	-7.12
General expenses	223	313	(90)	-28.75
Depreciation and amortization	1,021	1,311	(290)	-22.12
Allowance for doubtful accounts	13,761	12,749	1,012	7.94
*** Total**	**44,259**	**43,500**	**759**	**1.74**

	Consolidated			
Personnel expenses	**09/30/10**	**09/30/09**	**Variation**	
			R$	**%**
Regular hourly wage	9,959	9,662	297	3.07
Overtime hourly wage	391	399	(8)	-2.01
Bonus according to position	20	35	(15)	-42.86
Vacation pay	1,323	2,098	(775)	-36.94
Vacation allowance and bonus	522	0	522	n.m.
13th monthly salary	1,007	939	68	7.24
Health exposure premium	3	5	(2)	-40.00
Sickness allowance	3	0	3	n.m.
Institutional performance bonus	852	826	26	3.15
Social security	3,514	3,392	122	3.60
FGTS	1,069	1,059	10	0.94
Workers' compensation insurance	519	252	267	n.m.
Severance pay and 30-day resignation notice	11	11	0	0.00
Professional training	0	0	0	n.m.
Standard snack	211	223	(12)	-5.38
Subsidized transportation ticket	197	324	(127)	-39.20
Supplementary programs – COPASS	312	285	27	9.47
Health program	533	697	(164)	-23.53
Workers' meal program	3,004	3,018	(14)	-0.46
Social security program	841	694	147	21.18
Other welfare programs	186	170	16	9.41
Refund – assignment of employee based on agreement	0	82	(82)	n.m.
Management performance bonus	23	21	2	9.52
Professional training – operational technicians	16	52	(36)	-69.23
Professional training – seminars/congresses	0	2	(2)	n.m.
Maternity leave extension	0	0	0	n.m.
*** Total**	**24,516**	**24,246**	**270**	**1.11**

- **Personnel** – Increase in personnel expenses of R$270 or 1.11% is due to:

  - Adjustment of 5.49% resulting from the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the Institutional Performance Bonus (GDI) in the salaries of employees as from August 2009, and functional adjustments arising from the growth due to learning programs, in July 2010, with impacts in the subsequent months.

  - Increase of R$267 in the workers' compensation insurance due to increase in the percentage of Social Security Occupational Injuries Risk (RAT) from 2 to 4.24% on employee compensation as from January 2010.

  - Increase of R$147 or 21.18% in the Social Security program, due to adjustment by 5.45% in employee profit sharing, calculated on salaries above the Previminas cap; and extraordinary contribution of 11% calculated of the contribution amount as from March 2010, ruling until November 2010.

- **Allowance for doubtful accounts** – Increase of R$1,012 or 7.94% due to increase in losses on collection of bills overdue for more than 180 days.

Administrative expenses – The expenses with the Company management structure, including the Board of Directors, Supervisory Board, executive board offices and related supervisory authorities increased R$21,809 or 32.50%, as set out below:

	Consolidated				
Administrative expenses	**09/30/10**	**09/30/09**	**Adjustments**	**Variation R$**	**%**
Personnel	59,707	49,161		10,546	21.45
Materials	1,580	1,289		291	22.58
Outsourced services	17,842	11,919		5,923	49.69
General expenses	6,014	2,204		3,810	n.m.
Depreciation and amortization	3,040	2,541	(157)	499	19.64
Provision for losses	743	0		743	n.m.
*** Total**	**88,926**	**67,114**	**(157)**	**21,812**	**32.50**

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	Consolidated			
Administrative expenses	**09/30/10**	**09/30/09**	**Variation**	
			R$	**%**
Regular hourly wage	22,565	19,512	3,053	15.65
Overtime hourly wage	212	182	30	16.48
Bonus according to position	889	822	67	8.15
Entertainment expenses	0	0	0	n.m.
Director/Board fees	353	690	(337)	-48.84
Vacation pay	2,979	4,914	(1,935)	-39.38
Vacation allowance and bonus	1,418	0	1,418	n.m
13th monthly salary	2,478	2,318	160	6.90
Health exposure premium	28	29	(1)	-3.45
Sickness allowance	0	2	(2)	n.m.
Institutional performance bonus	1,931	1,901	30	1.58
Social security	8,381	7,667	714	9.31
FGTS	1,640	2,400	(760)	-31.67
Workers' compensation insurance	1,257	552	705	n.m.
Severance pay and 30-day resignation notice	87	77	10	12.99
Professional training	37	252	(215)	-85.32
Standard snack	221	222	(1)	(0.45)
Subsidized transportation ticket	490	414	76	18.36
Supplementary programs – COPASS	713	658	55	8.36
Health program	5,688	2,000	3,688	n.m.
Workers' meal program	5,123	2,555	2,568	n.m.
Social security program	3,144	2,609	535	20.51
Other welfare programs	449	481	(32)	-6.65
Refund – assignment of employee based on agreement	(1,220)	(1,611)	(391)	-24.27
Management performance bonus	581	521	60	11.52
Employee profit sharing	0	0	0	n.m.
Professional training – operational technicians	175	79	96	n.m.
Professional training - graduation courses	11	0	11	n.m.
Professional training – seminars/congresses	6	23	(17)	-73.91
Professional training – management training	6	0	6	n.m.
Maternity leave extension	0	0	0	n.m.
Directors' compensation	65	(108)	173	n.m.
Union dues	0	0	0	n.m.
*** Total**	**59,707**	**49,161**	**10,546**	**21.45**

- **Personnel** – Increase in personnel expenses of R$10,546 or 21.45% is due to:

  - Adjustment of 5.49% resulting from the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the Institutional Performance Bonus (GDI) in the salaries of employees as from August 2009, and functional adjustments arising from the growth due to learning programs, in July 2010, with impacts in the subsequent months.

  - Increase of R$705 in the workers' compensation insurance due to increase in the percentage of Social Security Occupational Injuries Risk (RAT) from 2 to 4.24% on employee compensation as from January 2010.

- Increase of R$535 or 20.51% in the Social Security program, due to adjustment by 5.45% in employee profit sharing, calculated on salaries above the Previminas cap; and extraordinary contribution of 11% calculated of the contribution amount as from March 2010, ruling until November 2010.

- Adjustment of R$2.568 in the workers' meal program as a result of 7.8% increase in the basket of food staples and of 9.37% in the meal voucher established by the 2010/2011 collective bargaining agreement.

- Increase of R$3,688 in the health program due to change in the recording of such expenses, which, until 2009, were accounted for by means of provisions and, as from 2010, they are recorded for the amounts effectively paid. Furthermore, an extraordinary payment of R$1,039 was made to the Company's Supplementary Health Program, as such program recorded an administrative deficit.

- Such increases were offset by the fall of R$760 in FGTS, referring to book adjustment of the provision for FGTS, which was overstated in June 2010, in addition to decrease of R$1,935 in vacation pay due to a lesser number of employees using such benefit in the period.

➢ **Outsourced services** – Expenses with outsourced services increased R$5,923 in 3Q10 against the same prior-year period, basically due to the following:

- Institutional advertising campaigns and relating to the environment and citizenship made in several cities in the interior of the Minas Gerais state, amount to R$3,791.

- Increase of R$1,962 in amounts referring to data transmission in the 3rd and 4th quarters of 2009, which were only paid as from May 2010, in view of the inconsistency in the registration information of the service providers.

- Increase of R$771 referring to cleaning, surveillance, courier and reception services, due to salary adjustment (7.0%), and meal ticket (18.8%) based on the category's collective bargaining agreement entered into in January 2010, and to adjustment of input products (4.8%). Also, part of the payments for such services referring to 2009 was suspended for revision of the amounts charged. After such revision, the payments referring to 2009 were made in this quarter.

- **General expenses –** general expenses increased R$3,810 in 3Q10 against the same prior-year period. The reason for such increase was the collection for use of water and sewage disposal systems of the Rio das Velhas, Rio Piracicaba, Rio Jundiaí and Rio Araguari basins as from July 2010.

Other operating income/expenses	09/30/10	09/30/09	Consolidated Adjustments	Variation R$	Variation %
Revenue from technical services	2,046	560		1,486	n.m.
Reversal of nondeductible provision	10,864	11,356	1,675	(492)	-4.33
Recovery of accounts written off as loss	28,507	2,677		25,830	n.m.
Other revenues	1,351	6,871		(5,520)	-80.34
Total other operating income	**42,768**	**21,464**	**1,675**	**21,304**	**99.25**
Adventitious or windfall losses	(37,926)	(8,799)		(29,127)	n.m.
Other expenses	(3,175)	(1,834)		(1,341)	73.12
Total other operating expenses	**(41,101)**	**(10,633)**		**(30,468)**	**n.m.**
Total other operating income (expenses)	**1,667**	**10,831**	**1,675**	**(9,164)**	**(84.61)**

Major variations and reasons:

- **Other operating income** – Other operating income grew R$21,304 or 99.25%, mainly due to reversal of R$10,405 relating to PIS/COFINS matching credit and recovery of R$28,503 written off of accounts receivables.

- **Other operating expenses** – The increase of R$30,468 in other operating expenses refers to provision for judicial proceedings, in the net amount of R$6,272, and provision for IPI premium credit of R$28,101.

- **Financial income (expenses)** – These reflect the results from financial investments, amounts receivable, loans, financing and debentures. Analysis of variation is conducted based on the net result of financial income and expenses of the same nature, as set out in the chart below:

	Consolidated				
	09/30/10	09/30/09	Adjustments	Variation R$	Variation %
Financial income and expenses					
Monetary and exchange variation	2,675	8,578		(5,903)	-68.82
Interest	12,132	11,913		219	1.84
Actual financial investment yield	3,363	11,862	7,136	(8,499)	-71.65
Other revenues	4,087	3,502	3,497	585	16.70
Total financial income	**22,257**	**35,855**	**10,633**	**(13,598)**	**-37.92**
Monetary and exchange variation	(3,284)	(3,793)		509	-13.42
Interest on financing	(25,739)	(27,474)	974	1,735	-6.32
Other expenses	(497)	(590)		93	-15.76
Total financial expenses	**(29,520)**	**(31,857)**	**974**	**2,337**	**-7.34**
Net financial result	**(7,263)**	**3,998**	**11,607**	**(11,261)**	**n.m.**

Major variations and reasons:

- **Monetary and exchange variation** – Expenses and income from monetary and exchange variations presented a net variation of R$5,394, mainly due to reversals in liabilities, of R$6,143 in 2009 and R$2,939 in 2010, net of reversals in assets, of R$2,145 in 2009 and R$1,310 in 2010.

  - **Actual financial investment yield** – The negative variation of R$8,499 refers to decrease in short-term investments in the period, due to payments made to suppliers. The balance in 3Q09 was of R$11,862 falling to R$3,363 in this quarter.

  - **Interest on equity capital** – In the 3rd quarter of 2010 the Company recorded an increase in interest on equity capital of R$56.936 as compared to R$37.911 in the 3rd quarter of 2009, a variation of R$19.025 due to the provisioning of 50% of interest on equity capital payable to shareholders as compared to 35% in 2009.

  - **Pretax income** – This account recorded an increase of R$23,655 or 15.47%, from R$152,903 in 3Q09 to R$129,247 in 3Q10.

- **Provision for income and social contribution taxes** – Income and social contribution taxes in the 3rd quarter of 2010 totaled R$57,240 against R$51,594 in 3Q09, with a variation of R$5,647 or 10.95%.

- **Employee profit sharing** – In the 3rd quarter of 2010, a provision was set up of R$10,248 for employee profit sharing, as compared to R$6,015 in 2009, representing a decrease of R$4,233.

- **Net income for the quarter** – Net income for the 3rd quarter of 2010 decreased R$14,510, or 10.89%, falling from R$133,205 in 3Q09 to R$118,695 in 3Q10.

- **Income generation or EBITDA** – There was income generation of R$252,723 in 3Q10 against R$244,172 in 3Q09, representing an increase of R$8,551 or 3.5%. EBITDA was of 39.20 in this quarter, compared to 42.38 in 2009, corresponding to a 3.18 p.p. decrease.

The table below presents the EBITDA calculation:

	Consolidated			
EBITDA	**09/30/10**	**09/30/09**	**Variation**	
			R$	**%**
Net income [1]	118,695	133,205	(14,510)	-10.89
(-) Revenue (expense) from construction	(6,195)	(9,409)	3,214	-34.16
Net income not considering revenue (expense) from construction	112,500	123,796	(11,296)	-9.12
Provision for IRPJ and CSLL	57,240	51,594	5,646	10.94
Amortization and depreciation	65,472	66,765	(1,293)	-1.94
Employees' profit sharing	10,248	6,015	4,233	70.37
Financial result	7,263	(3,998)	11,261	n.m.
EBITDA [1] [2]	252,723	244,172	8,551	3.50
EBITDA margin	39.20	42.38		-3.18 p.p

(1) EBITDA means net income (loss) before income and social contribution taxes, net financial expenses and depreciation and amortization charges. Since financial income (expenses), income and social contribution taxes and amortization and depreciation are not considered, EBITDA indicates our overall economic performance, which is not affected by changes in interest rates, in income and social contribution tax rates or depreciation and amortization levels. Consequently, we believe that EBITDA is a significant tool for periodic comparison of our operating performance, and serves as a base for certain administrative decisions. We believe that EBITDA allows attaining better understanding of our financial performance as well as our capacity to meet our obligations and obtain funds for our capital expenditures and to meet our working capital needs. EBITDA, however, presents limitations for use thereof 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 expenses and other related charges.

(2) EBITDA margin is calculated based on net revenue from services, which corresponds to net operating revenue plus other operating revenue.

05. Balance sheet

3rd ITR	Consolidated 09/30/10	06/30/10	Variation R$	Variation %
Current assets	659,326	750,516	(91,191)	-12.15
Noncurrent assets	6,542,378	6,347,170	195,208	3.08
Total assets	**7,201,704**	**7,097,686**	**104,017**	**1.47**
Current liabilities	650,398	622,394	28,004	4.50
Noncurrent liabilities	2,623,990	2,609,735	14,255	0.55
Shareholders' equity	3,927,316	3,865,557	61,759	1.60
Total liabilities and shareholders' equity	**7,201,704**	**7,097,686**	**104,018**	**1.47**

• Current assets	Consolidated 09/30/10	06/30/10	Variation R$	Variation %
Cash	108,875	227,497	(118,622)	-52.14
Trade accounts receivable	431,894	397,909	33,985	8.54
Inventories	28,355	29,358	(1,002)	-3.41
Taxes recoverable	25,358	36,683	(11,325)	-30.87
Technical cooperation agreement	27,116	13,031	14,086	n.m
Sundry receivables	37,728	46,039	(8,311)	-18.05
Total current assets	**659,326**	**750,516**	**(91,191)**	**-12.15**

» Cash

Balance at 09/30/2010: 108,875 Variation ($): (118,622)
Balance at 06/30/2010: 227,497 Variation (%): -52.14
Situation: **Decrease**

This account balance decreased in the period due to redemption of financial investments to current bank account in order to pay dividends to shareholders and for payment to Company suppliers.

» Trade accounts receivable

Balance at 09/30/2010: 431,894 Variation ($): 33,985
Balance at 06/30/2010: 397,909 Variation (%): 8.54
Situation: **Increase**

The variation in this group refers to billings from public and private customers, which were previously written down as loss and have been recovered and renegotiated.

» Taxes recoverable

Balance at 09/30/2010: 25,358 Variation ($): (11,325)
Balance at 06/30/2010: 36,683 Variation (%): -30.87
Situation: **Decrease**

This account balance decreased due to offset of withholding IRPJ in July and August.

» Technical cooperation agreement

Balance at 09/30/2010:	27,116	Variation ($):	14,086
Balance at 06/30/2010:	13,031	Variation (%):	n.m.

Situation: **Increase**

The increase in receivables originates from expenses assumed with the Company's own funds, not reimbursed in the period.

	Consolidated			
• **Noncurrent assets**	**30/9/2010**	**30/6/2010**	**Variation**	
			R$	**%**
Trade accounts receivable	186,577	192,829	(6,251)	-3.24
Deferred income and social contribution taxes	340,223	342,720	(2,498)	-0.73
Judicial deposits	8,784	8,769	15	0.17
Financing guarantee	100,840	100,482	358	0.36
Financial assets	273,724	271,671	2,053	0.76
Sundry receivables	48,787	52,106	(3,319)	-6.37
Total noncurrent assets	**958,935**	**968,577**	**(9,642)**	**-1.00**
Investments	260	260	0	0.00
Intangible assets	5,462,075	5,259,684	202,391	3.85
Property, plant and equipment	121,108	118,649	2,459	2.07
Total permanent assets	**5,583,443**	**5,378,593**	204,850	3.81
Total noncurrent assets	**6,542,378**	**6,347,170**	**195,208**	**3.08**

Trade accounts receivable

Balance at 09/30/2010:	186,577	Variation ($):	(6,251)
Balance at 06/30/2010:	192,829	Variation (%):	-3.24

Situation: **Decrease**

The variation refers to write-off of intercompany loans receivable determined by the Matching of Accounts provision agreed with the Belo Horizonte municipality.

» Sundry credits

Balance at 09/30/2010:	48,787	Variation ($):	(3,319)
Balance at 06/30/2010:	52,106	Variation (%):	-6.37

Situation: **Decrease**

The decrease in this group refers to release of R$4,264 referring to the 3rd installment of the 1st stage of the measurement made by ANA at ETE Arrudas, offset by earnings of R$945 from investment of the funds.

» Intangible assets

Balance at 09/30/2010:	5,462,075	Variation ($):	202,391
Balance at 06/30/2010:	5,259,684	Variation (%):	3.85

Situation: **Increase**

The balance variation results from investments made for construction in progress.

• **Current liabilities**	Consolidated			
	09/30/10	**06/30/10**	**Variation**	
			R$	**%**
Loans and financing	146,044	141,890	4,153	2.93
Debentures	99,005	93,907	5,099	5.43
Contractors and suppliers	65,645	64,681	964	1.49
Taxes, charges and contributions	45,431	32,112	13,319	41.48
Taxes in installments	34,733	44,793	(10,061)	-22.46
Provision for vacation pay and 13th salary	101,684	91,581	10,103	11.03
Employee profit sharing	37,694	30,915	6,779	21.93
Interest on equity capital	56,931	56,746	185	0.33
Private pension plan	14,135	14,434	(299)	-2.07
Electric energy	24,908	25,317	(409)	-1.61
Sundry obligations	24,188	26,018	(1,830)	-7.03
Total current liabilities	**650,398**	**622,394**	**28,004**	**4.50**

» Taxes, charges and contributions

Balance at 09/30/2010:	45,431	Variation ($):	13,319
Balance at 06/30/2010:	32,112	Variation (%):	41.48

Situation: **Increase**

The balance variation is due to increase in PIS/COFINS by R$2,556 and in IRPJ and CSLL by R$13,598, offset against reversal of FGTS (40%), for which a provision was set up in duplicate in the June and July payroll, in the amount of R$2,469.

» Taxes in installments

Balance at 09/30/2010:	34,733	Variation ($):	(10,061)
Balance at 06/30/2010:	44,793	Variation (%):	-22.46

Situation: **Decrease**

The account variation refers to decrease of R$22,208 in the REFIS amortization of the IPI credit premium, offset by addition of R$5,617 relating to supplementation of the REFIS of the IPI credit premium and by transfer of R$6,531 from the noncurrent portion.

» Provision for vacation pay and 13th monthly salary

Balance at 09/30/2010:	101,684	Variation ($):	10,103
Balance at 06/30/2010:	91,581	Variation (%):	11.03

Situation: **Increase**

The account increase results from salary adjustment of 5.49% established by the 2010/2011 collective bargaining agreement, inclusion of approximately 50% of the institutional performance bonus (GDI) and and functional adjustments arising from the growth due to learning programs.

» Employee profit sharing

Balance at 09/30/2010:	37,694	Variation ($):	6,779
Balance at 06/30/2010:	30,915	Variation (%):	21.93

Situation: **Increase**

The increases arises from the provision realized on the income accrued in the period, in the amount of R$10,248, offset against payment of R$3,469 referring to profit sharing of 2009.

• **Sundry obligations**	Consolidated			
	09/30/10	**06/30/10**	**Variation**	
			R$	**%**
Tariff transfer	3	0	3	n.m.
Concession debts	19,717	19,303	415	2.15
Total local governments	19,720	19,303	418	2.16
Other	4,468	6,716	(2,248)	-33.47
Total sundry obligations	**24,188**	**26,018**	**(1,830)**	**-7.03**

12.01 – CONSOLIDATED QUARTER PERFORMANCE REVIEW

	Consolidated			
• **Noncurrent liabilities**	**09/30/10**	**06/30/10**	**Variation**	
			R$	**%**
Caixa Econômica Federal	655,439	655,519	(80)	-0.01
State government / BDMG	12,972	13,788	(816)	-5.92
National Treasury	85,939	94,276	(8,337)	-8.84
BNDES/BNE	286,850	272,048	14,802	5.44
In local currency	1,041,200	1,035,631	5,568	0.54
Federal government - bonus	52,857	55,763	(2,906)	-5.21
In foreign currency	52,857	55,763	(2,906)	-5.21
Total loans and financing	1,094,057	1,091,394	2,662	0.24
Non-convertible debentures	523,738	524,772	(1,034)	-0.20
Convertible debentures	133,740	134,669	(929)	-0.69
Total debentures	657,478	659,441	(1,963)	-0.30
Provision for contingencies	31,380	28,822	2,558	8.87
Provision for taxes	37,530	47,234	(9,704)	-20.54
Taxes in installments	209,046	192,829	16,218	8.41
Pension plan	470,043	471,593	(1,550)	-0.33
Electric energy	21,555	26,423	(4,868)	-18.42
Advance for future capital contribution	8,797	8,797	0	0.00
Deferred income and social contribution taxes	52,109	42,093	10,016	23.80
Other liabilities	41,995	41,109	886	2.15
Total noncurrent liabilities	**2,623,990**	**2,609,735**	**14,255**	**0.55**

» National Treasury

Balance at 09/30/2010:	85,939	Variation ($):	(8,337)
Balance at 06/30/2010:	94,276	Variation (%):	-8.84

Situation: **Decrease**

This account variation results from transfer for renegotiation of the short-term debt to be amortized over the next 12 months.

» BNDES/BNE

Balance at 09/30/2010:	286,850	Variation ($):	14,802
Balance at 06/30/2010:	272,048	Variation (%):	5.44

Situation: **Increase**

This account increased due to new disbursements made on 08/26/2010, in the amount of R$15,243.

» Provision for taxes

Balance at 09/30/2010:	37,530	Variation ($):	(9,704)
Balance at 06/30/2010:	47,234	Variation (%):	-20.54

Situation: **Decrease**

The decrease is due to write-off of the provision set up for 2004, regarding excess offset of PIS/COFINS matching credit, in the amount of R$9,704.

» Taxes in installments

Balance at 09/30/2010:	209,046	Variation ($):	16,218
Balance at 06/30/2010:	192,829	Variation (%):	8.41

Situation: **Increase**

This account increase arises from addition of R$22,469 relating to supplementation of REFIS of the IPI credit premium, offset by transfer of R$6,531to the short-term portion.

» Electric energy

Balance at 09/30/2010:	21,555	Variation ($):	(4,868)
Balance at 06/30/2010:	26,423	Variation (%):	-18.42

Situation: **Decrease**

Refers to transfer for short-term debt renegotiation, to be amortized over the next 12 months.

» Deferred income and social contribution taxes

Balance at 09/30/2010:	52,109	Variation ($):	10,016
Balance at 06/30/2010:	42,093	Variation (%):	23.80

Situation: **Increase**

The increase refers to adjustment in the period of the provision for losses on investment in subsidiaries of R$21,142.

	Consolidated			
• **Shareholders' equity**	**09/30/10**	**06/30/10**	**Variation**	
			R$	**%**
Beginning balance	**3,865,557**	**3,731,416**	**134,141**	**3.59**
Net income	118,695	234,555	(115,860)	-49.40
Interest on equity capital	(56,936)	(100,414)	43,478	-43.30
Ending balance	**3,927,316**	**3,865,557**	**61,759**	**1.60**

The increase in shareholders' equity is due to the increase in the Company's profit, net of credit of interest on equity capital and employee profit sharing.

20.01 - 20.01 – OTHER INFORMATION DEEMED RELEVANT BY THE COMPANY

In compliance with the New Market Regulations, we present below the Additional Requirements for Quarterly Financial Information (ITR) as of September 30, 2010:

Position of shareholders holding more than 5% of Company shares of each type and class, up to the individual level		
Companhia de Saneamento de Minas Gerais - COPASA MG	Position as of 9/30/2010 (in units)	
	Common shares	
Shareholders	Number	%
State of Minas Gerais	61,188,867	53.07
The Bank of New York Mellon Corporation**	5,787,002	5.02
Management	817	0.00
Treasury stock	370,176	0.32
Other	47,952,642	41.59
Total	**115,299,504**	**100.00**

Position of shareholders holding more than 5% of Company shares of each type and class, up to the individual level		
Companhia de Saneamento de Minas Gerais - COPASA MG	Position as of 9/30/2009 (in units)	
	Common shares	
Shareholders	Number	%
State of Minas Gerais	61,188,867	53.07
Mackenzie Financial Corporation*	5,778,000	5.01
Management	623	0.03
Treasury stock	370,176	0.32
Other	47,961,838	41.60
Total	**115,299,504**	**100.00**

* Number of shares informed by The Bank of New York Mellon Corporation to the Company, as per Official Letter received on February 11, 2010 and disclosed through Statement to the Market on February 11, 2008.

** Foreign capital company. Number of shares informed by Mackenzie Financial Corporation to the Company, in the capacity of administrator, advisor and/or sub-advisor of mutual funds, as per Communication received by the Company on May 5, 2008 and disclosed through Statement to the Market on May 6, 2008. On September 24, 2010 the Company received a notice stating that the shareholding was reduced to 4,98% of the capital of the Company.

2) Position of controlling entities, management and outstanding shares

Consolidated shareholding position of Controlling Entities, Management and outstanding shares as of 9/30/2010 (in units)		
	Common shares	
Shareholders	Number	%
Controlling entity – State of Minas Gerais	61,188,867	53.07
Management		-
Board of Directors	41	-
Executive Board	776	-
Supervisory Board	4	-
Treasury stock	370,176	0.32
Other shareholders	53,739,640	46.61
Total	115,299,504	100.00
Outstanding shares	**53,739,644**	**46.61**

Consolidated shareholding position of Controlling Entities, Management and outstanding shares as of 9/30/2009 (in units)		
	Common shares	
Shareholders	Number	%
Controlling entity – State of Minas Gerais	61,188,867	53.07
Management		
Board of Directors	42	-
Executive Board	581	-
Supervisory Board	4	-
Treasury stock	370,176	0.32
Other shareholders	53,739,834	46.61
Total	**115,299,504**	**100.00**
Outstanding shares	**53,679,892**	**46.57**

3) Arbitration Clause

Companhia de Saneamento de Minas Gerais - COPASA MG is bound to arbitration by the Market Arbitration Chamber, pursuant to Arbitration Clause provided for in the Company's Articles of Incorporation.