(A free translation of the original in Portuguese)

Companhia de Saneamento de Minas Gerais - COPASA MG

Quarterly Information (ITR) at September 30, 2013 and report on review of quarterly information

(A free translation of the original in Portuguese)

Report on review of quarterly information - without exceptions

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia de Saneamento de Minas Gerais - COPASA MG, included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2013, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

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Conclusion on the parent company interim information

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

Conclusion on the consolidated interim information

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

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2013. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information (ITR) mentioned in the first paragraph includes the accounting information corresponding to the statements of income, changes in equity, cash flows and value added for the period ended September 30, 2012, obtained from the quarterly information then ended, and the balance sheet at December 31, 2012, obtained from the financial statements as at December 31, 2012, prepared originally before the adjustments described in Note 3, which were made to change this financial information of 2012, presented for comparison purposes. The review of the Quarterly Information (ITR) for the period ended September 30, 2012 and the audit of the financial statements for the year ended December 31, 2012 were conducted by other independent auditors, who issued unqualified review and audit reports dated October 30, 2012 and February 20, 2013, respectively, with emphasis of matter paragraphs related to the following matters:

Companhia de Saneamento de Minas Gerais – COPASA MG

(i) The parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Companhia de Saneamento de Minas Gerais - COPASA MG, these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries based on equity accounting, while IFRS requires measurement based on cost or fair value, and for the monetary restatement of intangible assets and property, plant and equipment items up to December 31, 1997, not recorded in accordance with accounting practices adopted in Brazil and recorded for IFRS purposes.

(ii) As of September 20, 1989, the Company became a Value-added Tax on Sales and Services (ICMS) taxpayer, under a special regime, related to treated water supply. According to its legal advisors, in order to be charged for such tax there would be the need to have specific normative acts regulating this matter. Up to this date, there is no resolution by the State Executive Branch regarding the calculation criteria or enforcement of payment of said tax; in addition the aforementioned tax has not been included in the Company's tariffs. Accordingly, such tax is not being charged to consumers, has not been accounted for by the Company and also not transferred to the State Government.

As part of our review of the financial information for the period ended September 30, 2013, we also reviewed the adjustments described in Note 3, which were made to change the financial information included in the Quarterly Information (ITR) Form for the period ended September 30, 2012, and of the financial statements for the year ended December 31, 2012, presented for comparison purposes. Based on our review, nothing has come to our attention that causes us to believe that such adjustments are not appropriate or were not correctly made, in all material respects. We were not engaged to audit, review, or apply any other procedures to the Company's Quarterly Information regarding the 2012 information, and, therefore, we do not express an opinion, conclusion or any form of assurance on the financial information for that period taken as a whole.

Belo Horizonte, November 5, 2013

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

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

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Company information/Capital composition

Number of shares (In thousands)	Current quarter 9/30/2013
Paid-up capital	
Common shares	119,327
Preferred shares	0
Total	119,327
Treasury shares	
Common shares	357
Preferred shares	0
Total	357

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Company information/Cash dividends

Event	Date approved	Description	Start date of payment	Type of share	Class of share	Amount per share (Reais/share)
Board of Directors' Meeting	9/20/2013	Interest on capital	11/19/2013	Common shares		0.26031

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Parent company financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2013	Prior year 12/31/2012
1	Total assets	9,370,250	9,143,663
1.01	Current assets	1,067,733	1,220,176
1.01.01	Cash and cash equivalents	300,564	496,425
1.01.03	Accounts receivable	700,265	667,639
1.01.03.01	Trade receivables	644,910	578,853
1.01.03.02	Other receivables	55,355	88,786
1.01.03.02.01	Recoverable taxes	12,923	21,171
1.01.03.02.03	Bank account - agreements	42,432	47,480
1.01.03.02.04	Held-to-maturity financial assets	0	20,135
1.01.04	Inventories	33,000	33,121
1.01.08	Other current assets	33,904	22,991
1.01.08.03	Others	33,904	22,991
1.01.08.03.01	Advances to employees	13,711	10,237
1.01.08.03.03	Others	20,193	12,754
1.02	Non-current assets	8,302,517	7,923,487
1.02.01	Long-term assets	1,321,015	1,284,373
1.02.01.03	Accounts receivable	532,020	581,529
1.02.01.03.01	Trade receivables	206,222	220,000
1.02.01.03.02	Other receivables	325,798	361,529
1.02.01.06	Deferred taxes	196,338	176,406
1.02.01.06.01	Deferred income and social contribution	196,338	176,406
1.02.01.08	Intercompany receivables	114,498	106,831
1.02.01.08.02	Receivables from subsidiaries	114,498	106,831
1.02.01.09	Other non-current assets	478,159	419,607
1.02.01.09.03	Financial assets - concession agreements	448,280	390,757
1.02.01.09.04	Financial assets available for sale	29,879	28,850
1.02.02	Investments	260	260
1.02.02.01	Investments in subsidiaries	260	260
1.02.02.01.04	Investments in other companies	260	260
1.02.03	Property, plant and equipment	204,623	175,494
1.02.03.01	Property, plant and equipment in operation	204,623	175,494
1.02.04	Intangible assets	6,776,619	6,463,360
1.02.04.01	Intangible assets	6,776,619	6,463,360
1.02.04.01.01	Concession agreements	5,038,288	4,665,606
1.02.04.01.02	Intangible assets in progress	1,738,331	1,797,754

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Parent company financial statements / balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2013	Prior year 12/31/2012
2	Total liabilities	9,370,250	9,143,663
2.01	Current liabilities	984,961	839,184
2.01.02	Trade payables	158,841	157,397
2.01.02.01	Domestic suppliers	158,841	157,397
2.01.03	Tax obligations	63,502	47,293
2.01.03.01	Federal tax obligations	62,063	46,025
2.01.03.03	Municipal tax obligations	1,439	1,268
2.01.04	Borrowings	474,338	363,005
2.01.04.01	Borrowings	213,823	228,981
2.01.04.01.01	In local currency	209,523	225,321
2.01.04.01.02	In foreign currency	4,300	3,660
2.01.04.02	Debentures	260,515	134,024
2.01.04.02.01	Non-convertible	260,515	134,017
2.01.04.02.02	Convertible	0	7
2.01.05	Other liabilities	84,799	123,192
2.01.05.02	Others	84,799	123,192
2.01.05.02.01	Dividends and interest on capital payable	31,093	46,469
2.01.05.02.04	Pension plan	20,619	24,602
2.01.05.02.05	Electrical energy	7,533	6,618
2.01.05.02.06	Technical cooperation agreements	13,112	31,851
2.01.05.02.07	Sundry obligations	12,442	13,652
2.01.06	Provisions	203,481	148,297
2.01.06.01	Provision for tax, social security, labor and civil contingencies	203,481	148,297
2.01.06.01.05	Taxes payable in installments	38,072	35,676
2.01.06.01.06	Provision for vacation pay and 13th month salary	130,044	84,653
2.01.06.01.07	Employee profit sharing	35,365	27,968
2.02	Non-current liabilities	3,248,480	3,369,591
2.02.01	Borrowings	2,550,599	2,696,373
2.02.01.01	Borrowings	1,170,208	1,152,892
2.02.01.01.01	In local currency	1,061,397	1,094,165
2.02.01.01.02	In foreign currency	108,811	58,727
2.02.01.02	Debentures	1,380,391	1,543,481
2.02.01.02.01	Non-convertible	1,380,391	1,543,481
2.02.02	Other liabilities	397,155	372,830
2.02.02.02	Others	397,155	372,830
2.02.02.02.03	Pension plan	276,240	259,071
2.02.02.02.04	Investment losses	90,921	79,169
2.02.02.02.05	Deposits for construction	29,994	34,590
2.02.04	Provisions	300,726	300,388
2.02.04.01	Provision for tax, social security, labor and civil contingencies	300,726	300,388
2.02.04.01.01	Tax provision	16,456	16,456
2.02.04.01.05	Taxes payable in installments	206,223	220,000
2.02.04.01.06	Litigation provision	78,047	63,932
2.03	Equity	5,136,809	4,934,888
2.03.01	Paid-up capital	2,773,985	2,773,985
2.03.02	Capital reserves	-8,576	-8,576
2.03.02.05	Treasury shares	-8,576	-8,576
2.03.04	Revenue reserves	2,198,133	2,198,133
2.03.04.01	Legal reserve	194,455	194,455
2.03.04.05	Profit retention reserve	1,976,193	1,976,193
2.03.04.07	Tax benefit reserve	27,485	27,485
2.03.05	Retained earnings/accumulated deficit	216,292	0
2.03.06	Carrying value adjustments	-43,025	-28,654

(A free translation of the original in Portuguese)

Parent company financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 7/1/2013 to 9/30/2013	Accumulated - current year 1/1/2013 to 9/30/2013	Same quarter of prior year 7/1/2012 to 9/30/2012	Accumulated - prior year 1/1/2012 to 9/30/2012
3.01	Revenue from sales and/or services	987,152	2,808,042	869,474	2,511,825
3.01.01	Water supply services	507,451	1,465,256	468,981	1,368,706
3.01.02	Sewage services	263,111	762,098	241,736	656,138
3.01.03	Construction revenue	216,590	580,688	158,757	486,981
3.02	Cost of sales and/or services	-642,537	-1,772,965	-509,034	-1,507,399
3.02.01	Cost of sales and/or services	-430,364	-1,204,775	-353,815	-1,028,186
3.02.02	Construction cost	-212,173	-568,190	-155,219	-479,213
3.03	Gross profit	344,615	1,035,077	360,440	1,004,426
3.04	Operating expenses/income	-150,431	-494,647	-172,052	-438,797
3.04.01	Selling expenses	-59,122	-165,551	-56,719	-160,585
3.04.02	General and administrative expenses	-106,590	-308,356	-102,307	-279,690
3.04.04	Other operating income	43,661	66,554	12,235	89,832
3.04.05	Other operating expenses	-25,282	-75,542	-20,793	-78,812
3.04.05.01	Other operating expenses	-17,058	-53,933	-12,984	-56,541
3.04.05.02	Employee profit sharing	-8,224	-21,609	-7,809	-22,271
3.04.06	Equity in the results of subsidiaries	-3,098	-11,752	-4,468	-9,542
3.04.06.01	Equity in the loss of subsidiaries	-3,098	-11,752	-4,788	-9,996
3.04.06.02	Equity in the earnings of subsidiaries	0	0	320	454
3.05	Profit before finance result and taxation	194,184	540,430	188,388	565,629
3.06	Finance result	-30,280	-110,708	-23,385	-90,575
3.06.01	Finance income	25,563	69,691	46,565	105,089
3.06.02	Finance costs	-55,843	-180,399	-69,950	-195,664
3.07	Profit before income tax and social contribution	163,904	429,722	165,003	475,054
3.08	Income tax and social contribution	-38,069	-111,295	-38,245	-118,141
3.08.01	Current	-39,272	-125,559	-49,027	-130,722
3.08.02	Deferred	1,203	14,264	10,782	12,581
3.09	Profit for the period from continuing operations	125,835	318,427	126,758	356,913
3.11	Profit for the period	125,835	318,427	126,758	356,913
3.99	Earnings per share (R$)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	1.05000	2.67000	1.06000	2.99000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	1.05000	2.67000	1.06000	2.99000

(A free translation of the original in Portuguese)

Parent company financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 7/1/2013 to 9/30/2013	Accumulated - current year 1/1/2013 to 9/30/2013	Same quarter of prior year 7/1/2012 to 9/30/2012	Accumulated - prior year 1/1/2012 to 9/30/2012
4.01	Profit for the period	125,835	318,427	126,758	356,913
4.02	Other comprehensive income (loss)	-11,683	-11,004	-55,068	-53,867
4.02.01	Fair value of investment in Foz de Jeceaba	0	679	633	1,834
4.02.02	Actuarial loss on retirement benefits	-11,683	-11,683	-55,701	-55,701
4.03	Comprehensive income for the period	114,152	307,423	71,690	303,046

(A free translation of the original in Portuguese)

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

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2012 to 9/30/2012
6.01	Net cash provided by operating activities	796,023	757,044
6.01.01	Cash from operations	849,645	816,869
6.01.01.01	Profit for the period	318,427	356,913
6.01.01.02	Provision for impairment of trade receivables	48,052	53,175
6.01.01.03	Recovery of accounts written-off	-50,501	-25,525
6.01.01.04	Interest and monetary and exchange variations, net	8,994	-13,949
6.01.01.05	Interest income and expenses	134,204	145,311
6.01.01.06	Deferred income tax and social contribution	-14,264	-12,581
6.01.01.07	Equity in the results of subsidiaries	11,752	9,542
6.01.01.08	Write-off of intangible assets and property, plant and equipment	17,125	4,639
6.01.01.09	Depreciation and amortization	315,468	278,761
6.01.01.10	Transfer to (reversal of) provisions	17,388	-5,884
6.01.01.11	Provision for actuarial liabilities	43,012	33,705
6.01.01.12	Financial assets	-12	-29
6.01.01.13	Deferred revenue	0	-7,209
6.01.02	Changes in assets and liabilities	-53,622	-59,825
6.01.02.01	Trade receivables	-49,070	-62,836
6.01.02.02	Inventories	121	-3,257
6.01.02.03	Recoverable taxes	8,248	7,352
6.01.02.04	Bank account - agreements	5,048	-39,347
6.01.02.05	Collateral for financing	6,350	8,773
6.01.02.06	Receivables from subsidiaries	-9,137	-6,223
6.01.02.07	Other financial assets	-11,863	-38,093
6.01.02.08	Others	-25,768	-21,402
6.01.02.09	Trade payables	1,444	37,919
6.01.02.10	Tax obligations	16,209	2,385
6.01.02.11	Provision for vacation pay and 13th month salary	45,391	36,820
6.01.02.12	Employee profit sharing	7,397	7,903
6.01.02.13	Technical cooperation agreements	-18,739	42,639
6.01.02.14	Contingencies	-3,273	-4,030
6.01.02.15	Pension plan	-29,847	-23,724
6.01.02.16	Electric energy	915	1,120
6.01.02.18	Others	2,952	-5,824
6.02	Net cash used in investing activities	-581,922	-393,471
6.02.01	Investments in financial assets/restricted investment	0	-65,934
6.02.02	Redemption of financial assets/restricted investment	72,107	165,615
6.02.03	Purchases of intangible assets through sale of treasury shares	0	614
6.02.05	Purchases of intangible assets and property, plant and equipment	-654,029	-493,766
6.03	Net cash used in financing activities	-409,962	-67,595
6.03.01	Proceeds from borrowings and debentures	190,096	680,338
6.03.02	Repayment of borrowings and debentures	-244,160	-377,574
6.03.03	Payment of interest on borrowings and debentures	-185,226	-189,919
6.03.04	Interest on capital paid	-120,878	-102,994
6.03.05	Payment of actuarial liabilities	-17,680	-16,204
6.03.06	Payment of principal and interest - Cemig	0	-20,112
6.03.07	Taxes payable in installments	-27,556	-23,785
6.03.08	Repayment of principal and interest on concession debts	-4,558	-6,812
6.03.09	Payment of tax provision	0	-10,533
6.05	Increase (decrease) in cash and cash equivalents	-195,861	295,978
6.05.01	Cash and cash equivalents at the beginning of the period	496,425	241,536
6.05.02	Cash and cash equivalents at the end of the period	300,564	537,514

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

(R$ thousand)

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

Parent company financial statements/statement of changes in equity - 1/1/2012 to 9/30/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity
5.01	Opening balances	2,636,499	-5,408	1,870,586	0	0	4,501,677
5.02	Prior-year adjustments	0	0	0	0	31,418	31,418
5.02.01	Recognition of actuarial liability CPC 33 (R 1)/ IAS 19	0	0	0	0	-4,050	-4,050
5.02.02	Fair value of investment in Foz de Jeceaba	0	0	0	0	3,279	3,279
5.02.04	Monetary adjustments on fixed assets 96/97	0	0	0	0	48,284	48,284
5.02.05	Deferred income tax and social contribution on adjustments	0	0	0	0	-16,095	-16,095
5.03	Adjusted opening balances	2,636,499	-5,408	1,870,586	0	31,418	4,533,095
5.04	Capital transactions with stockholders	137,485	-3,782	614	-112,916	0	21,401
5.04.07	Interest on capital	0	0	0	-112,916	0	-112,916
5.04.08	Conversion of debentures	0	133,703	0	0	0	133,703
5.04.09	Proceeds from convertible debentures	137,485	-137,485	0	0	0	0
5.04.10	Purchases of intangible assets	0	0	614	0	0	614
5.05	Total comprehensive income (loss)	0	0	0	360,753	-57,707	303,046
5.05.01	Profit for the period	0	0	0	356,913	0	356,913
5.05.02	Other comprehensive income (loss)	0	0	0	3,840	-57,707	-53,867
5.05.02.06	Fair value of investment in Foz de Jeceaba	0	0	0	0	1,834	1,834
5.05.02.07	Amortization of monetary adjustments on fixed assets 96/97	0	0	0	5,818	-5,818	0
5.05.02.08	Deferred income tax and social contribution on monetary adjustments on fixed assets 96/97	0	0	0	-1,978	1,978	0
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-55,701	-55,701
5.07	Closing balances	2,773,984	-9,190	1,871,200	247,837	-26,289	4,857,542

(A free translation of the original in Portuguese)

Parent company financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2012 to 9/30/2012
7.01	Revenue	3,052,137	2,767,614
7.01.01	Sales of products and services	2,455,009	2,243,977
7.01.02	Other revenue	13,991	64,306
7.01.03	Revenue from construction of Company assets	580,688	486,981
7.01.04	Provision for impairment of trade receivables	2,449	-27,650
7.02	Inputs acquired from third parties	-1,240,846	-1,069,788
7.02.01	Cost of sales and services	-1,076,901	-921,782
7.02.02	Materials, energy, outsourced services and other	-117,977	-97,045
7.02.04	Others	-45,968	-50,961
7.03	Gross value added	1,811,291	1,697,826
7.04	Retentions	-315,468	-278,761
7.04.01	Depreciation, amortization and depletion	-315,468	-278,761
7.05	Net value added generated	1,495,823	1,419,065
7.06	Value added received through transfers	57,939	95,547
7.06.01	Equity in the results of subsidiaries	-11,752	-9,542
7.06.02	Finance income	69,691	105,089
7.07	Total value added to distribute	1,553,762	1,514,612
7.08	Distribution of value added	1,553,762	1,514,612
7.08.01	Personnel	639,592	570,981
7.08.01.01	Payroll	412,662	371,065
7.08.01.02	Benefits	157,032	140,068
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	48,289	37,577
7.08.01.04	Others	21,609	22,271
7.08.01.04.01	Employee profit sharing	21,609	22,271
7.08.02	Taxes and contributions	416,146	391,864
7.08.02.01	Federal	404,620	386,250
7.08.02.02	State	7,100	5,107
7.08.02.03	Municipal	4,426	507
7.08.03	Remuneration of third-party capital	179,597	194,854
7.08.03.01	Interest	176,365	192,143
7.08.03.02	Rentals	3,232	2,711
7.08.04	Remuneration of own capital	318,427	356,913
7.08.04.01	Interest on capital	105,502	112,916
7.08.04.03	Profit reinvested	212,925	243,997

(A free translation of the original in Portuguese)

Consolidated financial statements/balance sheet - assets

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2013	Prior year 12/31/2012
1	Total assets	9,287,852	9,089,339
1.01	Current assets	1,077,591	1,249,230
1.01.01	Cash and cash equivalents	302,747	497,701
1.01.03	Accounts receivable	708,057	693,276
1.01.03.01	Trade receivables	649,462	583,513
1.01.03.02	Other receivables	58,595	109,763
1.01.03.02.01	Taxes to be offset	14,065	21,913
1.01.03.02.03	Bank account - agreements	44,530	67,715
1.01.03.02.04	Held-to-maturity financial assets	0	20,135
1.01.04	Inventories	35,525	35,187
1.01.08	Other current assets	31,262	23,066
1.01.08.03	Others	31,262	23,066
1.01.08.03.01	Advances to employees	13,761	10,312
1.01.08.03.02	Others	17,501	12,754
1.02	Non-current assets	8,210,261	7,840,109
1.02.01	Long-term receivables	1,206,838	1,177,853
1.02.01.03	Accounts receivable	532,341	581,840
1.02.01.03.01	Trade receivables	206,222	220,000
1.02.01.03.02	Other receivables	326,119	361,840
1.02.01.06	Deferred taxes	196,338	176,406
1.02.01.06.01	Deferred income tax and social contribution	196,338	176,406
1.02.01.09	Other non-current assets	478,159	419,607
1.02.01.09.03	Financial assets - concession agreements	448,280	390,757
1.02.01.09.04	Financial assets available for sale	29,879	28,850
1.02.02	Investments	260	260
1.02.02.01	Investments in subsidiaries	260	260
1.02.02.01.04	Investments in other companies	260	260
1.02.03	Property, plant and equipment	226,538	198,623
1.02.03.01	Property, plant and equipment in operation	224,225	196,332
1.02.03.03	Construction in progress	2,313	2,291
1.02.04	Intangible assets	6,776,625	6,463,373
1.02.04.01	Intangible assets	6,776,625	6,463,373
1.02.04.01.01	Concession agreements	5,038,292	4,665,619
1.02.04.01.02	Intangible assets in progress	1,738,333	1,797,754

(A free translation of the original in Portuguese)

Consolidated financial statements/balance sheet - liabilities and equity

(R$ thousand)

1 - Code	2 - Description	Current quarter 9/30/2013	Prior year 12/31/2012
2	Total liabilities	9,287,852	9,089,339
2.01	Current liabilities	990,884	863,640
2.01.02	Trade payables	162,496	172,440
2.01.02.01	Domestic suppliers	162,496	172,440
2.01.03	Tax obligations	63,969	47,774
2.01.03.01	Federal tax obligations	62,530	46,363
2.01.03.02	State tax obligations	0	137
2.01.03.03	Municipal tax obligations	1,439	1,274
2.01.04	Borrowings	474,745	363,005
2.01.04.01	Borrowings	214,230	228,981
2.01.04.01.01	In local currency	209,930	225,321
2.01.04.01.02	In foreign currency	4,300	3,660
2.01.04.02	Debentures	260,515	134,024
2.01.04.02.01	Non-convertible	260,515	134,017
2.01.04.02.02	Convertible	0	7
2.01.05	Other liabilities	85,325	131,605
2.01.05.02	Others	85,325	131,605
2.01.05.02.01	Dividends and interest on capital payable	31,093	46,469
2.01.05.02.04	Pension plan	20,619	24,602
2.01.05.02.05	Electrical energy	7,888	6,932
2.01.05.02.06	Technical cooperation agreements	13,111	39,734
2.01.05.02.07	Sundry obligations	12,614	13,868
2.01.06	Provisions	204,349	148,816
2.01.06.01	Provision for tax, social security, labor and civil contingencies	204,349	148,816
2.01.06.01.05	Taxes payable in installments	38,072	35,676
2.01.06.01.06	Provision for vacation pay and 13th month salary	130,912	85,172
2.01.06.01.07	Employee profit sharing	35,365	27,968
2.02	Non-current liabilities	3,160,159	3,290,811
2.02.01	Borrowings	2,551,729	2,696,373
2.02.01.01	Borrowings	1,171,338	1,152,892
2.02.01.01.01	In local currency	1,062,527	1,094,165
2.02.01.01.02	In foreign currency	108,811	58,727
2.02.01.02	Debentures	1,380,391	1,543,481
2.02.01.02.01	Non-convertible	1,380,391	1,543,481
2.02.02	Other liabilities	306,237	293,664
2.02.02.02	Others	306,237	293,664
2.02.02.02.03	Pension plan	276,240	259,071
2.02.02.02.05	Deposits for construction	29,997	34,593
2.02.04	Provisions	302,193	300,774
2.02.04.01	Provision for tax, social security, labor and civil contingencies	302,193	300,774
2.02.04.01.01	Tax provision	16,456	16,456
2.02.04.01.05	Taxes payable in installments	206,222	220,000
2.02.04.01.06	Litigation provision	79,515	64,318
2.03	Consolidated equity	5,136,809	4,934,888
2.03.01	Paid-up capital	2,773,985	2,773,985
2.03.02	Capital reserves	-8,576	-8,576
2.03.02.05	Treasury shares	-8,576	-8,576
2.03.04	Revenue reserves	2,198,133	2,198,133
2.03.04.01	Legal reserve	194,455	194,455
2.03.04.05	Profit retention reserve	1,976,193	1,976,193
2.03.04.07	Tax benefit reserve	27,485	27,485
2.03.05	Retained earnings/accumulated deficit	216,292	0
2.03.06	Carrying value adjustments	-43,025	-28,654

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of income

(R$ thousand unless otherwise stated)

1 - Code	2 - Description	Current quarter 7/1/2013 to 9/30/2013	Accumulated - current year 1/1/2013 to 9/30/2013	Same quarter of prior year 7/1/2012 to 9/30/2012	Accumulated - prior year 1/1/2012 to 9/30/2012
3.01	Revenue from sales and/or services	991,496	2,821,943	873,785	2,524,889
3.01.01	Water supply services	511,196	1,476,726	472,883	1,380,885
3.01.02	Sewage services	263,111	762,098	241,736	656,138
3.01.03	Construction revenue	216,590	580,688	158,757	486,981
3.01.04	Revenue from finished products	599	2,431	409	885
3.02	Cost of sales and/or services	-646,994	-1,787,399	-515,789	-1,522,798
3.02.01	Cost of sales and/or services	-434,821	-1,219,209	-360,570	-1,043,585
3.02.02	Construction cost	-212,173	-568,190	-155,219	-479,213
3.03	Gross profit	344,502	1,034,544	357,996	1,002,091
3.04	Operating expenses/income	-149,978	-493,127	-169,202	-435,396
3.04.01	Selling expenses	-59,959	-169,257	-57,394	-162,407
3.04.02	General and administrative expenses	-108,227	-313,414	-103,682	-284,532
3.04.04	Other operating income	45,097	68,929	14,656	95,125
3.04.05	Other operating expenses	-26,889	-79,385	-22,782	-83,582
3.04.05.01	Other operating expenses	-18,665	-57,776	-14,973	-61,311
3.04.05.02	Employee profit sharing	-8,224	-21,609	-7,809	-22,271
3.05	Profit before finance result and taxation	194,524	541,417	188,794	566,695
3.06	Finance result	-30,621	-111,632	-23,682	-91,499
3.06.01	Finance income	25,256	68,881	46,286	104,231
3.06.02	Finance costs	-55,877	-180,513	-69,968	-195,730
3.07	Profit before income tax and social contribution	163,903	429,785	165,112	475,196
3.08	Income tax and social contribution	-38,068	-111,358	-38,354	-118,283
3.08.01	Current	-39,271	-125,622	-49,136	-130,864
3.08.02	Deferred	1,203	14,264	10,782	12,581
3.09	Profit for the period from continuing operations	125,835	318,427	126,758	356,913
3.11	Consolidated profit for the period	125,835	318,427	126,758	356,913
3.11.01	Attributable to the owners of the Company	125,835	318,427	126,758	356,913
3.99	Earnings per share (R$)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	1.05000	2.67000	1.06000	2.99000
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	1.05000	2.67000	1.06000	2.99000

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of comprehensive income

(R$ thousand)

1 - Code	2 - Description	Current quarter 7/1/2013 to 9/30/2013	Accumulated - current year 1/1/2013 to 9/30/2013	Same quarter of prior year 7/1/2012 to 9/30/2012	Accumulated - prior year 1/1/2012 to 9/30/2012
4.01	Consolidated profit for the period	125,835	318,427	126,758	356,913
4.02	Other comprehensive income (loss)	-11,683	-11,004	-55,068	-53,867
4.02.01	Fair value of investment in Foz de Jeceaba	0	679	633	1,834
4.02.02	Actuarial loss on retirement benefits	-11,683	-11,683	-55,701	-55,701
4.03	Consolidated comprehensive income for the period	114,152	307,423	71,690	303,046
4.03.02	Attributable to non-controlling interests	114,152	307,423	71,690	303,046

(A free translation of the original in Portuguese)

Consolidated financial statements/statement of cash flow - indirect method

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2012 to 9/30/2012
6.01	Net cash provided by operating activities	796,323	761,778
6.01.01	Cash from operations	843,439	814,296
6.01.01.01	Profit for the period	318,427	356,913
6.01.01.02	Provision for impairment of trade receivables	49,553	54,008
6.01.01.03	Recovery of accounts written-off	-50,754	-26,070
6.01.01.04	Interest and monetary and exchange variations, net	10,021	-12,884
6.01.01.05	Interest income and expenses	134,236	145,311
6.01.01.06	Deferred income tax and social contribution	-14,264	-12,581
6.01.01.08	Write-off of intangible assets and property, plant and equipment	17,197	8,255
6.01.01.09	Depreciation and amortization	317,422	280,692
6.01.01.10	Transfer to (reversal of) provisions	18,601	-5,815
6.01.01.11	Provision for actuarial liabilities	43,012	33,705
6.01.01.12	Financial assets	-12	-29
6.01.01.13	Deferred revenue	0	-7,209
6.01.02	Changes in assets and liabilities	-47,116	-52,518
6.01.02.01	Trade receivables	-50,211	-64,017
6.01.02.02	Inventories	-338	-1,873
6.01.02.03	Recoverable taxes	7,848	7,522
6.01.02.04	Bank account - agreements	23,186	-68,749
6.01.02.05	Collateral for financing	6,350	8,773
6.01.02.07	Other financial assets	-11,863	-38,093
6.01.02.08	Others	-25,758	-21,071
6.01.02.09	Trade payables	-9,946	42,612
6.01.02.10	Tax obligations	16,196	2,797
6.01.02.11	Provision for vacation pay and 13th month salary	45,741	37,158
6.01.02.12	Employee profit sharing	7,397	7,903
6.01.02.13	Technical cooperation agreements	-26,624	67,879
6.01.02.14	Contingencies	-3,404	-5,042
6.01.02.15	Pension plan	-29,847	-23,724
6.01.02.16	Electric energy	956	1,401
6.01.02.18	Others	3,201	-5,994
6.02	Net cash used in investing activities	-582,818	-398,026
6.02.01	Investments in financial assets/restricted investments	0	-65,934
6.02.02	Redemption of financial assets/restricted investments	72,107	165,615
6.02.03	Purchases of intangible assets through sale of treasury shares	0	614
6.02.05	Purchases of intangible assets and property, plant and equipment	-654,925	-498,321
6.03	Net cash used in financing activities	-408,459	-67,595
6.03.01	Proceeds from borrowings and debentures	191,658	680,338
6.03.02	Repayment of borrowings and debentures	-244,193	-377,574
6.03.03	Payment of interest on borrowings and debentures	-185,252	-189,919
6.03.04	Interest on capital paid	-120,878	-102,994
6.03.05	Payment of actuarial liabilities	-17,680	-16,204
6.03.06	Payment of principal and interest - Cemig	0	-20,112
6.03.07	Taxes payable in installments	-27,556	-23,785
6.03.08	Repayment of principal and interest on concession debts	-4,558	-6,812
6.03.09	Payment of tax provision	0	-10,533
6.05	Increase (decrease) in cash and cash equivalents	-194,954	296,157
6.05.01	Cash and cash equivalents at the beginning of the period	497,701	242,370
6.05.02	Cash and cash equivalents at the end of the period	302,747	538,527

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

(R$ thousand)

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

Consolidated financial statements/statement of changes in equity - 1/1/2012 to 9/30/2012

(R$ thousand)

1 - Code	2 - Description	Paid-up capital	Capital reserves, stock options and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	2,636,499	-5,408	1,870,586	0	31,927	4,533,604	0	4,533,604
5.02	Prior-year adjustments	0	0	0	0	-509	-509	0	-509
5.02.01	Recognition of actuarial liability CPC 33 (R 1)/ IAS 19	0	0	0	0	-4,050	-4,050	0	-4,050
5.02.02	Fair value of investment in Foz de Jeceaba	0	0	0	0	3,279	3,279	0	3,279
5.02.05	Deferred income tax and social contribution on adjustments	0	0	0	0	262	262	0	262
5.03	Adjusted opening balances	2,636,499	-5,408	1,870,586	0	31,418	4,533,095	0	4,533,095
5.04	Capital transactions with stockholders	137,485	-3,782	614	-112,916	0	21,401	0	21,401
5.04.07	Interest on capital	0	0	0	-112,916	0	-112,916	0	-112,916
5.04.08	Conversion of debentures	0	133,703	0	0	0	133,703	0	133,703
5.04.09	Proceeds from convertible debentures	137,485	-137,485	0	0	0	0	0	0
5.04.10	Purchases of intangible assets	0	0	614	0	0	614	0	614
5.05	Total comprehensive income (loss)	0	0	0	360,753	-57,707	303,046	0	303,046
5.05.01	Profit for the period	0	0	0	356,913	0	356,913	0	356,913
5.05.02	Other comprehensive income (loss)	0	0	0	3,840	-57,707	-53,867	0	-53,867
5.05.02.06	Fair value of investment in Foz de Jeceaba	0	0	0	0	1,834	1,834	0	1,834
5.05.02.07	Amortization of monetary adjustments on fixed assets 96/97	0	0	0	5,818	-5,818	0	0	0
5.05.02.08	Deferred income tax and social contribution on monetary adjustments on fixed assets 96/97	0	0	0	-1,978	1,978	0	0	0
5.05.02.09	Actuarial loss on retirement benefits	0	0	0	0	-55,701	-55,701	0	-55,701
5.07	Closing balances	2,773,984	-9,190	1,871,200	247,837	-26,289	4,857,542	0	4,857,542

Consolidated financial statements/statement of value added

(R$ thousand)

1 - Code	2 - Description	Accumulated - current year 1/1/2013 to 9/30/2013	Accumulated - prior year 1/1/2012 to 9/30/2012
7.01	Revenue	3,068,535	2,787,315
7.01.01	Sales of products and services	2,470,533	2,259,218
7.01.02	Other revenue	16,113	69,054
7.01.03	Revenue from the construction of Company assets	580,688	486,981
7.01.04	Provision for impairment of trade receivables	1,201	-27,938
7.02	Inputs acquired from third parties	-1,256,743	-1,088,599
7.02.01	Cost of sales and services	-1,085,046	-933,196
7.02.02	Materials, energy, outsourced services and other	-122,158	-99,878
7.02.04	Others	-49,539	-55,525
7.03	Gross value added	1,811,792	1,698,716
7.04	Retentions	-317,422	-280,692
7.04.01	Depreciation, amortization and depletion	-317,422	-280,692
7.05	Net value added generated	1,494,370	1,418,024
7.06	Value added received through transfers	68,881	104,231
7.06.02	Finance income	68,881	104,231
7.07	Total value added to distribute	1,563,251	1,522,255
7.08	Distribution of value added	1,563,251	1,522,255
7.08.01	Personnel	646,383	575,658
7.08.01.01	Payroll	418,027	375,171
7.08.01.02	Benefits	158,151	140,400
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	48,596	37,816
7.08.01.04	Others	21,609	22,271
7.08.01.04.01	Employee profit sharing	21,609	22,271
7.08.02	Taxes and contributions	418,707	394,567
7.08.02.01	Federal	406,535	388,387
7.08.02.02	State	7,672	5,647
7.08.02.03	Municipal	4,500	533
7.08.03	Remuneration of third-party capital	179,734	195,117
7.08.03.01	Interest	176,416	192,146
7.08.03.02	Rentals	3,318	2,971
7.08.04	Remuneration of own capital	318,427	356,913
7.08.04.01	Interest on capital	105,502	112,916
7.08.04.03	Profit reinvested	212,925	243,997

Comments on company performance

01. Concessions and Operations

In the third quarter of 2013 (3Q13) the Company took over the operations of sewage systems in the municipalities of Nova Resende, Itapeva and Nova Módica, and, in the same period, its subsidiary COPANOR began to operate water and sewage systems in the municipality of Padre Carvalho. Also, COPASA began to operate the water supply system in the municipality of Passabém and the sewage system in the municipalities of Centralina and Passabém. In the same period, the subsidiary COPANOR started operations of a water system for nine sewage systems. By the end of the third quarter of 2013, COPASA and its subsidiary COPANOR provided water supply services to a total of 615 municipalities and sewage services to 220 municipalities, as shown in the table below:

Concessions and operations (September 2013)	Total *	COPASA	COPANOR
Number of municipalities – water concession	626	580	46
Number of municipalities – sewage concession	283	237	46
Number of municipalities – water operation	615	570	45
Number of municipalities – sewage operation	220	191	29

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

02. Consolidated General Service Data

There was an increase of 137 thousand billed water connections, totaling 3.9 million, up 3.7% from 3Q12. The water distribution network was extended by 1,119 km, totaling 45,792 km, up 2.5% from 3Q12 (44,673 km).

The population covered by COPASA's water supply increased by 494 thousand people in relation to 3Q12, totaling 14.4 thousand inhabitants in September 2013.

As regards sewage services, there were 174 thousand new connections, representing a 7.85% increase compared to September 2012, and the number of people served increased by 642 thousand in the period, totaling 9.2 million people connected to the sewer network.

Treated sewage volume reached 57.5 million m³ in the quarter, up 14.5% from the same period of the previous year, mainly due to the commencement of operations of new Sewage Treatment Plants (ETEs).

Operating Highlights[1]:

ITEMS	UNITS	3Q13	3Q12	Change	
				Amount	%
Population served – Water	thousand people	14,434	13,940	494	3.54
Population served – Sewage	thousand people	9,234	8,592	642	7.47
Number of connections – [illegible]	thousand connections	3,879	3,742	137	3.66
Number of connections – [illegible]	thousand connections	2,382	2,208	174	7.85
Network extension – Water	Km	45,792	44,673	1,119	2.50
Network extension – Sewage	Km	21,524	19,555	1,969	10.07
Billed volume – Water	1,000 m³/quarter	168,563	166,654	1,909	1.15
Billed volume – Sewage	1,000 m³/quarter	110,727	107,171	3,556	3.32
Volume produced – Water	1,000 m³/quarter	247,138	240,336	6,802	2.83
Volume treated – Sewage[2]	1,000 m³/quarter	57,522	50,257	7,265	14.46

1. Consolidated data includes the subsidiary COPANOR.
2. Parent company data only.

Comments on company performance

03. Consolidated Performance Indicators

The volume billed for water and sewage services increased by 5.5 million m³ compared to 3Q12. This increase was due to the increase in the number of people covered by water and sewage services in the locations where the Company already operated these systems, as well as the commencement of billing in new locations.

A key performance indicator is the productivity of employees, measured using the employees/1.000 connections (water + sewage) ratio, which went from 1.98 employees/1,000 connections in 3Q12 to 1.97 in 3Q13, especially considering the increased number of connections resulting from the Company's Expansion Plan.

COPASA MG
Operating/Commercial Performance Indicators
3rd quarter of 2013 and 2012

ITEMS	UNITS	3Q13	3Q12	Change	
				Amount	%
1 - Employees	number	12,193	11,793	400	3.39
2 - Employees/connections (A+E)	employee/1,000 connections	1.97	1.98	-0.01	-0.51
3 - Billed Volume					
Water	1,000m³/quarter	168,563	166,654	1,909	1.15
Sewage	1,000m³/quarter	110,727	107,171	3,556	3,32
Total	1,000m³/quarter	279,290	273,825	5,465	2.00
4 - Water volume produced	1,000m³/quarter	247,138	240,336	6,802	2.83
5 - Water metering rate *	%	99.91	99.90	0.01	0.01
6 - Water not converted into revenue – ANCR (¹) *	l/connection/day	239.32	230.40	8.92	3.87

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

The rate of water metered connections reached 99.91% in September 2013.

The Water not Converted into Revenue (ANCR) rate, which represents the difference between the volume distributed and that actually used by consumers, divided by the average number of connections for the period, reached 239.32 l/connection/day in 3Q13.

04. Investments measured in the 3rd quarter of 2013

INVESTMENTS (IN R$MILLIONS)	Estimate - 2013	Actual – 3Q13	Accumulated up to September 2013
WATER	256.7	85.1	233.8
SEWAGE	600.7	175.9	407.7
OTHER	42.6	2.7	8.6
TOTAL	**900.0**	**263.7**	**650.1**

Comments on company performance

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

- work to improve the connection of the Northwest water main in the metropolitan region of Belo Horizonte;
- expansion of the production capacity of the Rio das Velhas System in the metropolitan region of Belo Horizonte;
- expansion of the water supply system capacity in several locations, mainly: Alpercata, Areado, Belo Horizonte, Caputira, Campos Gerais, Cássia, Cruzília, Contagem, Coromandel, Divinópolis, Felixlândia, Itamarandiba, Monsenhor Paulo, Prata, Ribeirão das Neves, Rio Manso, Santa Vitória, São Gotardo, Taiobeiras and Ubá;
- implementation of the water supply system in Passabem and Santana do Deserto.

Regarding Sewage Systems, we can highlight:

- expansion of the Sewage Systems of Belo Horizonte, Contagem/Imbiruçu, Pedro Leopoldo, Pouso Alegre and Vespasiano and the Sewage Treatment Plant of Ribeirão Arrudas (ETE Arrudas);
- construction of Sewage Treatment Plants in Almenara, Barbacena, Caratinga, Conceição do Mato Dentro, Divinópolis,Extrema, Ibirité, Jequitinhonha, Martinho Campos, Monte Azul, Nova Serrana, Raposos, Santa Luzia, Santo Antonio do Monte, Santos Dumont, São Gotardo, São Sebastião do Paraíso; Teófilo Otoni and Três Corações; and
- implementation of the Sewage Systems of Camanducaia, Capitão Enéas, Carbonita, Coronel Fabriciano, Francisco Dumont, Itacarambi, Lontra, Manga, Serra dos Aimorés, São João da Ponte, Varzelândia and Verdelândia.

05. Financial Performance – Parent Company

The table below shows the Company's results for the third quarter of 2013 compared to the same period of the previous year:

Statement of income

Parent company	9/30/2013		9/30/2012		Change	
					R$	%
Revenue from water services	507,451	51.41	468,981	53.94	38,470	8.20
Revenue from sewage services	263,111	26.65	241,736	27.80	21,375	8.84
Construction revenue	216,590	21.94	158,757	18.26	57,833	36.43
Net operating revenue from services	**987,152**	**100.00**	**869,474**	**100.00**	**117,678**	**13.53**
Cost of services rendered	(430,364)	(43.60)	(353,815)	(40.69)	(76,549)	21.64
Construction costs	(212,173)	(21.49)	(155,219)	(17.85)	(56,954)	36.69
Cost of services rendered	**(642,537)**	**(65.09)**	**(509,034)**	**(58.55)**	**(133,503)**	**26.23**
Gross profit	**344,615**	**34,91**	**360,440**	**41.45**	**(15,825)**	**-4.39**
Selling expenses	(59,122)	(5.99)	(56,719)	(6.52)	(2,403)	4.24
General and administrative expenses	(106,590)	(10.80)	(102,307)	(11.77)	(4,283)	4.19
Other operating income	43,661	4.42	12,235	1.41	31,426	n.m.
Other operating expenses	(17,058)	(1.73)	(12,984)	(1.49)	(4,074)	31.38
Employee profit sharing	(8,224)	(0.83)	(7,809)	(0.90)	(415)	5.31
Equity in the results of subsidiaries	(3,098)	(0.31)	(4,468)	(0.51)	1,370	-30,66
Operating income/expenses	**(150,431)**	**(15.24)**	**(172,052)**	**(19.79)**	**21,621**	**-12.57**

Comments on company performance

Statement of income

Parent company	9/30/2013		9/30/2012		Change	
					R$	%
Profit before finance income (costs) and taxation	**194,184**	**19.67**	**188,388**	**21.67**	**5,796**	**3.08**
Finance income	25,563	2.59	46,565	5.36	(21,002)	-45.10
Finance costs	(55,843)	(5.66)	(69,950)	(8.05)	14,107	-20.17
Finance income (costs)	**(30,280)**	**(3.07)**	**(23,385)**	**(2.69)**	**(6,895)**	**29.48**
Profit before income tax and social contribution	**163,904**	**16.60**	**165,003**	**18.98**	**(1,099)**	**-0.67**
Provision for income tax	(27,942)	(2.83)	(27,721)	(3.19)	(221)	0.80
Provision for social contribution	(10,127)	(1.03)	(10,524)	(1.21)	397	-3.77
Profit for the period	**125,835**	**12.75**	**126,758**	**14.58**	**(923)**	**-0.73**

a. Net operating revenue from services – The 8.4% increase in net revenue from water and sewage services in 3Q13 compared to 3Q12 was due to an increase of 0.95% in the volume billed for water services and 2.7% for sewage services (Parent); the average tariff adjustment of 4.34% in May 2012 and of 5.25% in May 2013; and the change in the percentage of sewage tariff collection from 50% to 90% of the water tariff in five municipalities.

b. Construction revenue – The increase in construction revenue was due to the increase in investments made in the period.

c. Cost of services rendered – The total cost of services rendered, including expenses for the operation, upkeep and maintenance of water and sewage systems, as well as selling, administrative and construction costs, increased in the third quarter of 2013 compared to the same period of the previous year, as shown below:

d. Taxes on services – The increase was due to the growth of the gross revenue from water and sewage services in the period.

Operating, selling and administrative costs

Parent company	9/30/2013		9/30/2012		Change	
					R$	%
Personnel	266,013	32.91	223,831	33.50	42,182	18.85
Material	30,492	3.77	25,550	3.82	4,942	19.34
Electrical energy	57,210	7.08	61,390	9.19	(4,180)	-6.81
Outsourced services	103,069	12.75	78,044	11.68	25,025	32.07
Tariffs transferred to municipalities	18,697	2.31	18,147	2.72	550	3.03
General costs	13,364	1.65	10,688	1.60	2,676	25.04
Depreciation and amortization	111,924	13.85	99,347	14.87	12,577	12.66
Construction costs	212,173	26.25	155,219	23.23	56,954	36.69
Recovered tax credits (PIS-PASEP/COFINS)	(22,274)	(2.76)	(23,812)	(3.56)	1,538	-6.46
Provision for impairment of trade receivables	17,581	2.18	19,588	2.93	(2,007)	-10.25
Provision for losses	-	-	69	0.01	(69)	-100.00
*** Cost of services rendered**	**808,249**	**100.00**	**668,061**	**100.00**	**140,188**	**20.98**

Comments on company performance

- **Personnel** – The increase in the personnel group of accounts for the period was due to:
  - ✓ the effects of the Collective Bargaining Agreement;
  - ✓ the average increase of 5,5% in the number of overtime hours, and higher number of holidays in the period;
  - ✓ increased payments of performance bonuses, pension funds/Workers' Accident Insurance and 13th month salary resulting from the collective agreement;
  - ✓ the increase in the amounts of vacation pay and additional vacation pay, resulting from the large number of employees on vacation;
  - ✓ Government Severance Indemnity Fund for Employees (FGTS) and indemnities on Voluntary Termination Plan (PDV) not paid in 2012 because of the electoral period;
  - ✓ the increase in expenses with the health care plan for higher utilization and increase in the medical consultation fees;
  - ✓ higher number of employees;
  - ✓ the increase in expenses with Meal Voucher and Staple Food Basket and retroactive payment of salary negotiation.

- **Materials** – The increase was mainly due to the following:
  - ✓ higher volume of maintenance work related to several works under development in various municipalities;
  - ✓ higher production volume in several systems;
  - ✓ increase in the cost of treatment materials resulting from a rise in the price of chemical products, and an increase in the amount of the main products used on account of the service coverage expansion with new systems placed in service;
  - ✓ costs of materials required for the upkeep and maintenance of systems due to new contracts signed and the need for preventive maintenance;
  - ✓ higher expenditures with fuel and lubricants due to an increase in the use of vehicles and equipment, which increased the number of miles traveled, fluctuations in the average price of diesel for 150 new trucks, increase in the price of fuel and in the use of diesel generators and lubricants.

Comments on company performance

- **Services** –The increase was mainly due to the following:

  - ✓ increased expenses for the upkeep and maintenance of assets and systems, especially due to new contracts for water and sewage network maintenance services, as well as the adjustment of contract prices and preventive maintenance of various systems.

  - ✓ increased expenses with mailing and pouch services resulting from the implementation, as from April 2012, of a payment reminder system;

  - ✓ publicity and advertising expenses resulting from the strategy of intensifying actions to expand the Company's business, mainly for the rendering of sewage services;

  - ✓ increase in expenses for the delivery of bills and collection resulting from the higher number of bills and the adjustment of the tariffs of these services.

  - ✓ increase in cleaning, surveillance and courier services, resulting from the 9,5% adjustment in salaries and 16,66% in benefits, which were agreed upon in January 2013 and also due to the average increase of 6,2% in input materials, such as uniforms and occupational safety equipment, in addition to two emergency contracts for the surveillance area, of approximately R$2,000 in July 2013;

  - ✓ increased use of specialized IT services, such as electronic printing of variable data, consulting and SAP license, among other;

  - ✓ increase in transportation services through the contracting of a water tank truck to supply water for the municipality of Monte Azul.

- **Electrical energy** – The reduction of about 20% in electrical energy tariffs, beginning in January 2013 as established by Provisional Measure 579/2012, was partially neutralized by the annual tariff adjustment in April 2013, thus resulting in a decrease of 6.81% in this account.

- **General costs** – The increase in general costs was due to the following:

  - ✓ exhibitions, conferences, campaigns and similar events - this account increased due to the sponsorship provided to the infrastructure and logistics forum and the contract signed with Arena Independência Operadora de Estádio S.A. for publicity use;

  - ✓ tariffs transferred to municipalities – the increase in this account is a result of the increase in the water and sewage tariff in 2013;

  - ✓ events - higher number of internal events held by the management units;

  - ✓ the increase in general costs was offset by the decrease in expenses linked to tax incentives, due to the non-seasonality of such payments in the third quarter of 2013.

e. Depreciation and amortization – The increase in this account resulted from the start of depreciation/amortization of assets that were “under construction” and began to be recorded as investments “in operation” because the related construction work had been completed.

Comments on company performance

f. Construction costs – these costs increased as a result of a higher investment volume in the period.

g. Provision for impairment of trade receivables – The provision for impairment of trade receivables in 3Q13 is at the level considered normal by the Company. It should be highlighted that in 3Q12 an additional amount of R$2.0 million was recorded, referring to 2Q12, which contributed to increasing this account in this quarter.

h. Recovered tax credits (PIS-PASEP/COFINS) – The decrease in tax credits was mainly due to the reduction in electric energy costs, which are among the most significant contributors to the recovery of tax credits.

i. Other operating income/expenses

Other operating income / expenses

Parent company	9/30/2013		9/30/2012		Change	
					R$	%
Revenue from technical services	(60)	(0.14)	258	2.11	(318)	n.m.
Reversal of non-deductible provision	6,624	15.17	3,698	30.23	2,925	79.08
Recovery of accounts written-off	34,236	78.41	9,933	81.19	24,303	n.m.
Other revenue	2,862	6.55	(1,655)	(13.53)	4,517	n.m.
Other operating income	**43,662**	**100.00**	**12,234**	**100.00**	**31,427**	**n.m.**
Total other operating income	**43,662**	100.00	**12,234**	100.00	31,427	n.m.
Non-recurring or unusual losses	(11,043)	64.74	(9,565)	73.67	(1,478)	15.43
Other expenses	(6,015)	35.26	(3,419)	26.33	(2,596)	75.91
Other operating expenses	**(17,058)**	**100.00**	**(12,984)**	**100.00**	**(4,074)**	**31.36**
Employee profit sharing	(8,224)	48.21	(7,808)	60.14	(416)	5.31
Equity in the results of subsidiaries - Copanor	(380)	12.27	449	(11.54)	(829)	n.m.
Equity in the results of subsidiaries - Águas Minerais	(2,418)	78.08	(4,339)	111.54	1,921	-44.26
Equity in the results of subsidiaries - Serviços de Irrigação	(299)	9,65	-	-	(299)	n.m
Total equity in the results of subsidiaries	**(3,097)**	**100.00**	**(3,890)**	**100.00**	**793**	**-20.38**
Total other operating expenses	**(28,379)**	**100.00**	**(24,682)**	**100.00**	**(3,697)**	**14.98**
Total other operating income/expenses	**15,283**	**100.00**	**(12,448)**	**100.00**	**27,730**	**n.m.**

- **Other operating income** – The increase recorded was due to:

  - ✓ the restatement of contingencies for the period, relating to indemnities referring to lawsuits totaling R$1.986 million, write-off of labor lawsuits in the amount of R$752 thousand and reclassifications of lawsuits for which the provision was overstated by R$660 thousand;

  - ✓ the higher amount of credits recovered in the period and the negotiation of debts from the Municipality of Teófilo Otoni, in the amount of R$20,441 million;

- **Other operating expenses** – The increase in other operating expenses was due to:

  - ✓ emergency work to recover the interceptor of the “Onça" sewage system, required to prevent the structure from collapsing;

Comments on company performance

- ✓ payment of the Rio Manso System's Environmental Commitment Agreement, in accordance with the environmental legislation, which rules the need for compensating the impacts caused to the environment;

- ✓ the increase was offset by the decrease in losses of the subsidiary Águas Minerais in the period and the decrease in the number of construction projects, since some of them were considered as unfeasible;

- ✓ provision for actuarial liabilities (+R$ 2,3 million), resulting from the difference between the contributions foreseen for the period (according to actuarial report as at December 31, 2012) and the amounts effectively contributed.

j. Finance income and costs

Finance income and costs

Parent company	9/30/2013		9/30/2012		Change	
					R$	%
Monetary and exchange variations	1,784	6.98	24,015	51.57	(22,231)	-92.57
Interest	2,175	8.51	8,481	18.21	(6,306)	-74.35
Actual gain on financial investments	9,949	38.92	8,287	17.80	1,662	20.06
Other revenue	11,655	45.60	5,782	12.42	5,873	n.m.
Total finance income	**25,563**	**100.00**	**46,565**	**100.00**	**(21,002)**	**-45.10**
Monetary and exchange variations	(6,671)	11.95	(25,246)	36.09	18,575	-73.58
Interest on financing	(45,767)	81.96	(43,695)	62.47	(2,072)	4.74
Other costs	(3,405)	6.10	(1,009)	1.44	(2,396)	n.m.
Total finance costs	**(55,843)**	**100.00**	**(69,950)**	**100.00**	**14,107**	**-20.17**
Finance costs, net	**(30,280)**	**100.00**	**(23,385)**	**100.00**	**(6,895)**	**29.48**

- **Other finance income/costs** – Finance income decreased due to:

  In 3Q12, the amount of R$23.1 million was recorded as monetary variation under finance income, referring to the monetary restatement of resources contracted with the Brazilian Development Bank (BNDES) - 4th Issue of Debentures. In the period between the contracting date and the effective release of the resources, the amounts are restated at the rates contracted, to the extent that the investments are performed. On the other hand, the same amount was also recognized as monetary and exchange expense, which increased the finance costs for 3Q12. Accordingly, there was no impact on the results.

  Also, there was a reduction of interest in the finance income group of accounts, due to less cash available for investing. On the other hand, the item capitalization of financial assets presented an increase, reflecting the increase in financial assets in the comparative period.

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

Comments on company performance

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

Parent company	9/30/2013	9/30/2012	Change	
				%
Profit for the period	**125,835**	**126,758**	**(923)**	**-0.73**
(+) Taxes on profit	38,069	38,245	(176)	-0.46
(+) Net finance income	30,280	23,385	6,895	29.48
(+) Depreciation and amortization	111,924	99,347	12,577	12.66
(+) Non-operating income of subsidiaries	980	1,131	(151)	-13.35
(=) EBITDA	**307,088**	**288,866**	**18,222**	**6.31**
EBITDA margin	**29.79**	**32.76**	**(2.97)**	

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

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

06. Balance Sheet – Parent Company

Parent company	9/30/2013	12/31/2012	Change	
			R$	%
Current assets	1,067,733	1,220,176	(152,443)	-12.49
Non-current assets	8,302,517	7,923,487	379,030	4,78
Total assets	**9,370,250**	**9,143,663**	**226,587**	**2.48**
Current liabilities	984,961	839,184	145,777	17.37
Non-current liabilities	3,248,480	3,369,591	(121,111)	-3.59
Equity	5,136,809	4,934,888	201,921	4.09
Total liabilities and equity	**9,370,250**	**9,143,663**	**226,587**	**2.48**

a. Current assets

Parent company	9/30/2013	12/31/2012	Change	
			R$	%
Cash and cash equivalents	300,564	496,425	(195,861)	-39.45
Trade receivables	644,910	578,853	66,057	11.41
Held-to-maturity financial assets	-	20,135	(20,135)	-100.00
Inventory	33,000	33,121	(121)	-0.37
Recoverable taxes	12,923	21,171	(8,248)	-38.96
Bank account – agreements	42,432	47,480	(5,048)	-10.63
Other receivables	33,904	22,991	10,913	47.47
Total current assets	**1,067,733**	**1,220,176**	**(152,443)**	**-12.49**

- **Bank account – agreements** – The decrease in this account is mainly due to the use of resources for execution of construction work in 3Q13, deriving from agreements entered into with CODEVASF.

- **Cash and cash equivalents** – The decrease in this account was due to redemptions of approximately R$1,412 thousand, against R$1,200 thousand applied for the payment of sundry obligations.

Comments on company performance

- **Trade accounts receivable** – This account increased due to the higher number of days in the billing period and the increase in the amount billable for water and sewage consumption in various municipalities.

- **Recoverable taxes –** Copasa had tax credits to offset with the Brazilian Federal Revenue Service (RFB). In September 2013, the Company used these credits to pay taxes due through the Electronic Refund or Reimbursement Request and Offset Statement (PERDCOMP).

- **Held-to-maturity financial assets** – The decrease in this account was due to financial investments that matured and were transferred to the group of cash and cash equivalents.

- **Other receivables** – This account increased due to dividends receivable from Foz do Jeceaba, transfer of long-term semiannual obligations due from COPANOR and the advance payment of the 13th month salary to employees.

b. Non-current assets

Parent company	9/30/2013	12/31/2012	Change	
			R$	%
Trade receivables	206,222	220,000	(13,778)	-6.26
Deferred income tax and social contribution	196,338	176,406	19,932	11.30
Restricted investment	140,605	188,661	(48,056)	-25.47
Collateral for financing	132,622	132,961	(339)	-0.25
Receivables from subsidiaries	114,498	106,831	7,667	7.18
Net financial assets	448,280	390,757	57,523	14.72
Available-for-sale assets	29,879	28,850	1,029	3.57
Other receivables	52,571	39,907	12,664	31.73
Total long-term assets	**1,321,015**	**1,284,373**	**36,642**	**2.85**
Investments	260	260	-	-
Intangible assets	6,776,619	6,463,360	313,259	4.85
Property, plant and equipment	204,623	175,494	29,129	16.60
Total permanent assets	**6,981,502**	**6,639,114**	**342,388**	**5.16**
Total non-current assets	**8,302,517**	**7,923,487**	**379,030**	**4.78**

- **Restricted investment** – The decrease in this account was mainly due to the redemption of debentures amounting to approximately R$21,203 thousand in February 2013 and R$27,224 thousand in July 2013.

- **Deferred income tax and social contribution –** The changes occurred in the period from December 2012 to September 2013 were mainly related to the provision for income tax and social contribution referring to the actuarial liabilities recorded in the amount of R$42 million.

- **Net financial assets** – The increase in this account was due to the recognition of the right to reimbursement for investments made in concessions operated by the Company, in the approximate amount of R$69,494 thousand, in June 2013.

- **Other receivables** – The increase in this account was due to judicial deposits in favor of Mineração Fazenda Borges in Pedro Leopoldo amounting to approximately R$8,500 thousand in June 2013.

Comments on company performance

- **Property, plant and equipment –** The increase in this account is mainly due to plots of land transferred from Teófilo Otoni to the Company in payment of debts and the acquisition of vehicles, in May and June 2013.

c. Current liabilities

Parent company	9/30/2013	12/31/2012	Change	
			R$	%
Borrowings	213,823	228,981	(15,158)	-6.62
Debentures	260,515	134,024	126,491	94.38
Trade payables	158,841	157,397	1,444	0.92
Tax and contributions	63,502	47,293	16,209	34.27
Taxes in installments	38,072	35,676	2,396	6.72
Provision for vacation pay and 13th month's salary	130,044	84,653	45,391	53.62
Employee profit sharing	35,365	27,968	7,397	26.45
Interest on capital	31,093	46,469	(15,376)	-33.09
Technical cooperation agreements	13,112	31,851	(18,739)	-58.83
Pension plan	20,619	24,602	(3,983)	-16.19
Electric energy	7,533	6,618	915	13.83
Sundry obligations	12,442	13,652	(1,210)	-8.86
Total current liabilities	**984,961**	**839,184**	**145,777**	**17.37**

- **Debentures –** The changes in this account were due to the transfer of long-term debentures amounting to R$95,282 thousand and amortization of R$23,487 thousand in the first quarter, an inflow of R$3,198 thousand and the transfer of R$31,612 thousand of long-term debentures in the second quarter of 2013, in addition to the transfer of R$82,824 thousand long-term debentures and amortization of R$29,485 thousand in the third quarter of 2013.

- **Taxes and contributions** – The increase in this account refers mainly to income tax and social contributions on net income at September 2013, payable in October 2013.

- **Interest on capital** – The decrease in this account was due to declarations of R$105,502 thousand offset against payments to stockholders amounting to R$112,663 thousand and payment of Income Tax Withheld at Source (IRRF) amounting to R$8,216 thousand.

- **Technical cooperation agreements** – The changes in this account were due to significant decrease in inflow of resources and increase in expenditures with construction work in 3Q13, mainly in July, of R$13,761 thousand, with agreements signed with CODEVASF.

- **Pension plan** – This account decreased due to the payment of contributions in the period.

- **Electric energy** – The changes in this account were due to the increased payment of bills to the electric energy company.

Comments on company performance

d. Non-current liabilities

Parent company	9/30/2013	12/31/2012	Change	
			R$	%
Federal Savings and Loan Bank (CEF)	500,335	554,152	(53,817)	-9.71
State government/BDMG	1,482	3,726	(2,244)	-60.23
National Treasury	-	3,311	(3,311)	-100.00
BNDES/BNE	500,294	532,976	(32,682)	-6.13
Finame	59,287	-	59,287	n.m.
In local currency	**1,061,398**	**1,094,165**	**(32,767)**	**-2.99**
Federal government – bonds	56,142	52,506	3,636	6.92
KfW Bank	52,669	6,221	46,448	n.m.
In foreign currency	**108,811**	**58,727**	**50,084**	**85.28**
Total borrowings	**1,170,209**	**1,152,892**	**17,317**	**1,50**
Non-convertible debentures	1,380,391	1,543,481	(163,090)	-10.57
Litigation provision	78,047	63,932	14,115	22.08
Tax provision	16,456	16,456	-	-
Taxes in installments	206,222	220,000	(13,778)	-6.26
Pension plan	276,240	259,071	17,169	6.63
Provision for investment losses	90,921	-	90,921	n.m.
Other liabilities	29,994	113,759	(83,765)	-73.63
Total non-current liabilities	**3,248,480**	**3,369,591**	**(121,111)**	**-3.59**

- **Litigation provision** – The increase in this account was due to the commencement of new civil proceedings and the reclassification of existing cases from possible losses to probable losses. As at December 31, 2012, a provision of R$10,449 thousand was recorded for a labor claim for the payment of differences in employee profit sharing relating to 2010. The lawsuit is classified as a probable loss. In January 2013 the amount of this lawsuit was adjusted by approximately R$3,818 thousand.

- **Debentures –** The decrease in this account was mainly due to the transfer of approximately R$82,824 thousand to the short-term.

- **Other liabilities** –. The decrease in this account was mainly due to the reclassification of accounts to the composition of the Advances for Future Capital Increase (AFAC) of AGMM in the second quarter of 2013.

Comments on company performance

e. Equity

Parent company	9/30/2013	12/31/2012	Change	
			R$	%
Opening balance	**4,934,888**	**4,533,095**	401,793	8.86
Conversion of debentures	-	133,704	(133,704)	-100.00
Profit for the period	318,427	486,928	(168,501)	-34.60
Interest on capital	(105,502)	(159,381)	53,879	-33.81
Fundação Libertas (Foundation) – CPC 33(R1)	(11,683)		(11,683)	n.m.
Carrying value adjustments	-	(60,072)	60,072	-100.00
Fair value of investment in Foz de Jeceaba	679	-	679	n.m.
Acquisition of intangible assets	-	614	(614)	-100.00
Closing balance	**5,136,809**	**4,934,888**	**201,921**	**4.09**

07. Financial Performance – Consolidated

The tables below show the consolidated results for the third quarter of 2013 compared to the same period of the previous year:

Statement of income

Consolidated	9/30/2013		9/30/2012		Change	
					R$	%
Revenue from water services	511,196	51.56	472,883	54.12	38,313	8.10
Revenue from sewage services	263,111	26.54	241,736	27.67	21,375	8.84
Construction revenue	216,590	21.84	158,757	18.17	57,833	36.43
Revenue from finished products	599	0.06	409	0,05	190	46,28
Net operating revenue from services	**991,496**	**100**	**873,785**	**100**	**117,711**	**13.47**
Cost of services rendered	(434,821)	-43.86	(360,570)	-41.27	(74,251)	20.59
Construction costs	(212,173)	-21.4	(155,219)	-17.76	(56,954)	36.69
Cost of services rendered	**(646,994)**	**-65.25**	**(515,789)**	**-59.03**	**(131,205)**	**25.44**
Gross profit	**344,502**	**34.75**	**357,996**	**40.97**	**(13,494)**	**-3.77**
Selling expenses	(59,959)	-6.05	(57,394)	-6.57	(2,565)	4.47
General and administrative expenses	(108,227)	-10.92	(103,682)	-11.87	(4,545)	4.38
Other operating income	45,097	4.55	14,656	1.68	30,441	n.m.
Other operating expenses	(18,665)	-1.88	(14,973)	-1.71	(3,692)	24.66
Employee profit sharing	(8,224)	-0.83	(7,809)	-0.89	(415)	5.31
Operating income/expenses	**(149,978)**	**-15.13**	**(169,202)**	**-19.36**	**19,224**	**-11.36**
Profit before finance income (costs) and taxation	**194,524**	**19.62**	**188,794**	**21.61**	**5,730**	**3.04**
Finance income	25,256	2.55	46,286	5.3	(21,030)	-45.43
Finance costs	(55,877)	-5.64	(69,968)	-8.01	14,091	-20.14
Finance income (costs)	**(30,621)**	**-3.09**	**(23,682)**	**-2.71**	**(6,939)**	**29.30**
Profit before income tax and social contribution	**163,903**	**16.53**	**165,112**	**18.9**	**(1,209)**	**-0.73**
Provision for income tax	(27,941)	-2.82	(27,799)	-3.18	(142)	0.51
Provision for social contribution	(10,127)	-1.02	(10,555)	-1.21	428	-4,05
Profit for the period	**125,835**	**12.69**	**126,758**	**14.51**	**(923)**	**-0.73**

Comments on company performance

a. Net operating revenue from services – The 8.4% increase in net revenue from water and sewage services in 3Q13 compared to 3Q12 was due to an increase of 0.95% in the volume billed for water services and 2.7% for sewage services (Parent); the average tariff adjustment of 4.34% in May 2012 and of 5.25% in May 2013; and the change in the percentage of sewage tariff collection from 50% to 90% of the water tariff in five municipalities.

b. Construction revenue – The increase in construction revenue was due to the increase in investments made in the period.

c. Cost of services rendered – The total cost of services rendered, including expenses for the operation, upkeep and maintenance of water and sewage systems, as well as selling, administrative and construction costs, increased in the third quarter of 2013 compared to the same period of the previous year, as shown below.

d. Taxes on services – The increase was due to the growth of the gross revenue from water and sewage services in the period.

Operating, selling and administrative costs

Consolidated	9/30/2013		9/30/2012		Change	
					R$	%
Personnel	268,595	32.95	225,935	33.38	42,660	18.88
Material	31,090	3.81	26,188	3.87	4,902	18.72
Electrical energy	57,210	7.02	61,390	9.07	(4,180)	-6.81
Outsourced services	105,221	12.91	80,929	11.96	24,292	30.02
Tariffs transferred to municipalities	18,697	2.29	18,147	2.68	550	3.03
General expenditures	13,614	1.67	11,521	1.70	2,093	18.16
Depreciation and amortization	112,564	13.81	100,072	14.78	12,492	12.48
Construction costs	212,173	26.03	155,219	22.93	56,954	36.69
Cost of sales	254	0,03	1,748	0.26	(1,494)	-85.47
Recovered tax credits (PIS-PASEP/COFINS)	(22,447)	-2.75	(24,118)	-3.56	1,671	-6.93
Provision for impairment of trade receivables	18,209	2.23	19,765	2.92	(1,556)	-7.87
Provision for losses	-	-	69	0,01	(69)	-100.00
*** Cost of services rendered**	**815,180**	**100.00**	**676,865**	**100.00**	**138,315**	**20.43**

- **Personnel** – The increase in the personnel group of accounts for the period was due to:

  - ✓ the effects of the Collective Bargaining Agreement;

  - ✓ the average increase of 5,5% in the number of overtime hours, and higher number of holidays in the period;

  - ✓ increased payments of performance bonuses, pension funds/Workers' Accident Insurance and 13th month salary resulting from the collective agreement;

  - ✓ the increase in the amounts of vacation pay and additional vacation pay, resulting from the large number of employees on vacation;

Comments on company performance

- ✓ Government Severance Indemnity Fund for Employees (FGTS) and indemnities on Voluntary Termination Plan (PDV) not paid in 2012 because of the electoral period;

- ✓ the increase in expenses with the health care plan for higher utilization and increase in the medical consultation fees;

- ✓ higher number of employees;

- ✓ the increase in expenses with Meal Voucher and Staple Food Basket and retroactive payment of salary negotiation.

- **Materials** – The increase was mainly due to the following:

  - ✓ higher volume of maintenance work related to several construction works under development in various municipalities;

  - ✓ higher production volume in several systems;

  - ✓ increase in the cost of treatment materials resulting from a rise in the price of chemical products, and an increase in the amount of the main products used on account of the service coverage expansion with new systems placed in service;

  - ✓ costs of materials required for the upkeep and maintenance of systems due to new contracts signed and the need for preventive maintenance;

  - ✓ higher expenditures with fuel and lubricants due to an increase in the use of vehicles and equipment, which increased the number of miles traveled, fluctuations in the average price of diesel for 150 new trucks, increase in the price of fuel and in the use of diesel generators and lubricants.

- **Services** –The increase was mainly due to the following:

  - ✓ increased expenses for the upkeep and maintenance of assets and systems, especially due to new contracts for water and sewage network maintenance services, as well as the adjustment of contract prices and preventive maintenance of various systems.

  - ✓ increased expenses with mailing and pouch services resulting from the implementation, as from April 2012, of a payment reminder system;

  - ✓ publicity and advertising expenses resulting from the strategy of intensifying actions to expand the Company's business, mainly for the rendering of sewage services;

  - ✓ increase in expenses for the delivery of bills and collection resulting from the higher number of bills and the adjustment of the tariffs of these services.

  - ✓ increase in cleaning, surveillance and courier services, resulting from the 9,5% adjustment in salaries and 16,66% in benefits, which were agreed upon in January 2013 and also due to the average increase of 6,2% in input materials, such as uniforms and occupational safety equipment, in addition to two emergency contracts for the surveillance area, of approximately R$2,000 in July 2013;

Comments on company performance

- ✓ increased use of specialized IT services, such as electronic printing of variable data, consulting and SAP license, among other;

- ✓ increase in transportation services through the contracting of a water tank truck to supply water for the municipality of Monte Azul.

- **Electrical energy** – The reduction of about 20% in electrical energy tariffs, beginning in January 2013 as established by Provisional Measure 579/2012, was partially neutralized by the annual tariff adjustment in April 2013, thus resulting in a decrease of 6.81% in this account.

- **General costs** – The increase in general costs was due to the following:

  - ✓ exhibitions, conferences, campaigns and similar events - this account increased due to the sponsorship provided to the infrastructure and logistics forum and the contract signed with Arena Independência Operadora de Estádio S.A. for publicity use;

  - ✓ tariffs transferred to municipalities – the increase in this account is a result of the increase in the water and sewage tariff in 2013;

  - ✓ events - higher number of internal events held by the management units;

  - ✓ the increase in general costs was offset by the decrease in expenses linked to tax incentives, due to the non-seasonality of such payments in the third quarter of 2013.

e. **Taxes on services** – The increase was due to the growth of the gross revenue from water and sewage services in the period.

f. **Depreciation and amortization** – The increase in this account resulted from the start of depreciation/amortization of assets that were "under construction" and began to be recorded as investments "in operation" because the related construction work had been completed.

g. **Construction costs** – these costs increased as a result of a higher investment volume in the period.

h. **Provision for impairment of trade receivables** – The Provision for impairment of trade receivables in 3Q13 is at the level considered normal by the Company. It should be highlighted that in 3Q12 an additional amount of R$2.0 million was recorded, referring to 2Q12, which contributed to increasing this account in this quarter.

i. **Recovered tax credits (PIS-PASEP/COFINS)** – The decrease in tax credits was mainly due to the reduction in electric energy costs, which are among the most significant contributors to the recovery of tax credits.

Comments on company performance

j. Other operating income/expenses

Other operating income / expenses

Consolidated	9/30/2013		9/30/2012		Change	
					R$	%
Reversal of non-deductible provision	6,724	14.91	3,843	26.22	2,881	74.97
Recovery of accounts written-off	34,394	76.27	10,298	70.26	24,096	n.m.
Other revenue	3,979	8.82	515	3.51	3,464	n.m.
Total other operating income	**45,097**	**100.00**	**14,656**	**100.00**	**30,441**	**n.m.**
Non-recurring or unusual losses	(12,456)	46.32	(10,707)	47.00	(1,749)	16.34
Other costs	(6,210)	23.09	(4,266)	18.73	(1,944)	45.57
Other operating expenses	**(18,666)**	**69.42**	**(14,973)**	**65.72**	**(3,693)**	**24.66**
Employee profit sharing	(8,224)	30.58	(7,809)	34.28	(415)	5.31
Total other operating expenses	**(26,890)**	**100.00**	**(22,782)**	**100.00**	**(4,108)**	**18.03**
Total other operating income/expenses	**18,207**	**100.00**	**(8,125)**	**100.00**	**26,333**	**n.m.**

- **Other operating income** – The increase recorded was due to:

  - ✓ the restatement of contingencies for the period, relating to indemnities on lawsuits totaling R$1.986 million, write-off of labor lawsuits in the amount of R$752 thousand and reclassifications of lawsuits for which the provision was overstated by R$660 thousand;

  - ✓ the higher amount of credits recovered in the period and the negotiation of debits from the Municipality of Teófilo Otoni, in the amount of R$20.441 million;

- **Other operating expenses** – The increase in other operating expenses was due to:

  - ✓ emergency work to recover the interceptor of the “Onça" sewage system, required to prevent the structure from collapsing;

  - ✓ payment of the Rio Manso System's Environmental Commitment Agreement, in accordance with the environmental legislation, which rules the need for compensating the impacts caused to the environment;

  - ✓ the increase was offset by the decrease in losses of the subsidiary Águas Minerais in the period and the decrease in the number of construction projects, since some of them were considered as unfeasible;

  - ✓ provision for actuarial liabilities (+R$ 2,3 million), resulting from the difference between the contributions foreseen for the period (according to actuarial report as at December 31, 2012) and the amounts effectively contributed.

Comments on company performance

k. Finance income and costs

Finance income and costs

Consolidated	9/30/2013		9/30/2012		Change	
					R$	%
Monetary and exchange variations	2,387	9.45	23,693	51.19	(21,306)	-89.93
Interest	1,244	4.93	8,520	18.41	(7,276)	-85.40
Actual gain on financial investments	9,969	39.47	8,291	17.91	1,678	20.24
Other revenue	11,656	46.15	5,782	12.49	5,874	101.59
Total finance income	**25,256**	**100.00**	**46,286**	**100.00**	**(21,030)**	**-45.43**
Monetary and exchange variations	(6,671)	11.94	(25,246)	36.08	18,575	-73.58
Interest on financing	(45,794)	81.96	(43,695)	62.45	(2,099)	4.80
Other costs	(3,412)	6.11	(1,027)	1.47	(2,385)	n.m.
Total finance costs	**(55,877)**	**100.00**	**(69,968)**	**100.00**	**14,091**	**-20.14**
Finance costs, net	**(30,621)**	**100.00**	**(23,682)**	**100.00**	**(6,939)**	**29.30**

- **Other finance income/costs** – Finance income decreased due to:

  In 3Q12, the amount of R$23.1 million was recorded as monetary variation under finance income, referring to the monetary restatement of resources contracted with the Brazilian Development Bank (BNDES) - 4th Issue of Debentures. In the period between the contracting date and the effective release of the resources, the amounts are restated at the rates contracted, to the extent that the investments are performed. On the other hand, the same amount was also recognized as monetary and exchange expense, which increased the finance costs for 3Q12. Accordingly, there was no impact on the results.

  Also, there was a reduction of interest in the finance income group of accounts, due to less cash available for investing. On the other hand, the item capitalization of financial assets presented an increase, reflecting the increase in financial assets in the comparative period.

  It should also be pointed out that, in addition to the finance costs shown above, the Company recorded interest and charges of R$43,8 million under permanent assets in 3Q13, considering that the construction work related to these accounts are still in progress.

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

Consolidated	9/30/2013	9/30/2012	Change	
				%
Profit for the period	**125,835**	**126,758**	**(923)**	**-0.73**
(+) Taxes on income	38,068	38,354	(286)	-0.75
(+) Net finance income	30,621	23,682	6,939	29.30
(+) Depreciation and amortization	112,564	100,072	12,492	12.48
(=) EBITDA	**307,088**	**288,866**	**18,222**	**6.31**
EBITDA margin	**29,62**	**32,51**	**(2.89)**	

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

Comments on company performance

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

08. Balance Sheet – Consolidated

Parent company	9/30/2013	12/31/2012	Change	
			R$	%
Current assets	1,077,591	1,249,230	(171,639)	-13.74
Non-current assets	8,210,261	7,840,109	370,152	4,72
Total assets	**9,287,852**	**9,089,339**	**198,513**	**2.18**
Current liabilities	990,884	863,640	127,244	14.73
Non-current liabilities	3,160,159	3,290,811	(130,652)	-3.97
Equity	5,136,809	4,934,888	201.921	4.09
Total liabilities and equity	**9,287,852**	**9,089,339**	**198,513**	**2.18**

a. Current assets

Consolidated	9/30/2013	12/31/2012	Change	
			R$	%
Cash and cash equivalents	302,747	497,701	(194,954)	-39.17
Trade receivables	649,462	583,513	65,949	11.30
Held-to-maturity financial assets	-	20,135	(20,135)	-100.00
Inventory	35,525	35,187	338	0.96
Recoverable taxes	14,065	21,913	(7,848)	-35.81
Bank account – agreements	44,530	67,715	(23,185)	-34.24
Other receivables	31,262	23,066	8,196	35.53
Total current assets	**1,077,591**	**1,249,230**	**(171,639)**	**-13.74**

- **Bank account – agreements** – The decrease in this account is mainly due to the use of resources for execution of construction work in 3Q13, deriving from agreements entered into with CODEVASF.

- **Cash and cash equivalents** – The decrease in this account was due to redemptions of approximately R$1,412 thousand, against R$1,200 thousand applied for the payment of sundry obligations.

- **Trade accounts receivable –** This account increased due to the higher number of days in the billing period and the increase in the amount billable for water and sewage consumption in various municipalities.

- **Recoverable taxes –** Copasa had tax credits to offset with the Brazilian Federal Revenue Service (RFB). In September 2013, the Company used these credits to pay taxes due through the Electronic Refund or Reimbursement Request and Offset Statement (PERDCOMP).

- **Held-to-maturity financial assets** – The decrease in this account was due to financial investments that matured and were transferred to the group of cash and cash equivalents.

Comments on company performance

- **Other receivables** – This account increased due to dividends receivable from Foz do Jeceaba, transfer of long-term semiannual obligations due from COPANOR and the advance payment of the 13th month salary to employees.

b. Non-current assets

Consolidated	9/30/2013	12/31/2012	Change R$	Change %
Trade receivables	206,222	220,000	(13,778)	-6.26
Deferred income tax and social contribution	196,338	176,406	19,932	11.30
Restricted investments	140,605	188,661	(48,056)	-25.47
Collateral for financing	132,622	132,961	(339)	-0.25
Net financial assets	448,280	390,757	57,523	14.72
Available-for-sale assets	29,879	28,850	1,029	3.57
Other receivables	52,892	40,218	12,674	31.51
Total long-term assets	**1,206,838**	**1,177,853**	**28,985**	**2.46**
Investments	260	260	-	-
Intangible assets	6,776,625	6,463,373	313,252	4.85
Property, plant and equipment	226,538	198,623	27,915	14.05
Total permanent assets	**7,003,423**	**6,662,256**	**341,167**	**5.12**
Total non-current assets	**8,210,261**	**7,840,109**	**370,152**	**4.72**

- **Restricted investment** – The decrease in this account was mainly due to the redemption of debentures amounting to approximately R$21,203 thousand in February 2013 and R$27,224 thousand in July 2013.

- **Deferred income tax and social contribution –** The changes occurred in the period from December 2012 to September 2013 were mainly related to the provision for income tax and social contribution referring to the actuarial liabilities recorded in the amount of R$42 million.

- **Net financial assets** – The increase in this account was due to the recognition of the right to reimbursement for investments made in concessions operated by the Company, in the approximate amount of R$69,494 thousand, in June 2013.

- **Other receivables** – The increase in this account was due to judicial deposits in favor of Mineração Fazenda Borges in Pedro Leopoldo amounting to approximately R$8,500 thousand in June 2013.

- **Property, plant and equipment –** The increase in this account is mainly due to plots of land transferred from Teófilo Otoni to the Company in payment of debts and the acquisition of vehicles, in May and June 2013.

Comments on company performance

c. Current liabilities

Consolidated	9/30/2013	12/31/2012	Change	
			R$	%
Borrowings	214,230	228,981	(14,751)	-6.44
Debentures	260,515	134,024	126,491	94.38
Trade payables	162,496	172,440	(9,944)	-5.77
Taxes and contributions	63,969	47,774	16,195	33.90
Taxes in installments	38,072	35,676	2,396	6.72
Provision for vacation pay and 13th. month's salary	130,912	85,172	45,740	53.70
Employee profit sharing	35,365	27,968	7,397	26.45
Interest on capital	31,093	46,469	(15,376)	-33.09
Technical cooperation agreements	13,111	39,734	(26,623)	-67.00
Pension plan	20,619	24,602	(3,983)	-16.19
Electric energy	7,888	6,932	956	13.79
Sundry obligations	12,614	13,868	(1,254)	-9.04
Total current liabilities	**990,884**	**863,640**	**127,244**	**14.73**

- **Debentures –** The changes in this account were due to the transfer of long-term debentures amounting to R$95,282 thousand and amortization of R$23,487 thousand in the first quarter, an inflow of R$3,198 thousand and the transfer of R$31,612 thousand of long-term debentures in the second quarter of 2013, in addition to the transfer of R$82,824 thousand long-term debentures and amortization of R$29,485 thousand in the third quarter of 2013.

- **Taxes and contributions** – The increase in this account refers mainly to income tax and social contributions on net income at September 2013, payable in October 2013.

- **Interest on capital** – The decrease in this account was due to declarations of R$105,502 thousand offset against payments to stockholders amounting to R$112,663 thousand and payment of Income Tax Withheld at Source (IRRF) amounting to R$8,216 thousand.

- **Technical cooperation agreements** – The changes in this account were due to significant decrease in inflow of resources and increase in expenditures with construction works in 3Q13, mainly in July, of R$13,761 thousand, with agreements signed with CODEVASF.

- **Pension plan** – This account decreased due to the payment of contributions in the period.

- **Electric energy** – The changes in this account were due to the increased payment of bills to the electric energy company.

Comments on company performance

d. Non-current liabilities

Consolidated	9/30/2013	12/31/2012	Change R$	Change %
Federal Savings and Loan Bank (CEF)	500,897	554,152	(53,255)	-9.61
State government/BDMG	1,482	3,726	(2,244)	-60.23
National Treasury	-	3,311	(3,311)	-100.00
BNDES/BNE	500,294	532,976	(32,682)	-6.13
Banco do Brasil	567	-	567	n.m.
Finame	59,287	-	59,287	n.m.
In local currency	**1,062,527**	**1,094,165**	(31,638)	-2.89
Federal government – bonds	56,142	52,506	3,636	6.92
KfW Bank	52,669	6,221	46,448	n.m.
In foreign currency	**108,811**	**58,727**	50,084	85.28
Total borrowings	**1,171,338**	**1,152,892**	18,446	1.60
Non-convertible debentures	1,380,391	1,543,481	(163,090)	-10.57
Litigation provision	79,515	64,318	15,197	23.63
Tax provision	16,456	16,456	-	-
Taxes in installments	206,222	220,000	(13,778)	-6.26
Pension plan	276,240	259,071	17,169	6.63
Other liabilities	29,997	34,593	(4,596)	-13.29
Total non-current liabilities	**3,160,159**	**3,290,811**	**(130,652)**	**-3.97**

- **Litigation provision** – The increase in this account was due to the commencement of new civil proceedings and the reclassification of existing cases from possible losses to probable losses. As at December 31, 2012, a provision of R$10,449 thousand was recorded for a labor claim for the payment of differences in employee profit sharing relating to 2010. The lawsuit is classified as probable loss. In January 2013 the amount of this lawsuit was adjusted by approximately R$3,818 thousand.

- **Debentures –** The decrease in this account was mainly due to the transfer of approximately R$82,824 thousand to the short-term.

- **Other liabilities** –. The decrease in this account was mainly due to the reclassification of accounts to the composition of the Advances for Future Capital Increase (AFAC) of AGMM in the second quarter of 2013.

e. Equity

Consolidated	9/30/2013	12/31/2012	Change R$	Change %
Opening balance	**4,934,888**	**4,533,095**	**401,793**	**8.86**
Conversion of debentures	-	133,704	(133,704)	-100.00
Profit for the period	318,427	486,928	(168,501)	-34.60
Interest on capital	(105,502)	(159,381)	53,879	-33.81
Acquisition of intangible assets	-	614	(614)	-100.00
Fundação Libertas (Foundation) – CPC 33(R1)	(11,683)	-	(11,683)	n.m.
Carrying value adjustments	-	(60,072)	60,072	-100.00
Fair value of investment in Foz de Jeceaba	679	-	679	n.m.
Closing balance	**5,136,809**	**4,934,888**	**201,921**	**4.09**

Explanatory Notes

Notes to the quarterly information
at September 30, 2013 and 2012
(All amounts in thousands of reais, unless otherwise stated)

1. Operations

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

At September 30, 2013, COPASA MG had the following wholly-owned subsidiaries:

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

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

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

At September 30, 2013, the Company operates in 886 locations in the State of Minas Gerais (882 at December 31, 2012) providing water supply and/or sewage services, totaling approximately 4,606,545 connections (4,499,455 at December 31, 2012). The twenty main water and sewage concessions that the Company holds are as follows:

Explanatory Notes

Water concessions			Sewage concessions	
Location	Number of connections	Expiration	Location	Expiration
Belo Horizonte	970,652	2034	Belo Horizonte	2034
Contagem	229,542	2073	Contagem	2073
Betim	135,739	2042	Montes Claros	2028
Montes Claros	128,491	2028	Betim	2042
Ribeirão das Neves	96,293	2034	Ipatinga	2022
Divinópolis	89,599	2041	Divinópolis	2041
Ipatinga	82,063	2022	Ribeirão das Neves	2034
Santa Luzia	68,555	2013	Patos de Minas	2038
Patos de Minas	54,399	2038	Santa Luzia	2013
Ibirité	51,918	2034	Pouso Alegre	2046
Pouso Alegre	50,170	2046	Varginha	2013
Varginha	49,330	2013	Conselheiro Lafaiete (1)	2010
Conselheiro Lafaiete (1)	48,699	2010	Ibirité	2034
Teófilo Otoni	41,771	2034	Lavras	2034
Sabará	41,443	2042	Araxá	2032
Lavras	39,547	2034	Teófilo Otoni	2034
Araxá	38,309	2032	Itajubá	2034
Ubá	35,355	2014	Alfenas	2033
Itajubá	34,956	2034	Coronel Fabriciano	2033
Coronel Fabriciano	34,029	2033	Pará de Minas (1)	2009

1) The concession agreement with the cities of Conselheiro Lafaiete and Pará de Minas expired on July 23, 2010, and October 11, 2009, respectively. The water supply and sewage service revenue in the period from January to September 2013 was R$22,562 for Conselheiro Lafaiete and R$22,946 for Pará de Minas (R$20,558 and R$21,243 in the period from January to September 2012), or 0.87% and 0.88% (0.88% and 0.91% in the period from January to September 2012) of the Company's total revenues, respectively. The Company is endeavoring to renew these concession agreements.

2. Presentation of interim accounting information

The Executive Board of the Company authorized on October 29, 2013 the finalization of the parent company and consolidated quarterly information as at September 30, 2013.

The parent company and consolidated quarterly information is presented in thousands of reais, unless otherwise stated.

Explanatory Notes

2.1. Basis of preparation

a) Individual interim accounting information – Parent Company

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

This interim accounting information should be read in conjunction with the financial statements of the Company for the year ended December 31, 2012.

b) Consolidated interim accounting information - Consolidated

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

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

This interim accounting information should be read in conjunction with the financial statements of the Company for the year ended December 31, 2012.

3. Summary of significant accounting policies

The main accounting policies applied to the preparation of this interim accounting information are consistent with the policies described in Note 3 to the financial statements of the Company for the year ended December 31, 2012, filed with the CVM. These policies have been consistently applied to the periods presented, unless otherwise stated.

Explanatory Notes

3.1 Restatement of comparative figures

The financial statements as at January 1, September 30 and December 31, 2012 have been adjusted and are being restated in accordance with CPC 23:

1. Changes in accounting practices

a) The Company recognized retrospectively the changes in accounting practice arising from the revision of IAS 19 – Employee Benefits, correlated to CPC 33 (RI), which eliminated the recognition of the deferral of actuarial gains (losses) (corridor method) and then generated the recognition of a liability as a counter entry for other comprehensive income in equity.

2. Other restated items

b) Supplementary monetary adjustment related to the years 1996 and 1997, as required by IFRS for the recognition of the residual inflationary effects on companies' equity, generating an increase in intangible assets, property, plant and equipment and financial assets, against carrying value adjustments in equity.

c) Investment without significant influence in Foz de Jeceaba, initially carried at cost, and reclassified to financial assets available for sale, in accordance with Item 45d of CPC 38 – "Financial Instruments: Recognition and Measurement". Measurement of this asset at fair value generated an increase in other comprehensive income in equity.

d) There were early renewals of concession agreements without any revision of the amortization periods. Thus intangible assets increased by R$25,625, which was recorded in equity as prior year adjustments.

e) Reclassification of the amount of advances on future capital increases made to the subsidiary Águas Minerais from the line item "Investments" to "Receivables from subsidiaries", and the amounts of investment losses, which were reported as a reduction in the investment accounts to "Losses on investments", generating a debit of R$86,634 to "Receivables from subsidiaries", and a credit of R$23,583 to "Investments" and R$63,051 to "Losses on investments".

The parent company and consolidated financial statements as at January 1, September 30 and December 31, 2012, presented for comparative purposes, have been adjusted and are being restated.

Items (b) and (e) above apply only to the parent company's financial statements.

Reclassifications are as follows:

Explanatory Notes

	Balance sheet as at 1/1/2012					
	Parent company			Consolidated		
	Balances originally reported	Resta-tements	Restated balances	Balances originally reported	Resta-tements	Restated balances
Assets						
Current assets	814,630	-	814,630	826,321	-	826,321
Deferred income tax and social contribution (a) (b) (c)	165,661	(16,095)	149,566	149,304	262	149,566
Assets available for sale (c)	-	25,079	25,079	-	25,079	25,079
Financial assets (b)	321,179	4,314	325,493	325,493	-	325,493
Investments (c)	22,063	(21,803)	260	22,060	(21,800)	260
Intangible assets (b)	6,015,805	44,651	6,060,456	6,060,461	-	6,060,461
Property, plant and equipment (b)	161,552	(681)	160,871	185,699	-	185,699
Other non-current assets	773,311	-	773,311	697,970	-	697,970
TOTAL ASSETS	**8,274,201**	**35,465**	**8,309,666**	**8,267,308**	**3,541**	**8,270,849**
Liabilities and equity						
Current liabilities	967,962	-	967,962	972,255	-	972,255
Pension plan (a)	145,235	4,050	149,285	145,235	4,050	149,285
Other non-current liabilities	2,659,327	(3)	2,659,324	2,616,214	-	2,616,214
Equity (a) (b) (c)	4,501,677	31,418	4,533,095	4,533,604	(509)	4,533,095
TOTAL LIABILITIES AND EQUITY	**8,274,201**	**35,465**	**8,309,666**	**8,267,308**	**3,541**	**8,270,849**

Explanatory Notes

	Balance sheet as at 12/31/2012					
	Parent company			Consolidated		
	Balances originally reported	Resta-tements	Restated balances	Balances originally reported	Resta-tements	Restated balances
Assets						
Current assets	1,220,176	-	1,220,176	1,249,230	-	1,249,230
Non-current assets						
Deferred income tax and social contribution (a) (b) (c)	161,554	14,852	176,406	147,879	28,527	176,406
Receivables from subsidiaries (e)	20,197	86,634	106,831			
Financial assets (b)	388,031	2,726	390,757	390,757	-	390,757
Assets available for sale (c)	-	28,850	28,850	-	28,850	28,850
Investments (c) (e)	45,643	(45,383)	260	22,060	(21,800)	260
Property, plant and equipment (b)	175,333	161	175,494	198,623	-	198,623
Intangible assets (b) (d)	6,400,225	63,135	6,463,360	6,437,748	25,625	6,463,373
Other non-current assets	581,529	-	581,529	581,840	-	581,840
TOTAL ASSETS	**8,992,688**	**150,975**	**9,143,663**	**9,028,137**	**61,202**	**9,089,339**
Liabilities and equity						
Current liabilities	839,184	-	839,184	863,640	-	863,640
Non-current liabilities						
Pension plan (a)	142,493	116,578	259,071	142,493	116,578	259,071
Sundry obligations (e)	50,708	63,051	113,759			
Other non-current liabilities	2,996,761	-	2,996,761	3,031,740	-	3,031,740
Equity (a) (b) (c) (d)	4,963,542	(28,654)	4,934,888	4,990,264	(55,376)	4,934,888
TOTAL LIABILITIES AND EQUITY	**8,992,688**	**150,975**	**9,143,663**	**9,028,137**	**61,202**	**9,089,339**

Explanatory Notes

	Statement of income for the nine-month period ended 9/30/2012		
	Consolidated		
	Balances originally reported	Adjustment	Restated balances
		(b)	
TOTAL NET REVENUE	**2,511,825**		**2,511,825**
Cost of services rendered	(1,022,435)	(5,751)	(1,028,186)
Construction costs	(479,213)	-	(479,213)
	(1,501,648)	**(5,751)**	**(1,507,399)**
GROSS PROFIT	**1,010,177**	**(5,751)**	**1,004,426**
Net operating expenses	(438,648)	(149)	(438,797)
OPERATING PROFIT BEFORE FINANCE INCOME (COSTS)	**571,529**	**(5,900)**	**565,629**
Finance income	105,007	82	105,089
Finance costs	(195,664)	-	(195,664)
FINANCE INCOME (COSTS)	**(90,657)**	**82**	**(90,575)**
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	**480,872**	**(5,818)**	**475,054**
Income tax and social contribution			
Current	(130,722)	-	(130,722)
Deferred	10,603	1,978	12,581
PROFIT FOR THE PERIOD	**360,753**	**(3,840)**	**356,913**

Explanatory Notes

	Statement of Income for the three-month period ended September 30, 2012		
	Parent company		
	Balances originally reported	Adjustment	Restated balances
		(b)	
TOTAL NET REVENUE	**869,474**		**869,474**
Cost of services rendered	(352,081)	(1,734)	(353,815)
Construction costs	(155,219)	-	(155,219)
	(507,300)	**(1,734)**	**(509,034)**
GROSS PROFIT	**362,174**	**(1,734)**	**360,440**
Net operating expenses	(171,907)	(145)	(172,052)
OPERATING PROFIT BEFORE FINANCE INCOME (COSTS)	**190,267**	**(1,879)**	**188,388**
Finance income	46,539	26	46,565
Finance costs	(69,950)	-	(69,950)
FINANCE INCOME (COSTS)	**(23,411)**	**26**	**(23,385)**
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	**166,856**	**(1,853)**	**165,003**
Income tax and social contribution			
Current	(49,027)	-	(49,027)
Deferred	10,152	630	10,782
PROFIT FOR THE PERIOD	**127,981**	**(1,223)**	**126,758**

The following adjustments were made to the statement of cash flows in accordance with CPC 03 (R2) – "Statement of Cash Flows", and to the statement of value added in accordance with CPC 09 – "Statement of Value Added":

Explanatory Notes

	Statement of cash flows as at 9/30/2012					
	Parent Company			Consolidated		
	Balances originally reported	Resta-tements	Restated balances	Balances originally reported	Resta-tements	Restated balances
Statement of cash flows						
Net cash provided by operating activities (a)	946,825	(189,781)	757,044	887,738	(125,960)	761,778
Net cash used in investing activities (b)	(462,899)	69,428	(393,471)	(403,633)	5,607	(398,026)
Net cash provided used in financing activities (c)	(187,948)	120,353	(67,595)	(187,948)	120,353	(67,595)

(a) Refers to the recognition of a provision for interest on borrowings under “Interest expenses” in the amount of R$17,132, offset by the transfer of R$43,411 of capitalized interest from “Purchases of intangible assets and property, plant and equipment” to “Interest expenses”, of R$63,821 from “Purchases of investments” to “Receivables from subsidiaries” (which did not occur in the Consolidated), and of R$99,681 from “Held-to-maturity financial assets” and “Restricted investment” to “Investment in and redemption of financial assets”, generating an adjustment of R$188,241 to this group (R$125,960 in the Consolidated).

(b) Refers to the elimination of the item "Conversion of debentures into shares" amounting to R$137,485, since this item does not affect cash flow, offset by the transfer of R$43,411 from “Purchases of intangible assets and property, plant and equipment” to “Interest expenses”, of R$63,821 from “Purchases of investments” to “Receivables from subsidiaries” (which did not occur in the Consolidated), and of R$99,681 from “Held-to-maturity financial assets” and “Restricted investment” to “Investments in and redemptions of financial assets”, generating an adjustment of R$67,888 to this group (R$5,607 in the Consolidated).

(c) Refers to the recognition of R$17,132 related to the amortization of interest on borrowings, causing an increase in “Payment of interest on borrowing and debentures” (R$13,802), “Payment of interest - Libertas/CEMIG” (R$2,870), and “Payment concession debts” (R$548), and a decrease in “Repayment of principal - Libertas/CEMIG” (R$88), as well as a decrease in “Repayment of borrowing and debentures” amounting to R$137,485 since it does not affect cash flow, generating an adjustment of R$120,353 to this group.

Explanatory Notes

	Statement of value added as at 9/30/2012		
	Parent company		
	Balances originally reported	Adjustment	Restated balances
Statement of value added		(a)	
Revenue	2,767,614	-	2,767,614
Inputs acquired from third parties	(1,069,639)	(149)	(1,069,788)
Retentions	(273,010)	(5,751)	(278,761)
Value added received through transfers	95,465	82	95,547
Distribution of value added:			
Personnel	570,981	-	570,981
Taxes and contributions	393,842	(1,978)	391,864
Remuneration of third-party capital	194,854	-	194,854
Remuneration of own capital	360,753	(3,840)	356,913

(a) Supplementary monetary adjustment related to the years 1996 and 1997, as required by IFRS for the recognition of residual inflationary effects on companies' equity, generating adjustments of R$149 to write-offs of financial assets, R$5,751 to amortization, R$88 to revenue from financial assets, R$1,978 to deferred income tax and social contribution and R$3,840 to retained earnings in the parent company's financial statements.

4. Public service concession agreements

At September 30, 2013, the Company holds public utility concessions for water supply and sewage services in 886 locations in the State of Minas Gerais. The concession agreements and/or program agreements are executed with each municipality for periods ranging from 30 to 99 years, and all are fairly similar in terms of the rights and obligations of the holder and grantor.

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

The main concession terms and major changes in concession agreements for the period ended September 30, 2013 are described in Note 1.

At September 30, 2013, the Company had accounts receivable from grantors (the municipalities) totaling R$448,280, which correspond to the amounts expected to be received at the end of the concession period (R$390,757 at December 31, 2012) for assets which were not depreciated over the concession period. These amounts were discounted to their present value upon initial recognition using the weighted average cost of capital (WACC) rates linked to the respective accounts receivable. Intangible assets were accounted for based on the difference between the fair value of the assets constructed or acquired for the purpose of the concession services and the carrying value of the financial assets recognized.

Explanatory Notes

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

	Quarters ended September 30		Nine-month periods ended September 30	
	2013	**2012**	**2013**	**2012**
Construction revenue	216,590	158,757	580,688	486.981
Construction costs	(212,173)	(155,219)	(568,190)	(479,213)

5. Cash and cash equivalents

(a) Cash and cash equivalents

	Parent company	
	9/30/2013	**12/31/2012**
Cash and banks	45,095	47,202
Short-term bank deposit certificates	255,469	449,223
Total	**300,564**	**496,425**

	Consolidated	
	9/30/2013	**12/31/2012**
Cash and banks	46,818	48,478
Short-term bank deposit certificates	255,929	449,223
Total	**302,747**	**497,701**

At September 30, 2013 there were no changes in the nature and conditions of cash and cash equivalents compared to the disclosures made in Note 6 to the Financial Statements for the year ended December 31, 2012. Accordingly, management has decided not to repeat these as part of this interim accounting information.

Explanatory Notes

6. Trade and other receivables

The aging of trade receivables is as follows:

	Parent company		Consolidated	
	9/30/2013	12/31/2012	9/30/2013	12/31/2012
Not yet due	206,080	193,483	210,123	197,560
Up to 30 days past due	60,161	56,483	60,161	56,564
From 31 to 60 days past due	28,074	26,358	28,074	26,395
From 61 to 90 days past due	16,274	15,279	16,274	15,301
From 91 to 180 days past due	25,760	24,185	25,760	24,220
Over 180 days past due	16,315	15,318	16,315	15,340
Billed amounts	352,664	331,106	356,707	335,380
Unbilled amounts	309,700	267,264	310,806	268,043
Trade receivables	662,364	598,370	667,513	603,423
(-) Provision for impairment of trade receivables	(17,454)	(19,517)	(18,051)	(19,910)
	644,910	578,853	649,462	583,513
Accounts receivable - non-current	206,222	220,000	206,222	220,000
Trade receivables, net	851,132	798,853	855,684	803,513
Held-to-maturity financial assets	-	20,135	-	20,135
Collateral for financing	132,622	132,961	132,622	132,961
Receivables from subsidiaries	114,498	106,831	-	-
Restricted investments - PRODES	28,541	33,137	28,541	33,137
Restricted investments - debentures	112,064	155,524	112,064	155,524
Available-for-sale assets	29,879	28,850	29,879	28,850
Others	52,571	39,907	52,892	40,218
Total	**1,321,307**	**1,316,198**	**1,211,682**	**1,214,338**
Non-current assets	**(676,397)**	**(717,210)**	**(562,220)**	**(610,690)**
Current assets	**644,910**	**598,988**	**649,462**	**603,648**

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

At September 30, 2013, the trade receivables of the parent company of R$722,202 (R$680,747 in December 2012) and the consolidated trade receivables of R$727,151 (R$685,603 in December 2012) were fully performing.

At September 30, 2013, parent company trade receivables, in the total of R$17,454 (R$19,517 in December 2012) and consolidated trade receivables of R$18,051 (R$19,910 in December 2012) were past due and impaired. The individually impaired receivables mainly relate to customers who are healthcare providers to whom COPASA, in accordance with current legislation, cannot interrupt water supply and sewage services. Based on management's assessment, a portion of these accounts receivable are recoverable.

Explanatory Notes

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

	2013	
	Parent company	**Consolidated**
At January 1	**19,517**	**19,910**
Provision for impairment of trade receivables	48,052	49,553
Receivables written-off during the period as uncollectible	(50,115)	(51,412)
At September 30	**17,454**	**18,051**

At September 30, 2013, except for the items described below, there were no other changes in the nature and conditions of trade and other receivables compared to the disclosures made in Note 7 to the Company's Financial statements for the year ended December 31, 2012.

On January 29, 2013 the Company received a transfer of R$8,114 from the National Water Agency (ANA) as consideration for the Federal Government's participation in the construction of the Pato de Minas sewage treatment plant.

As set forth in Clause 6 of Contract 099/2012, the payment for the treated sewage will be released to the Company in twelve quarterly, consecutive installments after obtaining a pollution reduction target certificate to be issued by the ANA. The Contract is effective until December 31, 2018.

On June 28, 2013, the adjusted amount of R$14,439 was redeemed. This amount refers to part of the amount provided by the ANA in December 2007 for the construction of the Betim Central sewage treatment plant. This redemption was made because only the first phase of the sewage treatment project was completed, but the original contract encompassed the final phase. After many analyses, a Contract Addendum was made in December 2012, changing the load and discharge amounts in light of the current status of the project. The original amount of the contract, of R$18,720, was adjusted to R$10,160 under the Addendum signed in May 2013, with reference to the date of the original contract.

Explanatory Notes

7. Investments

At September 30, 2013, the subsidiaries had a capital deficiency of R$90,921 (R$79,169 at December 31, 2012), for which the Company recorded a provision for losses in non-current liabilities within "Investment losses".

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

	12/31/2012	Equity in the results of subsidiaries	9/30/2013
Águas Minerais	(63,053)	(8,821)	(71,874)
Copanor	(15,931)	(2,404)	(18,335)
Serviços de Irrigação	(185)	(527)	(712)
Total	**(79,169)**	**(11,752)**	**(90,921)**

On February 8, 2012, the Executive Board of COPASA MG approved a new business plan for Águas Minerais, which was prepared in December 2011, and also approved the conversion of the balance owed for intercompany loans amounting to R$57,541 at December 31, 2011 into an advance for future capital increase. This amount plus R$29,093 of advances for future capital increase relating to the years 2008 to 2012, totaled R$86,634, and was transferred to the account "Receivables from subsidiaries" (Note 3.1 – Item "e").

	Parent Company/Consolidated	
	9/30/2013	12/31/2012
Other investments	260	260
Total	**260**	**260**

Explanatory Notes

8. Intangible assets

	Parent company						
Cost	**Water systems**	**Sewage**	**Use rights**	**Common use systems**	**Other**	**In development**	**Total**
At December 31, 2012	**4,461,733**	**3,128,549**	**310,972**	**622,067**	**67,848**	**1,797,754**	**10,388,923**
Additions	49,947	41,115	10,207	27,309	14,427	510,055	**653,060**
Write-offs	(6,401)	(5,306)	(8)	(1,978)	(1,511)	(4,739)	**(19,943)**
Transfers	178,781	372,359	498	22,180	(1,221)	(608,124)	**(35,527)**
Transfers to financial assets	(10,680)	(29,533)	60	(3,075)	(2,420)	-	**(45,648)**
Capitalized interest	-	-	-	-	-	43,385	**43,385**
At September 30, 2013	**4,673,380**	**3,507,184**	**321,729**	**666,503**	**77,123**	**1,738,331**	**10,984,250**
Amortization							
At December 31, 2012	**(2,453,245)**	**(894,520)**	**(105,295)**	**(465,060)**	**(7,443)**	**-**	**(3,925,563)**
Additions	(123,277)	(116,648)	(8,380)	(39,548)	(1,994)	-	**(289,847)**
Write-offs	1,198	138	1	1,805	143	-	**3,285**
Transfers	-	(96)	(16)	(44)	73	-	**(83)**
Other	2,816	387	157	54	1,163	-	**4,577**
At September 30, 2013	**(2,572,508)**	**(1,010,739)**	**(113,533)**	**(502,793)**	**(8,058)**	**-**	**(4,207,631)**
Book balance at September 30, 2013	**2,100,872**	**2,496,445**	**208.196**	**163.710**	**69.0655**	**1,738,331**	**6,776,619**
Book balance at December 31, 2012	**2,008,488**	**2,234,029**	**205.677**	**157.007**	**60,405**	**1,797,754**	**6,463,360**

The amortization for the nine-month period ended September 30, 2013, allocated to income, amounted to R$288,970 as cost of services rendered, R$153 as selling expenses, and R$724 as administrative expenses (R$237,944, R$2,758 and R$9,799, respectively, in the nine-month period ended September 30, 2012).

Explanatory Notes

	Consolidated						
Cost	**Water systems**	**Sewage**	**Use rights**	**Common use systems**	**Other**	**In development**	**Total**
At December 31, 2012	**4,461,733**	**3,128,549**	**311,033**	**622,067**	**67,848**	**1,797,754**	**10,388,984**
Additions	49,947	41,115	10,207	27,309	14,427	510,057	**653.062**
Write-offs	(6,401)	(5,306)	(9)	(1,978)	(1,511)	(4,739)	**(19,944)**
Transfers	178,781	372,359	498	22,180	(1,221)	(608,124)	**(35,527)**
Transfers to financial assets	(10,680)	(29,533)	60	(3,075)	(2,420)	-	**(45,648)**
Capitalized interest	-	-	-	-	-	43,385	**43.385**
At September 30, 2013	**4,673,380**	**3,507,184**	**321,789**	**666,503**	**77,123**	**1,738,333**	**10,984,312**
Amortization							
At December 31, 2012	**(2,453,245)**	**(894,520)**	**(105,343)**	**(465,060)**	**(7,443)**	-	**(3,925,611)**
Additions	(123,277)	(116,648)	(8,388)	(39,548)	(1,994)	-	**(289,855)**
Write-offs	1,198	138	1	1,805	143	-	**3,285**
Transfers	-	(96)	(16)	(44)	73	-	**(83)**
Other	2,816	387	157	54	1,163	-	**4,577**
At September 30, 2013	**(2,572,508)**	**(1,010,739)**	**(113,589)**	**(502,793)**	**(8,058)**	-	**(4,207,687)**
Book balance at September 30, 2013	**2,100,872**	**2,496,445**	**208,200**	**163,710**	**69,065**	**1,738,333**	**6,776,625**
Book balance at December 31, 2012	**2,008,488**	**2,234,029**	**205.690**	**157,007**	**60,405**	**1,797,754**	**6,463,373**

The amortization for the nine-month period ended September 30, 2013, allocated to income, amounted to R$288,971 as cost of services rendered, R$153 as selling expenses, and R$731 as administrative expenses (R$237,671, R$2,812 and R$9,912, respectively, in the nine-month period ended September 30, 2012).

Explanatory Notes

9. Property, plant and equipment

	Parent company				
Cost	**Land and buildings**	**Machinery and equipment**	**Vehicles**	**Others**	**Total**
At December 31, 2012	**131,946**	**259,841**	**111,799**	**191**	**503,777**
Additions	18,529	651	316	-	19,496
Write-offs	(45)	(13,549)	(1,930)	-	(15,524)
Transfers	7,803	(2,119)	29,843	-	35,527
Others	-	-	99	-	99
At September 30, 2013	**158,233**	**244,824**	**140,127**	**191**	**543,375**
Depreciation					
At December 31, 2012	**(71,573)**	**(155,394)**	**(101,141)**	**(175)**	**(328,283)**
Additions	(2,541)	(17,961)	(5,112)	(7)	(25,621)
Write-offs	38	13,179	1,840	-	15,057
Transfers	(581)	603	61	-	83
Others	-	-	-	12	12
At September 30, 2013	**(74,657)**	**(159,573)**	**(104,352)**	**(170)**	**(338,752)**
Book balance at September 30, 2013	**83,576**	**85,251**	**35,775**	**21**	**204,623**
Book balance at December 31, 2012	**60,373**	**104,447**	**10,658**	**16**	**175,494**

The depreciation for the nine-month period ended September 30, 2013, allocated to income, amounted to R$15,735 as cost of services rendered, R$3,097 as selling expenses, and R$6,789 as administrative expenses (R$21,381, R$248 and R$880, respectively, in the nine-month period ended September 30, 2012).

Explanatory Notes

	Consolidated					
Cost	**Land and buildings**	**Machinery and equipment**	**Vehicles**	**Others**	**Construction in progress**	**Total**
At December 31, 2012	**135,417**	**281,998**	**112,637**	**328**	**2,291**	**532,671**
Additions	18,534	1,463	316	-	77	20,390
Write-offs	(45)	(13,565)	(1,930)	-	(55)	(15,595)
Transfers	7,803	(2,119)	29,843	-	-	35,527
Others	-	-	-	36	-	36
At September 30, 2013	**161,709**	**267,777**	**140,866**	**364**	**2,313**	**573,029**
Depreciation						
At December 31, 2012	**(72,075)**	**(159,951)**	**(101,755)**	**(267)**	**-**	**(334,048)**
Additions	(2,713)	(19,617)	(5,213)	(24)	-	(27,567)
Write-offs	38	13,179	1,840	-	-	15,057
Transfers	(581)	603	61	-	-	83
Others	-	-	-	(16)	-	(16)
At September 30, 2013	**(75,331)**	**(165,786)**	**(105,067)**	**(307)**	**-**	**(346,491)**
Book balance at September 30, 2013	**86,378**	**101,991**	**35,799**	**57**	**2,313**	**226,538**
Book balance at December 31, 2012	**63,342**	**122,047**	**10,882**	**61**	**2,291**	**198,623**

The depreciation for the nine-month period ended September 30, 2013, allocated to income, amounted to R$17,558 as cost of services rendered, R$3,097 as selling expenses, and R$6,912 as administrative expenses (R$23,092, R$266 and R$939, respectively, in the nine-month period ended September 30, 2012).

Explanatory Notes

10. Trade and other payables

	Parent company	
	9/30/2013	**12/31/2012**
Trade payables	158,841	157,397
Taxes and contributions	63,502	47,293
Taxes in installments	244,294	255,676
Provision for vacation pay and 13th month's salary	130,044	84,653
Electrical energy	7,533	6,618
Deposit for construction (a) (b)	29,994	34,590
Investment losses	90,921	79,169
Sundry obligations	12,442	13,652
Total	**737,571**	**679,048**
Non-current liabilities	**(327,137)**	**(333,759)**
Current liabilities	**410,434**	**345,289**

	Consolidated	
	9/30/2013	**12/31/2012**
Trade payables	162,496	172,440
Taxes and contributions	63,969	47,774
Taxes in installments	244,294	255,676
Provision for vacation pay and 13th month's salary	130,912	85,172
Electrical energy	7,888	6,932
Deposit for construction	29,997	34,593
Sundry obligations	12,614	13,868
Total	**652,170**	**616,455**
Non-current liabilities	**(236,219)**	**(254,593)**
Current liabilities	**415,951**	**361,862**

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

a) On January 29, 2013 the Company received a transfer of R$8,114 from the National Water Agency (ANA) as consideration for the Federal Government's participation in the construction of the Pato de Minas sewage treatment plant. As set forth in Clause 6 of Contract 099/2012, the payment for the treated sewage will be released to the Company in twelve quarterly, consecutive installments after obtaining a pollution reduction target certificate to be issued by the ANA. The Contract is effective until December 31, 2018.

Explanatory Notes

b) On June 28, 2013, the adjusted amount of R$14,439 was redeemed. This amount refers to part of the amount provided by the ANA in December 2007 for the construction of the Betim Central sewage treatment plant. This redemption was made because only the first phase of the sewage treatment project was completed, but the original contract encompassed the final phase. After many analyses, a Contract Addendum was made in December 2012, changing the load and discharge amounts in light of the current status of the project. The original amount of the contract, of R$18,720, was adjusted to R$10,160 under the Addendum signed in May 2013, with reference to the date of the original contract.

11. Borrowings and debentures

These accounts did not change significantly compared to the disclosures made in Note 12 to the Financial Statements for the year ended December 31, 2012, except for the borrowings of the subsidiaries Águas Minerais and COPANOR as described below. Accordingly, management decided not to repeat these in this interim accounting information at September 30, 2013.

a) Changes in borrowings

Changes in borrowings were as follows:

Parent company	
At December 31, 2012	**1,381,873**
Proceeds from borrowings	158.691
Provision for interest and financial charges	79,402
Monetary and exchange variations	10,645
Amortization of principal	(167,693)
Amortization of charges	(78,886)
At September 30, 2013	**1,384,032**
Current liabilities	**(213,823)**
Non-current liabilities	**1,170,209**

Consolidated	
At December 31, 2012	**1,381,873**
Proceeds from loans and financing	160,253
Provision for interest and financial charges	79,435
Monetary and exchange variations	10,645
Amortization of principal	(167,726)
Amortization of charges	(78,912)
At September 30, 2013	**1,385,568**
Current liabilities	**(214,230)**
Non-current liabilities	**1,171,338**

Explanatory Notes

On June 7, 2013, the subsidiary COPANOR entered into a loan agreement of R$1,000,000.00 (one million reais) with Banco do Brasil. This agreement is subject to an interest rate of 112.5% p.a. of the average rate for the interbank deposit certificate (CDI), to be paid on each base date starting on July 15, 2013, upon maturity and settlement of the debt.

The grace period for principal payments is three months and amortization will be in 30 monthly, equal and consecutive installments of R$33,333.33 (thirty-three thousand, three hundred and thirty-three reais, thirty-three cents) due on the 15th day of each month during the period between September 15, 2013 and February 15, 2016, the final maturity date.

Proceeds from this borrowing will be used exclusively to guarantee the provision of funds in a deposit current account and will not be otherwise invested or used outside of the Banco do Brasil.

Bank loans and financing mature through 2035 and bear average coupons of 7.69% p.a. (8.04% p.a. at December 31, 2012). In addition, the debit balances of financing lines are pegged to specific rates, as follows:

	Parent Company/Consolidated
Financing lines	**Rates**
State government/BDMG	IGP-M
Federal Savings and Loan Bank (CEF)	TR
National Treasury	TR
BNDES – BNE	Exceeding 6% of Long-Term Interest Rate (TJLP)
FINAME	-
Federal government – bonds	Dollar
KfW Bank	Euro
FINAME – Águas Minerais	-
Banco do Brasil - COPANOR	CDI
Debentures	(*)

See item “c” of Note 12 to the Financial Statements for the year ended December 31, 2012.

The non-current portions mature as follows:

	Parent company		Consolidated	
Maturity	**9/30/2013**	**12/31/2012**	**9/30/2013**	**12/31/2012**
2014	47,554	188,477	47,654	188,477
2015	168,636	153,067	169,101	153,067
2016	133,017	117,590	133,153	117,590
2017	96,101	81,494	96,171	81,494
2018	97,223	82,500	97,294	82,500
2019	98,843	83,989	98,914	83,989
2020 up to 2035	528,835	445,775	529,051	445,775
Total	**1,170,209**	**1,152,892**	**1,171,338**	**1,152,892**

Explanatory Notes

At September 30, 2013, the book values of the Company's borrowings in foreign currency total R$113,111 (R$62,387 at December 31, 2012), of which R$60,170 in US dollars and R$52,941 in euros (R$56,162 in US dollars and R$6,225 in euros at December 31, 2012).

b) Changes in debentures

Changes in debentures were as follows:

	Parent Company/Consolidated
At December 31, 2012	**1,677,505**
Proceeds from debentures	31,405
Provision for interest and financial charges	95,099
Monetary variation	19,704
Amortization of principal	(76,467)
Amortization of charges	(106,340)
At September 30, 2013	**1,640,906**
Current liabilities	**(260,515)**
Non-current liabilities	**1,380,391**

c) Other significant information on borrowings

Guarantees for bank borrowings and financing

There were no significant changes in the guarantees provided by the Company for its borrowings in relation to those disclosed in the Financial Statements as at December 31, 2012. Accordingly, management decided not to repeat these in this interim accounting information as at September 30, 2013.

Restrictive covenants

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

- Net debt/EBITDA
- Net debt/equity
- EBITDA/debt amortization
- EBITDA/ROL (net operating revenue)
- EBITDA/debt service
- Total debt/equity
- Indebtedness
- Water and sewerage connections/number of employees
- EBITDA margin
- Total liabilities/equity

Explanatory Notes

None of the covenants above had been breached through September 30, 2013.

12. Tax and litigation provisions

a) Probable contingent liabilities

Provisions are as follows:

	Parent company					
	9/30/2013			12/31/2012		
	Contin-gencies	Judicial deposits	Net balance	Contin-gencies	Judicial deposits	Net balance
Civil	43,610	(1,130)	42,480	36,695	(1,054)	35,641
Labor	34,531	(855)	33,676	27,282	(1,104)	26,178
Tax	2,300	(409)	1,891	2,209	(96)	2,113
IPI premium credit	16,456	-	16,456	16,456	-	16,456
Total	**96,897**	**(2,394)**	**94,503**	**82,642**	**(2,254)**	**80,388**

	Consolidated					
	9/30/2013			12/31/2012		
	Contin-gencies	Judicial deposits	Net balance	Contin-gencies	Judicial deposits	Net balance
Civil	43,609	(1,130)	42,479	36,695	(1,054)	35,641
Labor	36,666	(1,521)	35,145	29,189	(2,625)	26,564
Tax	2,300	(409)	1,891	2,209	(96)	2,113
IPI premium credit	16,456	-	16,456	16,456	-	16,456
Total	**99,031**	**(3,060)**	**95,971**	**84,549**	**(3,775)**	**80,774**

The changes in provisions for contingencies were as follows:

	Parent company	Consolidated
At December 31, 2012 before offsetting of judicial deposits	**82,642**	**84,549**
Additions	23,834	24,478
Use	(3,133)	(3,133)
Reversals	(6,446)	(6,863)
(-) Offsetting of judicial deposits	(2,394)	(3,060)
At September 30, 2013	**94,503**	**95,971**

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

Explanatory Notes

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

b) Possible contingent liabilities

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

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

	Parent Company/Consolidated	
Nature	**9/30/2013**	**12/31/2012**
Civil	542,090	477,222
Tax	33,942	37,957
Total	**576,032**	**515,179**

At September 30, 2013 the information concerning the status of proceedings, the likelihood of loss and the contingent assets had not changed significantly compared to the disclosures made in Note 13 to the Financial Statements as at December 31, 2012 and accordingly, management have decided not to repeat these as part of this interim accounting information.

13. Employee profit sharing

The 2008/2010 Collective Agreement, formally approved at the meeting held on July 25, 2008 and ratified by the 2012 Collective Agreement, signed on October 18, 2012, determines that the computed amount of profit sharing shall be distributed among all employees, in two equal installments (50% each), the first payable in April and the second in October.

At September 30, 2013, the Company made a provision of R$21,609 for the employee profit sharing for the nine-month period ended September 30, 2013 (R$22,271for the nine-month period ended September 30, 2012).

Explanatory Notes

14. Income tax and social contribution

a) Current income tax and social contribution

In Brazil, income taxes include both federal income tax and social contribution. The statutory tax rates applicable to income tax and social contribution are 25% and 9%, respectively, resulting in a combined 34% rate for September 2013 and 2012. The amounts reported as income tax expenses in the income statements of the Company are reconciled with the statutory tax rates as follows:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	**2012**	**2013**	**2012**
Profit before income tax and social contribution	163,904	165,003	429,722	475,053
Statutory rate	34%	34%	34%	34%
Estimated expenses at statutory rate	**(55,727)**	**(56,101)**	**(146,105)**	**(161,518)**
Income tax and social contribution on:				
(Additions)/exclusions				
Equity in the results of subsidiaries	5,527	(1,519)	(3,996)	(3,546)
Realization of special monetary restatement	(95)	(404)	(501)	(855)
Government grants	-	794	-	2.451
Other (additions)/exclusions	613	4,179	631	3,290
Other reconciling items				
Interest on capital	10,562	12,901	35,871	38,392
Tax incentives	1,051	1,905	2,805	3,645
Income tax and social contribution	**(38,069)**	**(38,245)**	**(111,295)**	**(118,141)**
Current income tax and social contribution	(39,272)	(49,027)	(125,559)	(130,722)
Deferred income tax and social contribution	1,203	10,782	14,264	12,581
	(38,069)	**(38,245)**	**(111,295)**	**(118,140)**
Effective rate	23.2%	23.1%	25.9%	24.9%

Explanatory Notes

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Profit before income tax and social contribution	163,903	165,112	429,785	475,196
Statutory rate	34%	34%	34%	34%
Estimated expenses at statutory rate	**(55,727)**	**(56,138)**	**(146,127)**	**(161,567)**
Income tax and social contribution on: (Additions)/exclusions				
Realization of special monetary restatement reserve	(95)	(404)	(501)	(855)
Government grants	-	794	-	2,451
Other (additions)/exclusions	6,141	2,588	(3,406)	(349)
Other reconciling items				
Interest on capital	10,562	12,901	35,871	38,392
Tax incentives	1,051	1,905	2,805	3,645
Income tax and social contribution	**(38,068)**	**(38,354)**	**(111,358)**	**(118,283)**
Current income tax and social contribution	(39,271)	(49,136)	(125,622)	(130,864)
Deferred income tax and social contribution	1,203	10,782	14,264	12,581
	(38,068)	**(38,354)**	**(111,358)**	**(118,283)**
Effective rate	23.2%	23.2%	25.9%	24.9%

b) Deferred income tax and social contribution

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

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

Explanatory Notes

The offset amounts are as follows:

	Parent Company/Consolidated	
Asset and liability balances	**9/30/2013**	**12/31/2012**
In non-current assets		
Temporary differences:		
Provision for impairment of trade receivables and litigation provision	97,895	85,703
Provisions for actuarial liabilities	172,793	149,387
Provisions for adjustments required under CPCs	362,732	370,934
Tax provisions	130,814	146,104
Other temporary provisions – sundry	81,795	7,431
Total	**846,029**	**759,559**
Deferred income tax	211,506	189,890
Deferred social contribution	76,143	68,360
	287,649	**258,250**
In non-current liabilities		
Temporary differences:		
Provisions for adjustments required under CPCs	268,563	240,718
Total	**268,563**	**240,718**
Deferred income tax	67,140	60,179
Deferred social contribution	24,171	21,665
	91,311	**81,844**
Deferred income tax and social contribution, net	**196,338**	**176,406**

At September 30, 2013 there were no changes in the nature and conditions of income tax and social contribution compared to the disclosures made in Note 15 to the Financial Statements as at December 31, 2012 and accordingly, management have decided not to repeat these as part of this interim accounting information.

Explanatory Notes

15. Technical cooperation agreements

The net balance of these agreements is as follows:

	Parent company		
	Receivables (assets)	**Advances (liabilities)**	**Net**
At September 30, 2013			
State of Minas Gerais	228,382	(216,479)	**11,903**
Others	54,096	(79,111)	**(25,015)**
Total	**282,478**	**(295,590)**	**(13,112)**
At December 31, 2012			
State of Minas Gerais	232,475	(262,262)	**(29,787)**
Others	10,340	(12,404)	**(2,064)**
Total	**242,815**	**(274,666)**	**(31,851)**

	Consolidated		
	Receivables (assets)	**Advances (liabilities)**	**Net**
At September 30, 2013			
State of Minas Gerais	642,003	(630,099)	**11,904**
Others	54,096	(79,111)	**(25,015)**
Total	**696,099**	**(709,210)**	**(13,111)**
At December 31, 2012			
State of Minas Gerais	583,913	(621,583)	**(37,670)**
Others	10,340	(12,404)	**(2,064)**
Total	**594,253**	**(633,987)**	**(39,734)**

At September 30, 2013 there were no changes in the nature and conditions of technical cooperation agreements compared to the disclosures of Note 16 to the Financial Statements as at December 31, 2012 and accordingly, management have decided not to repeat these as part of this interim accounting information.

16. Pension plan obligations

	Parent Company/Consolidated	
	9/30/2013	**12/31/2012**
Non-current liabilities	276,240	259,071
Current liabilities	14,205	13,256
	290,445	**272,327**
Normal contributions	6,414	11,346
Total obligations recorded in the balance sheet	**296,859**	**283,673**

Explanatory Notes

Changes in net liabilities were as follows:

	Parent Company/Consolidated
Net liabilities at December 31, 2012	**283,673**
Amounts recognized in the statement of income	18,098
Actuarial losses recognized directly in other comprehensive income (losses)	17,701
Amortization of interest on debt	(7,436)
Amortization of the principal	(10,244)
Expenses recognized in the statement of income - contributions from COPASA	24,914
Provision for monthly contributions	31,818
Amortization of monthly contributions	(61,665)
Net liabilities at September 30, 2013	**296,859**
Current liabilities	**(20,619)**
Non-current liabilities	**276,240**

At September 30, 2013, except for the changes in accounting practices described in Note 3, there were no other changes in the nature and conditions of pension plans compared to the disclosures made in Note 17 to the Financial Statements as at December 31, 2012.

17. Equity and dividends

(a) Capital

The total number of authorized common shares is 119,684,430. All shares issued have been paid up and do not have a nominal value.

The Company is controlled by the Government of Minas Gerais, which holds 51.13% of the Company's shares. The remaining 48.57% of the shares, which represents the Company’s free float, is held by various stockholders.

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

Explanatory Notes

At September 30, 2013, the breakdown of capital is as follows:

Stockholders	Number of shares	Interest held
State of Minas Gerais	61,189	51.13
Directors and officers	2	-
Other stockholders	58,136	48.57
Treasury shares	357	0,30
Total	**119.684**	**100.00**

(b) Reserves

At September 30, 2013, there were no changes in the nature and conditions of reserves in relation to the disclosures made in Note 18 (b) and (c) to the Financial Statements as at December 31, 2012, and accordingly, management have decided not to repeat these as part of this interim accounting information.

(c) Dividends and interest on capital to stockholders

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

Following the resolution passed by the Stockholders' Extraordinary General Meeting held on April 28, 2009, the Company's Board of Directors approved on March 18, 2013 the dividend distribution for 2013 in the form of interest on capital equivalent to 35% of the profit for the year adjusted for the deduction or addition of the amounts specified in Items I, II and III of Article 202 of Law 6,404/76.

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

Date	Gross amount declared	Value per share
3/18/2013	38,054	0.32
6/24/2013	36,385	0.30
9/20/2013	31,063	0.26
	105,502	

Declared interest on capital will be deducted from the mandatory dividends for 2013.

As provided for in Article 9 of Law 9,249/95, and based on TJLP, interest on capital was recorded as finance costs deductible for income tax and social contribution purposes, thereby generating a tax benefit of R$35,871. Under Brazilian corporation law, interest on capital is disclosed as a debit to retained earnings in equity.

Explanatory Notes

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

	9/30/2013	12/31/2012
Opening balance	**46,469**	**26,921**
Proposed interest on capital	105,502	159,381
Prepaid withholding income tax (IRRF)	(8,215)	(7,229)
Interest on capital paid	(112,663)	(133,712)
Transfer to recoverable taxes	-	1,108
Balance of interest on capital in current liabilities	**31,093**	**46,469**

(d) Earnings per share

- Basic

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

	Parent Company/Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Profit attributable to the stockholders of the Company	125,835	126,758	318,427	356,913
Weighted average number of outstanding common shares (in thousands)	119,327	119,327	119,327	119,327
Basic earnings per share	1.05	1.06	2.67	2.99

- Diluted

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

18. Financial risk management

At September 30, 2013, there were no changes in the financial risk policies and management in relation to the disclosures made in Note 19 to the Financial Statements as at December 31, 2012.

The information relating to: (a) liabilities subject to foreign exchange variations, (b) the credit quality of financial assets, (c) the cash flow from financial instruments, and (d) financial leverage ratios did not change significantly compared to the disclosures made in Note 19 to the Financial Statements as at December 31, 2012, and

accordingly management decided not to repeat these items as part of the interim accounting information as at September 30, 2013.

18.1 Sensitivity analysis

a) Interest rate sensitivity

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

	Parent company	
	Increase/decrease in base points	**Effect on profit before taxes (R$)**
9/30/2013		
	+ 0.5%	(11,904)
	- 0.5%	11,904
12/31/2012		
	+ 0.5%	(12,252)
	- 0.5%	12,252

	Consolidated	
	Increase/decrease in base points	**Effect on profit before taxes (in reais)**
9/30/2013		
	+ 0.5%	(11,909)
	- 0.5%	11,909
12/31/2012		
	+ 0.5%	(12,252)
	- 0.5%	12,252

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

b) Foreign exchange sensitivity

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

Explanatory Notes

	Change in US Dollar rate	Effect on profit before taxes (in reais)
9/30/2013	+ 20%	(22,324)
	- 20%	22,324
	+10%	(11,162)
	-10%	11,162
12/31/2012	+ 20%	(12,363)
	- 20%	12,363
	+10%	(6,181)
	-10%	6,181

Changes in income and equity derive from changes in US Dollar borrowings.

18.2 Fair value estimation

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

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

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

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

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

Explanatory Notes

i. Parent company

	9/30/2013			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Cash and cash equivalents				
Bank deposit certificates (CDB)	255,469			255,469
Financial assets available for sale			29,879	29,879
Total assets	**255,469**		**29,879**	**285,348**

	12/31/2012			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Cash and cash equivalents				
Bank deposit certificates (CDB)	449,223	-	-	449,223
Financial assets available for sale	-	-	28,850	28,850
Total assets	**449,223**	**-**	**28,850**	**478,073**

ii. Consolidated

	9/30/2013			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Cash and cash equivalents				
Bank deposit certificates (CDB)	255,929	-	-	255,929
Financial assets available for sale	-	-	29,879	29,879
Total assets	**255,929**	**-**	**29,879**	**285,808**

	12/31/2012			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Cash and cash equivalents				
Bank deposit certificates (CDB)	449,223	-	-	449,223
Financial assets available for sale	-	-	28,850	28,850
Total assets	**449,223**	**-**	**28,850**	**478,073**

Explanatory Notes

The fair value of financial instruments traded in active markets (such as trading securities) is based on the quoted market prices as at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets held by the Company and its subsidiaries are the current bid prices. These instruments are included in Level 1. Instruments included in Level 1 mainly represent bank deposit certificates (CDBs) classified as trading securities.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. These valuation techniques maximize the use of observable market data where available, and rely as little as possible on Company-specific estimates. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in Level 2.

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

Specific valuation techniques used to value financial instruments include:

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

b) Fair value of borrowings

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

	Parent company			
	Amounts			
	Carrying amount	Fair value	Carrying amount	Fair value
	9/30/2013	9/30/2013	12/31/2012	12/31/2012
Bank borrowings and financing	1,384,032	1,430,917	1,381,873	1,454,429
Simple debentures	1,640,906	1,600,768	1,677,498	1,650,652
Convertible debentures	-	-	7	7
Total	**3,024,938**	**3,031,685**	**3,059,378**	**3,105,088**

Explanatory Notes

	Consolidated			
	Amounts			
	Carrying amount	Fair value	Carrying amount	Fair value
	9/30/2013	9/30/2013	12/31/2012	12/31/2012
Bank borrowings and financing	1,385,568	1,432,043	1,381,873	1,454,429
Simple debentures	1,640,906	1,600,768	1,677,498	1,650,652
Convertible debentures	-	-	7	7
Total	**3,026,474**	**3,032,811**	**3,059,378**	**3,105,088**

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

	Parent Company/Consolidated			
Financing lines	Contractual rate	Period (months)	Market rate	Comments
State government/BDMG	9.03%	18	7.33%	CEF rate, since there is no similar one
CEF/FGTS	9.38%	135	7.33%	Quoted CEF rate in September 2013
National Treasury	5.38%	4	7.33%	CEF rate, since there is no similar one
BNDES/BNE	6.57%	100	6.55%	Quoted BNDES/BNE rate in September 2013
FINAME	3.76%	94	3.00%	Quoted FINAME rate in September 2013
Federal government	4.46%	127	7.33%	CEF rate, since there is no similar one
Simple debentures	7.89%	91	8.75%	Quoted BNDES/BND rate in September 2013
KfW Bank	2.07%	124	2.07%	Quoted KfW rate in September 2013
FINAME - AGMM	2.50%	112	3.00%	Quoted FINAME rate in September 2013
Banco do Brasil - Copanor	8.69%	29	7.33%	CEF rate, since there is no similar one

19. Financial instruments by category

a) Parent company

	9/30/2013				
	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale assets	Held-to-maturity assets	Total
Assets					
Cash and cash equivalents	45,095	255,469	-	-	300,564
Trade receivables	851,132	-	-	-	851,132
Restricted investments	-	-	-	140,605	140.605
Financial assets – concession agreements	448,280	-	-	-	448,280
Equity securities	-	-	29,879	-	29,879
Receivables from subsidiaries	114,498	-	-	-	114,498
Other receivables (excluding prepayments)	33,904	-	-	132,622	166,526
Total	**1,492,909**	**255,469**	**29,879**	**273,227**	**2,051,484**

Explanatory Notes

	9/30/2013	
	Other financial liabilities	Total
Liabilities		
Borrowings and debentures	3,024,938	3,024,938
Suppliers	158,841	158,841
Total	**3,183,779**	**3,183,779**

	12/31/2012				
	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale assets	Held-to-maturity assets	Total
Assets					
Cash and cash equivalents	47,202	449,223	-	-	496,425
Short-term investments	-	-	-	20,135	20,135
Trade receivables	798,853	-	-	-	798,853
Restricted investments	-	-	-	188,661	188,661
Financial assets – concession agreements	390,757	-	-	-	390,757
Equity securities	-	-	28,850	-	28,850
Receivables from subsidiaries	106,831	-	-	-	106,831
Other receivables (excluding prepayments)	22,991	-	-	132,961	155,952
Total	**1,366,634**	**449,223**	**28,850**	**341,757**	**2,186,464**

	12/31/2012	
	Other financial liabilities	Total
Liabilities		
Borrowings and debentures	3,059,378	3,059,378
Trade payables	157,397	157,397
Total	**3,216,775**	**3,216,775**

b) Consolidated

	9/30/2013				
	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale assets	Held-to-maturity assets	Total
Assets					
Cash and cash equivalents	46,818	255,929	-	-	302,747
Trade receivables	855,684	-	-	-	855,684
Restricted investments	-	-	-	140,605	140,605
Financial assets – concession agreements	448,280	-	-	-	448,280
Equity securities	-	-	29,879	-	29,879
Other receivables (excluding prepayments)	31,262	-	-	132,622	163,884
Total	**1,382,044**	**255,929**	**29,879**	**273,227**	**1,941,079**

Explanatory Notes

	9/30/2013	
	Other financial liabilities	Total
Liabilities		
Borrowings and debentures	3,026,474	3,026,474
Trade payables	162,496	162,496
Total	**3,188,970**	**3,188,970**

	12/31/2012				
	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale assets	Held-to-maturity assets	Total
Assets					
Cash and cash equivalents	48,478	449,223	-	-	497,701
Short-term investments	-	-	-	20,135	20,135
Trade receivables	803,513	-	-	-	803.513
Restricted investments	-	-	-	188,661	188,661
Financial assets – concession agreements	390,757	-	-	-	390,757
Equity securities	-	-	28,850	-	28,850
Other receivables (excluding prepayments)	23,066	-	-	132,961	156,027
Total	**1,265,814**	**449,223**	**28,850**	**341,757**	**2,085,644**

	12/31/2012	
	Other financial liabilities	Total
Liabilities		
Borrowings and debentures	3,059,378	3,059,378
Trade payables	172,440	172,440
Total	**3,231,818**	**3,231,818**

20. Revenue

Operating revenue can be summarized as follows:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Revenue from water supply and sewage services	862,508	800,734	2,492,764	2,280,443
Construction revenue	216,590	158,757	580,688	486,981
Total gross revenue	1,079,098	959.491	3,073,452	2,767,424
Taxes on sales	(91,946)	(90,017)	(265,410)	(255,599)
Net revenue	**987,152**	**869,474**	**2,808,042**	**2,511,825**

Explanatory Notes

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Revenue from water supply and sewage services	866,637	805,339	2,505,441	2,293,868
Revenue from sales of goods	705	971	2,847	2,530
Construction revenue	216,590	158,757	580,688	486,981
Total revenue	1,083,932	965,067	3,088,976	2,783,379
Taxes on sales	(92,436)	(91,282)	(267,033)	(258,490)
Net revenue	**991,496**	**873,785**	**2,821,943**	**2,524,889**

The Company's other operating income for the periods ended September 30, 2013 and 2012 is set out below:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Reversal of non-deductible provision	6,624	3,698	8,509	48,051
Recovery of accounts written-off	34,236	9,934	50,501	25,525
Other revenue	2,801	(1,397)	7,544	16,256
Total other operating income	**43,661**	**12,235**	**66,554**	**89,832**

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Reversal of non-deductible provision	6,724	3,843	8,926	49,975
Recovery of accounts written-off	34,394	10,298	50,754	26,070
Other revenue	3,979	515	9,249	19,080
Total other operating income	**45,097**	**14,656**	**68,929**	**95,125**

Explanatory Notes

21. Expenses by nature

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Salaries and charges	266,013	223,831	743,860	661,982
Materials	30,492	25,550	89,295	78,467
Outsourced services	160,279	139,434	452,115	387,451
General costs	32,061	28,834	88,509	76,407
Depreciation and amortization	111,924	99,347	315,468	278,761
Provision for impairment of trade receivables	17,581	19,588	50,115	53,175
Provision for obsolescence	-	69	-	195
Construction cost (*)	212,173	155,219	568,190	479,213
Litigation provision	6,571	6,579	23,834	30,119
Equity in the results of subsidiaries	3,098	4,468	11,752	9,542
Employee profit sharing	8,224	7,809	21,609	22,271
Others	10,487	6,405	30,099	26,422
Operating expenses	**858,903**	**717,133**	**2,394,846**	**2,104,005**
(-) Tax credits	**(22,274)**	**(23,812)**	**(60,680)**	**(67,977)**
Net operating expenses	**836,629**	**693,321**	**2,334,166**	**2,036,028**
Costs	**642,537**	**509,034**	**1,772,965**	**1,507,399**
Expenses	**194,092**	**184,287**	**561,201**	**528,629**

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Salaries and charges	268,595	225,935	751,710	667,423
Materials	31,090	26,188	91,076	79,990
Outsourced services	162,431	142,318	460,115	394,595
General costs	32,311	29,668	90,076	78,753
Depreciation and amortization	112,564	100,072	317,422	280,692
Provision for impairment of trade receivables	18,209	19,765	51,616	54,007
Provision for obsolescence	-	69	-	195
Construction cost (*)	212,173	155,219	568,190	479,213
Cost of sales	254	1,748	1,066	3,504
Litigation provision	7,337	7,247	24,921	31,993
Employee profit sharing	8,224	7,809	21,609	22,271
Others	11,328	7,726	32,855	29,318
Operating expenses	**864,516**	**723,764**	**2,410,656**	**2,121,954**
(-) Tax credits	**(22,447)**	**(24,117)**	**(61,201)**	**(68,635)**
Net operating expenses	**842,069**	**699,647**	**2,349,455**	**2,053,319**

Explanatory Notes

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Costs	**646,994**	**515,789**	**1,787,399**	**1,522,798**
Expenses	**195,075**	**183,858**	**562,056**	**530,521**

(*) Breakdown of construction costs:

	Parent Company/Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Salaries and charges	7,435	6,459	23,352	20,364
Materials	14,332	17,738	47,717	51,890
Equipment	18,990	8,117	63,950	43,984
Outsourced services	154,753	109,765	380,923	315,635
Financing costs	14,006	12,466	45,156	46,391
Others	2,657	674	7,092	949
Total construction costs	**212,173**	**155,219**	**568,190**	**479,213**

22. Employee benefit expenses

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Salaries	145,639	126,418	412,662	371,065
Social security costs	44,258	38,780	125,877	113,271
FGTS	17,296	10,740	48,289	37,577
Pension plan contributions	8,558	7,914	24,914	23,047
Workers' meal program	31,460	24,812	84,915	73,315
Healthcare plan	13,449	10,571	33,653	31,010
Other benefits	5,353	4,596	13,550	12,697
Total	**266,013**	**223,831**	**743,860**	**661,982**
Number of employees (not reviewed)	11,911	11,581	11,911	11,581

Explanatory Notes

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Salaries	147,514	128,146	418,027	375,171
Social security costs	44,633	39,008	126,936	114,039
FGTS	17,405	10,804	48,596	37,816
Pension plan contributions	8,558	7,914	24,914	23,047
Workers' meal program	31,643	24,837	85,921	73,475
Healthcare plan	13,480	10,622	33,741	31,111
Other benefits	5,362	4,604	13,575	12,764
Total	**268,595**	**225,935**	**751,710**	**667,423**
Number of employees (not reviewed)	12,257	11,879	12,257	11,879

23. Finance income and costs

Finance income (costs) can be summarized as follows:

	Parent company			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Interest income	2,175	8,481	9,659	18,354
Actual gain on financial investments	9,949	8,287	30,151	31,829
Monetary and foreign exchange gains	1,784	24,015	9,791	38,489
Capitalization of financial assets/others	11,655	5,782	20,090	16,416
Total income	**25,563**	**46,565**	**69,691**	**105,088**
Interest on financing	(45,767)	(43,695)	(137,009)	(147,570)
Monetary and foreign exchange costs	(6,671)	(25,246)	(39,356)	(44,572)
Other costs	(3,405)	(1,009)	(4,034)	(3,522)
Total costs	**(55,843)**	**(69,950)**	**(180,399)**	**(195,664)**
Finance income (costs)	**(30,280)**	**(23,385)**	**(110,708)**	**(90,576)**

Explanatory Notes

	Consolidated			
	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Interest income	1,244	8,520	8,882	18,547
Actual gain on financial investments	9,969	8,291	30,171	31,836
Monetary and foreign exchange gains	2,387	23,693	9,738	37,426
Capitalization of financial assets/other	11,656	5,782	20,090	16,422
Total income	**25,256**	**46,286**	**68,881**	**104,231**
Interest on financing	(45,794)	(43,695)	(137,048)	(147,571)
Monetary and foreign exchange costs	(6,671)	(25,246)	(39,367)	(44,572)
Other costs	(3,412)	(1,027)	(4,098)	(3,587)
Total costs	**(55,877)**	**(69,968)**	**(180,513)**	**(195,730)**
Finance income (costs)	**(30,621)**	**(23,682)**	**(111,632)**	**(91,499)**

24. Related-party transactions

The Company is controlled by the State of Minas Gerais, which holds 51.13% of the Company's shares (Note 17).

a) Assets, liabilities, income and expenses

In addition to the agreements described in Note 15, other transactions with related parties substantially represent those carried out with the State of Minas Gerais, CEMIG and subsidiaries. Significant balances and transactions with related parties are set out below:

	Parent company					
	9/30/2013					
	Subsidiaries				Others	
	Águas Minerais	Copanor	Serviços de Irrigação	Total	State MG	CEMIG
Assets						
Current assets						
Trade receivables						
Billed amounts	-	-	-	-	24,791	-
Other receivables						
Receivables from subsidiaries	203	2,495	-	2,698	-	-
Non-current assets						
Loans	-	18,731	1,050	19,781	-	-
Advances for future capital increases	94,717	-	-	94,717	-	-
Total assets	**94,920**	**21,226**	**1,050**	**117,196**	**24,791**	**-**
Liabilities						

Explanatory Notes

	Parent company					
	9/30/2013					
	Subsidiaries				Others	
	Águas Minerais	Copanor	Serviços de Irrigação	Total	State MG	CEMIG
Current liabilities						
Agreements	-	-	-	-	11,903	-
Interest on capital	-	-	-	-	15,928	-
Electrical energy	-	-	-	-	-	7,533
Non-current liabilities						
Provision for investment losses	71,874	18,335	712	90,921	-	-
Total liabilities	**71,874**	**18,335**	**712**	**90,921**	**27,831**	**7,533**
Statement of income						
	Quarter ended September 30, 2013					
Revenue from water supply and sewage services	-	-	-	-	27,155	-
Gains on monetary variations	-	372	21	393	-	-
	Nine-month period ended September 30, 2013					
Revenue from water supply and sewage services	-	-	-	-	55,347	-
Gains on monetary variations	-	995	54	1,049	-	-

	Parent company					
	12/31/2012					
	Subsidiaries				Other	
	Águas Minerais	Copanor	Serviços de Irrigação	Total	State MG	CEMIG
Assets						
Current assets						
Trade receivables						
Billed amounts	-	-	-	-	17,996	-
Non-current assets						
Loans	-	19,121	1,076	20,197	-	-
Advances for future capital increases	86,634	-	-	86,634	-	-
Total assets	**86,634**	**19,121**	**1,076**	**106,831**	**17,996**	**-**

Explanatory Notes

	Parent company					
	12/31/2012					
	Subsidiaries				Other	
	Águas Minerais	Copanor	Serviços de Irrigação	Total	State MG	CEMIG
Liabilities						
Current liabilities						
Agreements	-	-	-	-	29,787	-
Interest on capital	-	-	-	-	24,197	-
Electrical energy	-	-	-	-	-	6,618
Non-current liabilities						
Provision for investment losses	63,053	15,931	185	79,169	-	-
Total liabilities	**63,053**	**15,931**	**185**	**79,169**	**53,984**	**6,618**

Statement of income

	Quarter ended September 30, 2012					
Revenue from water supply and sewage services	-	-	-	-	26,608	-
Gains on monetary variations	-	298	23	321	-	-

	Nine-month period ended September 30, 2012					
Revenue from water supply and sewage services	-	-	-	-	74,204	-
Gains on monetary variations	-	981	83	1,064	-	-

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

At September 30, 2013 there were no changes in the nature and conditions of related-party transactions compared to the disclosures made in Note 24 to the Financial Statements for the year ended December 31, 2012, and accordingly, management have decided not to repeat these as part of this interim accounting information.

b) Key management compensation

	Quarters ended September 30		Nine-month periods ended September 30	
	2013	2012	2013	2012
Salaries	1,151	939	3,351	3,213
Employee benefits	168	154	475	500
Total	**1,319**	**1,093**	**3,826**	**3,713**

Explanatory Notes

25. Commitments

The Company entered into new construction contracts, under which obligations are recorded as the services are rendered. The main outstanding contracts with contractors and suppliers at September 30, 2013 are listed below:

Contractors	Amount	Signed on	Term in days (1)
Construtora Andrade Gutierrez S.A.	186,404	8/25/2011	1,080
Consórcio Orteng/Sonel	71,075	2/21/2013	990
Mendes Junior Trading e Engenharia S/A	60,339	11/30/2012	810
Prefisan Ltda	28,797	5/23/2013	720
Infracon Engenharia e Comércio Ltda	26,353	8/8/2012	630
Prefisan Engenharia S/A	21,624	3/14/2012	1,080
Infracon Engenharia e Comércio Ltda	21,170	8/28/2013	540
Comim Construtora Ltda	19,541	8/9/2013	720
Construtora Penchel Ltda	19,239	4/19/2013	720
Consirel Constr.Silveira e Resende Ltda	12,368	8/29/2013	600
Consórcio Sonel/ G-Maia	11,360	7/22/2013	360

1) Counted from the date set in the first service order.

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

The main committed amounts refer to the following municipalities:

	Amounts		
Municipalities	Committed	Realized	% realization
Betim	80,286	73,521	91.57
Belo Horizonte	261,140	69,654	26.67
Contagem	83,707	83,707	100.00
Montes Claros	121,941	61,417	50.37
Ribeirão das Neves	86,411	70,977	82.14
Teófilo Otoni	54,360	-	-

Explanatory Notes

26. Transactions not involving cash and cash equivalents

During the period from January to September 2013 and 2012, the Company and its subsidiaries carried out the following non-cash investing and financing activities which are not reflected in the statement of cash flow:

	Parent company		Consolidated	
Event	**9/30/2013**	**9/30/2012**	**9/30/2013**	**9/30/2012**
Proposed dividends (Note 18)	31,093	36,843	31,093	36,843
Renegotiation with customers through acquisition of land	18,527	-	18,527	-
Transfer of PRODES/ANA agreement (Notes 6 and 10)	4,596	6,795	4,596	6,795
Conversion of debentures into shares	-	133,703	-	133,703

27. Notes attached to the annual financial statements that are not presented in this interim accounting information

Pursuant to Circular CVM/SNC/SEP/N°003/2011, the Company has disclosed the explanatory notes considered to be relevant in the context of the "Basic Accounting Pronouncement – Conceptual Framework for Financial Statements". All of the information on omissions or effects that could influence a user's economic decisions has been duly disclosed in this interim accounting information, which should be read in conjunction with the financial statements as at December 31, 2012.

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

Note 4 – Significant accounting judgments, estimates and assumptions
Note 25 – Water supply and sewage services in Belo Horizonte
Note 26 – Fair value measurement and hierarchy
Note 28 – Insurance

Comments on the behavior of business projections

3Q13 - Projections disclosed in the past three years

In 2003, the Strategic Planning of COPASA MG was prepared, with extensive participation of its managers, employees and other stakeholders. The first revision of this Planning was made at the beginning of 2006, when the changes and updates introduced allowed the Company to adjust to its new reality, mainly marked by the IPO, launched in February of that year.

The enactment of the Sanitation Law in 2007, the creation of the Minas Gerais State Regulatory Water and Wastewater Agency (ARSAE-MG) in 2009 and other circumstantial factors required a new review of the Strategic Planning, in order to assure the Company's development in the years ahead.

Therefore, in 2009, the organizational values and principles (business, mission, vision, principles, beliefs, values, policies and guidelines), the strategic objectives and the Strategic Map were reviewed again, aiming at strengthening the Company's culture of corporate excellence, creation of value and sustainable development. In 2010, COPASA MG updated its management system, by creating a specific Balance Scorecard module and improving the planning and monitoring of actions for the implementation of the new Strategic Map.

In the Notice to the Market dated October 8, 2010, the Company disclosed its goals to obtain new concessions for the period from 2010 to 2013, as described below:

Market Expansion Goals to increase the number of concessions for the period from 2010 to 2013:

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

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

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

Comments on the behavior of business projections

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

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

II - Increase the number of water and sewage concessions

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

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

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

Water (Parent company)	unit	2012	2011	2010
Population served	thousand (annual average)	13,600	13,197	12,839
Number of connections	unit (annual average)	4,423,219	4,281,626	4,151,394
Billed volume	m³	660,581,099	644,529,379	625,029,666
Total revenue	R$ thousand	1,858,366	1,783,983	1,713,916
Average tariff	R$/m³	2.81	2.77	2.74
Inhabitant by connection	unit (annual average)	3.07	3.08	3.09
Revenue by connection	R$/conn (annual average)	420.14	416.66	412.85

Comments on the behavior of business projections

Sewage (Parent company)	unit	2012	2011	2010
Population served	thousand (annual average)	8,516	8,008	7,610
Number of connections	unit (annual average)	2,798,293	2,610,770	2,478,662
Billed volume	thousand m³	427,667,059	402,551,660	382,273,308
Total revenue	R$ thousand	909,999	725,627	597,321
Average tariff	R$/	2.13	1.80	1.56
Inhabitant by connection	unit (annual average)	3.04	3.07	3.07
Revenue by connection	R$/conn (annual average)	325.20	277.94	240,99

Water + Sewage (Parent company)*	unit	2012	2011	2010
Total costs and expenses	R$/thousand	2,005,527	1,754,302	1,630,926
Total costs and expenses without depreciation	R$/thousand	1,633,209	1,449,805	1,361,998
Total costs and expenses by connection	R$/conn (annual average)	277.72	254.53	245.99
Total costs and expenses without depreciation by connection	R$/conn (annual average)	226.16	210.35	205.43

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

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

- **Operating revenues:** revenues may change due to tariff adjustments, changes in the consumption billed and operation of new water supply and sanitary sewage systems, expansion of existing systems, and the start of sewage treatment services in locations where only sewage collection services were previously provided.
- **Cost of products and services, administrative and selling expenses:** in accordance with the Brazilian regulations for the sanitation sector, the regulatory agency is in charge of authorizing the inclusion of such costs in the tariffs, within the boundaries related to inflation indices and according to the tariff adjustment methodology, which became effective in March 2011. Therefore, occasional increases in costs and expenses that exceed the limits authorized by ARSAE MG may affect adversely the Company's operating results.
- **Tax policies:** the rules on taxes levied on the services rendered by the Company, mainly as regards the Social Contribution on Revenues (COFINS) and Social Integration Program (PIS) / Public Services Employee Savings Program (PASEP) may undergo changes over the years, which may have a direct impact on the Company's revenues, particularly if the transfer of such changes to the tariffs is not allowed.

Comments on the behavior of business projections

- **Lawsuits or litigation proceedings:** in the course of its business, the Company is a party to various proceedings, which may or may not have a favorable outcome. Furthermore, the amount currently provided for may not correspond to the amounts involved in the causes, which may substantially exceed the provisions recorded. Where the economic value of these lawsuits exceed the amount attributed by the authors, or if the total amount provided for is not sufficient to cover the contingencies, the costs incurred may exceed those expected and, if the amounts are material, the Company's results may be negatively affected.

With respect to projections relating to periods in course, inform whether the projections remain valid at the date the form is submitted and, when applicable, explain the reason why they have been eliminated or replaced

The Company is reviewing its Strategic Planning, in which the Corporate Essentials are being redefined. This review is expected to be completed by the end of 2013. Therefore, new goals are being discussed, taking into consideration the Company's financial position, as well as the macroeconomic scenario, the regulatory environment and the sanitation sector's policies. These goals, when approved by management, will be disclosed to the market.

In relation to projections for periods already ended, the data projected should be compared to the effective performance of the indicators and any deviation from the initial projections should be clearly explained.

The following tables show the performance in relation to the goals disclosed:

Goal I- Increase the number of sewage concessions in municipalities with over 15 thousand inhabitants, where the Company already has water supply concession:

Concessions to be signed up to 2013	Goal	Achieved up to 9/30/2013*
Number of municipalities	31	8
Population (in thousands)	1,500	600

* The concessions for the other municipalities are under negotiation.

Comments on the behavior of business projections

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

Concessions to be signed up to 2013	Goal	Achieved up to 9/30/2013**
Number of municipalities	93	20
Population (in thousands)	600	115

** The concessions for the other municipalities are under negotiation.

II - Increase the number of water and sewage concessions

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

Concessions to be signed up to 2013	Goal	Achieved up to 9/30/2013***
Number of municipalities	31	-
Population (in thousands)	1,400	-

***The concessions for this group are under negotiation.

Investments Projected for 2013

The amount of investments projected by the Parent Company for 2013, based on recommendation of the Board of Directors at the meeting held on January 11, 2013, is R$ 900.0 million, of which R$ 235.0 million correspond to own resources and R$ 665.0 million will be provided by third-parties. The table below shows the investments projected for 2013 and those made up to September 30, 2013:

Comments on the behavior of business projections

Investments - (R$ Million)	Projected 2013	Realized 9M2013
Water	256.7	233.8
Sewage	600.7	407.6
Others (corporate development, goods for general use and others)	42.6	8.6
Total	**900.0**	**650.1**

The subsidiary Copanor foresees investments of R$ 150.0 million for 2013, with resources to be provided by the State Government of Minas Gerais.

Report on review of quarterly information - without exceptions

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Companhia de Saneamento de Minas Gerais - COPASA MG, included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2013, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the parent company interim information

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

Conclusion on the consolidated interim information

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

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2013. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information (ITR) mentioned in the first paragraph includes the accounting information corresponding to the statements of income, changes in equity, cash flows and value added for the period ended September 30, 2012, obtained from the quarterly information then ended, and the balance sheet at December 31, 2012, obtained from the financial statements as at December 31, 2012, prepared originally before the adjustments described in Note 3, which were made to change this financial information of 2012, presented for comparison purposes. The review of the Quarterly Information (ITR) for the period ended September 30, 2012 and the audit of the financial statements for the year ended December 31, 2012 were conducted by other independent auditors, who issued unqualified review and audit reports dated October 30, 2012 and February 20, 2013, respectively, with emphasis of matter paragraphs related to the following matters:

(i) The parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Companhia de Saneamento de Minas Gerais - COPASA MG, these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries based on equity accounting, while IFRS requires measurement based on cost or fair value, and for the monetary restatement of intangible assets and property, plant and equipment items up to December 31, 1997, not recorded in accordance with accounting practices adopted in Brazil and recorded for IFRS purposes.

(ii) As of September 20, 1989, the Company became a Value-added Tax on Sales and Services (ICMS) taxpayer, under a special regime, related to treated water supply. According to its legal advisors, in order to be charged for such tax there would be the need to have specific normative acts regulating this matter. Up to

this date, there is no resolution by the State Executive Branch regarding the calculation criteria or enforcement of payment of said tax; in addition the aforementioned tax has not been included in the Company's tariffs. Accordingly, such tax is not being charged to consumers, has not been accounted for by the Company and also not transferred to the State Government.

As part of our review of the financial information for the period ended September 30, 2013, we also reviewed the adjustments described in Note 3, which were made to change the financial information included in the Quarterly Information (ITR) Form for the period ended September 30, 2012, and of the financial statements for the year ended December 31, 2012, presented for comparison purposes. Based on our review, nothing has come to our attention that causes us to believe that such adjustments are not appropriate or were not correctly made, in all material respects. We were not engaged to audit, review, or apply any other procedures to the Company's Quarterly Information regarding the 2012 information, and, therefore, we do not express an opinion, conclusion or any form of assurance on the financial information for that period taken as a whole.

Belo Horizonte, November 5, 2013

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

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