



COPASA announces Net Revenue of R\$555 million and EBITDA of R\$242 million in 3Q09

Vision

To be the best sanitation company in Brazil, recognized as the benchmark for excellence in the sector.

Mission

To provide sanitation solutions through the provision of public water and sewage services and technical support, helping to ensure better quality of life, improved environmental conditions and contributing to the country's socio-economic development.

Belo Horizonte, November 11, 2009 – COPASA MG - Companhia de Saneamento de Minas Gerais - (Bovespa: CSMG3), announces today its results for the third quarter of 2009 (3Q09). The following financial and operating information, except where otherwise indicated, is presented in Brazilian Reais (R\$) and comparisons refer to the third quarter of 2008 (3Q08) and second quarter of 2009 (2Q09). All tables containing the results according to Brazilian corporate legislation (BR GAAP) are available at the end of this document.

OPERATING AND FINANCIAL HIGHLIGHTS

- Net operating revenue in 9M09 reached **R\$1.63 billion** versus **R\$1.52 billion** in the same period of the previous year (7.4% growth). In 3Q09, Net Operating Revenue was **R\$555 million**, 2.6% higher than the **R\$540 million** recorded in 3Q08.
- EBITDA was **R\$704 million** in 9M09, with a margin of 42.0%, versus **R\$643 million** registered in 3Q08. In 3Q09, EBITDA was **R\$242 million**, with a margin of 42.2%.
- Net income totaled **R\$362 million** in 9M09 versus **R\$349 million** in 9M08. In 3Q09, net income was **R\$121 million**.
- In 3Q09, we renewed the water supply services concession of the city of Liberdade.
- In the third quarter of 2009, we began to operate sewage services in the cities of Engenheiro Navarro and Patos de Minas, which have a total combined population of 142,885 inhabitants.
- Investments totaled **R\$295 million** in 3Q09 and **R\$707 million** year-to-date.
- On September 24, 2009, the Board of Directors approved, in accordance with the Company's dividend policy, the payment of Interest on Equity related to 3Q09, in the amount of **R\$37.9 million (or R\$0.33 per share)**.
- On August 20, 2009 COPASA received the "**Empresa de Valor 2009**" (2009 company of value) award, besides receiving the "**Melhor Empresa de Água e Saneamento do Brasil**" (Best Company in the Brazilian water and sewage utilities sector) award, for the second year in a row, from the Valor Econômico newspaper's yearbook ("Valor 1000").

All tables in this release are available in excel at www.copasa.com.br/ir .

*Adjusted EBITDA refers to net revenue from sales and/or services, less the cost of services rendered, selling expenses, administrative expenses and other net operating expenses (ignoring non-recurring expenses), plus the reversal of depreciation and amortization. EBITDA should not be considered as an alternative to net income (loss) as an indicator of our operating performance, or as an alternative to cash flow or as a liquidity indicator. EBITDA is not recognized by Generally Accepted Accounting Practices in Brazil and may be defined and calculated in different ways by different companies. EBITDA Margin is based on Net Revenues.



Management Comments

The total population benefitting from water supply services increased by 290,000, between September 2008 and September 2009, reaching a total of 12.7 million inhabitants. The number of municipalities to which COPASA provides water services increased from 599, in September 2008, to 602 in the end of 3Q09.

Water connections increased by 84,000, totaling 3.4 million, a 2.6% increase over 3Q08. Water distribution network was extended by 456 km, totaling 41,107 km, a 1.1% increase compared to 3Q08 (40,651 km).

On sewage services, we had an even greater progress as a result of the efforts undertaken to expand its reach. The number of municipalities with sewage services increased from 126 in September 2008 to 147 in September 2009 and the total population served reached 7.3 million in 3Q09, a 12.9% increase compared to the end of 3Q08 (6.5 million).

This service is currently carried out through 1.83 million sewage connections versus 1.59 million in September 2008, an increase of 15.0%, which corresponds to over 238,000 new connections. The total sewage network was expanded by 476 km, totaling 15,072 km. The sewage treatment index in 3Q09 remained at 49%.

Compared to 3Q08, water billed volume grew by 4.4 million m³ (3.0%) and sewage billed volume increased by 9.9 million m³ (12.1%). Also, aggregated total water and sewage billed volume, increased 6.% in the quarter, compared to 3Q08. Regarding operating performance indexes, the highlights were: a) Personnel productivity measured by employees/1,000 connections (water and sewage) ratio, which went from 2.30 employees/1,000 connections in 3Q08 to 2.19 employees/1,000 connections in 3Q09, chiefly due to the increase in the number of connections and to a better control of administrative areas staff; and b) ANCR index (Water Losses), consisted by the difference between the total volume distributed and the effectively billed volume to consumers, which decreased from 248.3 liters/connections/day in 3Q08 to 242.3 liters/connections/day in 3Q09.

Comparing 3Q08 to 3Q09, gross revenue from water services increased 1.9% and gross revenue from sewage services increased 7.7%. Since the tariff readjustment that was scheduled to become effective in March/09 has been suspended, the increase in water and sewage revenues is solely a consequence of the growth registered in the number of water and sewage units (2.5% and 12.9% respectively). Total gross revenue from water and sewage services rose 3.3% in the quarter compared to 3Q08.

We reaffirm our strengths highlighting our diversified client base, and the fact that we provide vital services, which give us a strong and stable cash generation capacity. We have already guaranteed funding, in the amount of R\$852.8 million, with the Government Severance Indemnity Fund (FGTS) and the Brazilian Development Bank (BNDES) that have not been disbursed yet. These loans and our cash position ensure all the funding needed to our 2009/2010 Investment Program. It is also worth to mention that despite the low impact of the global financial crisis on COPASA businesses, we cannot say the same in the case of the municipalities we serve, whose revenues decreased substantially, compromising their investment capacity and, consequently, strengthening the Company's bargain power on negotiations of new concessions.



Operating Highlights ⁽¹⁾

| ITEM | UNIT | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|--|----------------------------|------------------|------------------|------------------|-------------------|-------------------|
| # of Connections | un | 5,181,910 | 4,859,651 | 5,093,585 | 6.63% | 1.73% |
| Water | un | 3,355,823 | 3,271,477 | 3,326,394 | 2.58% | 0.88% |
| Sewage | un | 1,826,087 | 1,588,174 | 1,767,191 | 14.98% | 3.33% |
| # of Units | un | 6,472,467 | 6,098,103 | 6,368,315 | 6.14% | 1.64% |
| Water | un | 4,087,810 | 3,986,459 | 4,054,823 | 2.54% | 0.81% |
| Sewage | un | 2,384,657 | 2,111,644 | 2,313,492 | 12.93% | 3.08% |
| Billed Volume in the Quarter ⁽¹⁾ | 1.000 m³ | 245,302 | 230,988 | 234,376 | 6.20% | 4.66% |
| Water | 1.000 m ³ | 153,501 | 149,066 | 147,323 | 2.98% | 4.19% |
| Sewage | 1.000 m ³ | 91,801 | 81,922 | 87,053 | 12.06% | 5.45% |
| Network Extension - Water | km | 41,107 | 40,651 | 41,051 | 1.12% | 0.14% |
| Network Extension - Sewage | km | 15,072 | 14,596 | 15,047 | 3.26% | 0.17% |
| Number of Employees | un | 11,342 | 11,140 | 11,273 | 1.81% | 0.61% |
| # of Municipalities - Water Concession | un | 611 | 611 | 611 | 0.00% | 0.00% |
| # of Municipalities - Sewage Concession | un | 194 | 189 | 194 | 2.65% | 0.00% |
| # of Municipalities - Water Operation | un | 602 | 599 | 602 | 0.50% | 0.00% |
| # of Municipalities - Sewage Operation | un | 147 | 126 | 145 | 16.67% | 1.38% |
| Population Served - Water | 1,000 inhab. | 12,653 | 12,363 | 12,594 | 2.35% | 0.47% |
| Population Served - Sewage ⁽²⁾ | 1,000 inhab. | 7,332 | 6,492 | 7,108 | 12.93% | 3.15% |
| % of Population Served - Water | % | 98 | 98 | 98 | 0.49% | 0.00% |
| % of Population Served - Sewage | % | 83 | 81 | 83 | 2.47% | 0.00% |

(1) Consolidated data (includes the localities operated by the subsidiary COPANOR).



Financial Highlights (R\$ thousand)

| Results | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|--|----------------|----------------|----------------|-------------------|-------------------|
| Net Operating Revenue | 554,679 | 540,338 | 538,029 | 2.65% | 3.09% |
| Other Operating Revenue | 19,789 | 14,005 | 13,274 | 41.30% | 49.08% |
| Net Revenue from Services | 574,468 | 554,343 | 551,303 | 3.63% | 4.20% |
| Total Operating Costs and Expenses ⁽¹⁾ | 394,284 | 371,204 | 401,823 | 6.22% | -1.88% |
| Cost of Services Rendered | 272,880 | 247,536 | 268,239 | 10.24% | 1.73% |
| Administrative Expenses | 67,271 | 78,712 | 79,994 | -14.54% | -15.90% |
| Selling Expenses | 43,500 | 37,893 | 42,650 | 14.80% | 1.99% |
| Other Operational Expenses | 10,633 | 7,063 | 10,940 | 50.55% | -2.81% |
| Total Operating Costs and Expenses (ex. depreciation) | 331,971 | 310,961 | 340,516 | 6.76% | -2.51% |
| Gross Profit | 281,799 | 292,863 | 269,790 | -3.78% | 4.45% |
| Net Income | 121,167 | 145,110 | 108,168 | -16.50% | 12.02% |
| EBITDA | 242,497 | 243,443 | 210,788 | -0.39% | 15.04% |
| EBITDA Margin | 42.21% | 43.92% | 38.23% | | |
| Net Financial Results | (7,610) | 1,352 | 10,199 | | |
| Total Assets | 6,600,521 | 6,115,407 | 6,555,823 | 7.93% | 0.68% |
| Current Assets | 1,051,916 | 1,279,479 | 1,241,413 | -17.79% | -15.26% |
| Non-Current Assets | 5,548,605 | 4,835,928 | 5,314,410 | 14.74% | 4.41% |
| Current Liabilities | 525,633 | 533,377 | 537,779 | -1.45% | -2.26% |
| Non-Current Liabilities | 2,024,141 | 1,799,016 | 2,051,367 | 12.51% | -1.33% |
| Shareholders' Equity | 4,050,747 | 3,783,014 | 3,966,677 | 7.08% | 2.12% |
| Net Debt | 1,450,443 | 835,431 | 1,212,070 | 73.62% | 19.67% |
| Current Liquidity | 2.00 | 2.40 | 2.31 | | |
| Third Party / Shareholders' Equity | 0.61 | 0.62 | 0.61 | | |
| Net Debt / EBITDA | 1.55 | 1.01 | 1.31 | | |

(1) Total Operating Costs and Expenses: Cost of Services Rendered + Administrative Expenses + Selling Expenses + Other Operating Expenses.



Material Facts

Creation of Regulatory Agency

On March 31, 2009 the Minas Gerais State government forwarded a bill to the State House Representatives (ALMG), which proposes the creation of the Water Supply and Sewage Services Regulatory Agency of Minas Gerais State ARSAE-MG, pursuant to Federal Law # 11,445 as of January 5, 2007. The legislative process was concluded by ALMG on July 17 and the bill was signed into law by the governor of the Minas Gerais State on August 3, 2009.

In order to continue with the process, on September 1, 2009, ALMG interviewed Mr. Octávio Elísio Alves de Brito, Mr. Antônio Maurício Fortini and Mr. Teodoro Alves Lamounier, who will integrate the Agency's Board of Executive Officers, with respective terms of office of four, three and two years. On October 14, 2009, their names were approved by the ALMG bench, and on October 20, 2009, the officers' appointment was published on the Official Gazzette by the State Governor.

Thus, ARSAE-MG is able to fulfill its duties as a regulator of water supply and sanitary sewage services. Tariff adjustments are one of the duties of ARSAE-MG, which regulated entities must comply with. On November 4, 2009, COPASA and COPANOR filed their respective proposals for Service Regulations of both COPASA and COPANOR with ARSAE-MG, a requisite for the Agency to start its regulation activities.

Over the month of November, the company will proceed with the negotiations related to its other interests in the scope of the Agency.

Dividend Policy

The Annual and Extraordinary General Meeting held on April 28, 2009 approved the Company's dividend policy, as follows:

1 – Fiscal Year 2009

To distribute thirty-five percent (35%) of net income, adding or subtracting the amounts specified in clauses I, II and III of Article 202 of Law # 6,404/76, as Interest on Equity.

Distribution will be made on a quarterly basis upon the Board of Directors' approval and will be based on the actual net income of the first two months of the quarter and the estimated net income of the last month of the quarter.

Payment will be made within 60 (sixty) days of the Board of Directors' approval, except in the fourth quarter, for which the payment date will be established by the Shareholders' Meeting called to approve the annual financial statements.

In compliance with COPASA's new dividend policy, the Board of Directors approved the distribution of R\$118.8 million as interest on equity that shall be imputed to the minimum mandatory dividends of the 2009 fiscal year, as follows:



| Board of Directors' meeting date | Credit date | Gross amount (R\$/million) | Amount per share (R\$) | Payment date |
|----------------------------------|-------------|----------------------------|------------------------|--------------|
| 03/27/2009 | 03/31/2009 | 37.2 | 0.32 | 05/26/2009 |
| 06/26/2009 | 06/30/2009 | 43.7 | 0.38 | 08/20/2009 |
| 09/24/2009 | 09/30/2009 | 37.9 | 0.33 | 11/20/2009 |
| Total | | 118.8 | 1.03 | |

Equity on Interest for 3Q09 was based on the actual net income earned on July and August and the estimated net income for September. As September result was higher than the estimated for the month, the amount credited to shareholders was lower than the 35% on net income of the quarter less 5% of legal reserve. This tiny variation will be adjusted in the 2009 closing balance sheet, thus shareholders are guaranteed the amount of 35% adjusted at the closing of 2009 as Article 202 of the Brazilian Corporate Law.

2 – 2010 and subsequent years

At the end of the first quarter of each year, the Board of Directors will evaluate the Company's results, its investment outlook and the performance of the Market Expansion Program, and will submit to the Shareholders' Meeting the proposed percentage of net income, restated by the Brazilian Corporate Law.

The percentage to be proposed shall not exceed 50% and will be distributed every quarter, with the calculation base being the actual net income of the first two months of the quarter plus the estimated net income of the last month of the quarter.

Payment shall be made within 60 days of the Board of Directors' approval, except in the fourth quarter for which the payment date will be established by the Shareholders' Meeting called to approve the annual financial statements.

3 – Final Provisions

Subject to legislation and the Company's Bylaws, the Board of Directors may propose to the Shareholders' Meeting, in any year, a reduction in the percentage of Dividends or Interest on Equity to be distributed, whenever the Company's financial situation, its future prospects, investment strategies, the macroeconomic conditions and other factors considered relevant warrant such reduction.

The proposed dividend policy does not imply any change in the rules regarding employees' profit sharing in COPASA's income, which remains as approved by the Board of Directors.

Provision for Actuarial Liability and Employee Profit Sharing

In order to align the accounting procedures with the prevailing standards, the Company has adjusted the accounting system of provisions related to employee profit sharing and actuarial liability in the fiscal year of 2009. Provisions for these items have been distributed during the course of the year to minimize the impact on the last quarter of 2009, as it used to happen.

In 3Q09, employee profit sharing totaled R\$6.0 million, while the reversal of non-deductible provision of the Actuarial Liability of the Supplementary Pension Fund sponsored by COPASA amounted



R\$4.2 million, according to the actuarial report prepared on December 31, 2008. The reversal of the non-deductible provision totaled R\$ 13.5 million in 9M09.

Empresa de Valor 2009 (2009 Company of Value)

COPASA received on August 20, 2009 the “***Empresa de Valor 2009***” award, besides the prize received for the second consecutive time “***Melhor Empresa de Água e Saneamento do Brasil***” (best company in Brazil’s water and sewage sector), by *Valor 1000* yearbook from Valor Econômico newspaper. The awards confirm the management efficiency, which was the best in several economic-financial aspects evaluated: sustainable growth, profitability, current liquidity, asset turnover, operation margin, among others. COPASA also stood out in aspects related to environmental and human development policies.

Changes to the Board of Executive Officers and the Board of Directors

In the Board of Directors' meeting held on September 24, 2009, Mr. Ricardo Augusto Simões Campos was elected for the position of Chief Executive Officer. Previously, Mr. Campos had held the position of Chief Financial and Investors Relation Officer. For the position of Chief Financial and Investors Relation Officer, the economist Paula Vasques Bittencourt was elected, a career employee at COPASA, who was the Head of the CEO's Office.

Mr. Ricardo Simões was also elected a member of the Board of Directors in the Shareholders' Extraordinary Meeting held on September 25; he was also elected Vice-Chairman of the Board on October 30, 2009.



Financial Performance

Revenues

In 3Q09, gross revenues from water and sewage services amounted R\$466.8 million and R\$155.1 million respectively, totaling R\$622.1 million, an increase of 3.3% versus 3Q08. This growth may be explained by the increase of 2.5% in water units and 12.9% in sewage units in the period, since the tariff adjustment expected for March 2009 was not implemented. In comparison with 2Q09, gross revenues from water services posted an increase of 5.0% mainly due to the longer period of monthly average consumption recorded in 3Q09 (31.2 days versus 30.3 days). Gross revenues from sewage services recorded a slight reduction compared to 2Q09 due to non-recurring adjustments, made in August 2009, in the provisions for sewage revenues to be billed, between December 2008 and June 2009, and which caused the reversal of revenues from sewage services in the amount of approximately R\$3.0 million.

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|----------------------------|----------------|----------------|----------------|-------------------|-------------------|
| Gross Revenue - Water | 466,822 | 458,067 | 444,439 | 1.91% | 5.04% |
| Gross Revenue - Sewage | 155,106 | 144,050 | 155,675 | 7.68% | -0.37% |
| Finished Products Revenue | 185 | 120 | 394 | - | -53.05% |
| Total Gross Revenue | 622,113 | 602,237 | 600,508 | 3.30% | 3.60% |
| Net Revenue - Water | 416,221 | 411,119 | 398,202 | 1.24% | 4.53% |
| Net Revenue - Sewage | 138,293 | 129,220 | 139,474 | 7.02% | -0.85% |
| Finished Products Revenue | 165 | 61 | 353 | 170.40% | -53.27% |
| Total Net Revenue | 554,679 | 540,399 | 538,029 | 2.64% | 3.09% |

Total Costs and Expenses

Total Costs and Expenses, which represent the sum of Cost of Services Rendered, Administrative Expenses and Selling Expenses, were R\$383.7 million in 3Q09 against R\$364.1 million in 3Q08 (+5.4%) and R\$390.9 million in 2Q09 (-1.9%), as illustrated in the following table:

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|--------------------------------------|----------------|----------------|----------------|-------------------|-------------------|
| Total Costs and Expenses | 383,651 | 364,141 | 390,883 | 5.36% | -1.85% |
| Personnel | 169,881 | 158,626 | 172,924 | 7.10% | -1.76% |
| Depreciation / Amortization | 62,313 | 60,243 | 61,307 | 3.44% | 1.64% |
| Electric Power | 55,494 | 49,016 | 52,596 | 13.22% | 5.51% |
| Outsourced Services | 50,088 | 51,837 | 56,290 | -3.37% | -11.02% |
| Material | 24,485 | 23,651 | 24,988 | 3.53% | -2.01% |
| Other Operating Costs | 6,371 | 6,657 | 5,635 | -4.30% | 13.06% |
| Transfer of Tariff to Municipalities | 14,326 | 14,565 | 14,734 | -1.64% | -2.77% |
| Tax Credits | (12,056) | (10,031) | (11,536) | 20.19% | 4.51% |
| Write-offs in PDA | 12,749 | 9,577 | 13,945 | 33.12% | -8.58% |

**Cost of Services Rendered**

Cost of Services Rendered in 3Q09 was R\$272.9 million against R\$247.5 million in 3Q08 (+10.2%) and R\$268.2 million in 2Q09 (+1.7%), as illustrated in the following table:

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|--------------------------------------|----------------|----------------|----------------|-------------------|-------------------|
| Cost of Services Rendered | 272,880 | 247,536 | 268,239 | 10.24% | 1.73% |
| Personnel | 96,474 | 89,439 | 97,965 | 7.87% | -1.52% |
| Depreciation / Amortization | 58,304 | 54,060 | 57,196 | 7.85% | 1.94% |
| Electric Power | 55,494 | 49,016 | 52,596 | 13.22% | 5.51% |
| Outsourced Services | 34,070 | 26,228 | 30,974 | 29.90% | 10.00% |
| Material | 22,414 | 21,245 | 22,676 | 5.50% | -1.16% |
| Other Operating Costs | 3,854 | 3,014 | 3,634 | 27.87% | 6.05% |
| Transfer of Tariff to Municipalities | 14,326 | 14,565 | 14,734 | -1.64% | -2.77% |
| Tax Credits | (12,056) | (10,031) | (11,536) | 20.19% | 4.51% |

Personnel

In relation to 3Q08, the increase reflects the salary adjustment of May 2009, in which salaries and benefits were adjusted by 6.9%, reflecting the National Consumer Price Index (INPC) +1%, pursuant to the Collective Bargaining Agreement signed in 2008, effective for 2 years, the impact of which was fully felt in 3Q09. In addition to the impact arising out of the Collective Bargaining Agreement, expenses with social security also affected personnel costs, especially due to the readjustment of 20.8% in the employee pension plan that took place in November 2008.

In comparison to 2Q09, costs reduced by 1.5%. This reduction was already expected, once provisions for Christmas bonus (13th salary), vacation and related charges were adjusted to reflect the salary increase in May, 2009.

Electric Power

In relation to 3Q08, electric power increased by 13.2% due to the electric power tariff adjustment of 9.24%, which took place in May 2009 and whose impact was fully felt on this quarter.

Material

In 3Q09, material expenses increased by 5.5% in comparison to 3Q08 mainly due the following factors: an increase of R\$1.2 million in treatment material due to a rise in consumption following the inclusion of new systems and increase of new products for water treatment and quality improvement; in addition to the upturn in prices of these products; an increase of R\$700 thousand in preservation material, maintenance of administrative assets and systems due to corrective maintenance; and increase of R\$400 thousand with vehicle parts, accessories and components. On the other hand, fuels and lubricants expenses decreased by R\$1.6 million, as a result of the accounting adjustments of approximately R\$2.0 million carried out in 3Q08.



Third Party Services

The 29.9% increase in relation to the same period of previous year was mainly due to higher expenses with maintenance and preservation services in water and sanitary sewage networks and connections and increased expenses with messengers, receptionists and surveillance services in the Company's new operating units, mainly the sewage treatment stations (ETEs). Note that messengers, receptionists and surveillance expenses of the operating units, which were previously recorded as administrative expenses, have begun to be booked as operating costs for each unit. The increase in billing fees, charged by billing agents, has also impacted these expenses.

Administrative Expenses

Administrative expenses totaled R\$67.3 million in 3Q09, a reduction of 14.5% against 3Q08 and of 15.9% in comparison to 2Q09.

The following table details the variations in the items comprising administrative expenses:

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|--------------------------------|---------------|---------------|---------------|-------------------|-------------------|
| Administrative Expenses | 67,271 | 78,712 | 79,994 | -14.54% | -15.90% |
| Personnel | 49,161 | 47,482 | 52,302 | 3.54% | -6.01% |
| Depreciation / Amortization | 2,698 | 4,119 | 2,957 | -34.50% | -8.76% |
| Third Party Services | 11,919 | 22,097 | 21,268 | -46.06% | -43.96% |
| Material | 1,289 | 1,640 | 1,658 | -21.40% | -22.26% |
| General Expenses | 2,204 | 3,374 | 1,809 | -34.68% | 21.84% |

Personnel

Personnel expenses increased 3.5% compared to 3Q08. On one hand, salary was adjusted in May 2009, as previously described in the item Costs of Services Rendered, on the other hand, expenses with indemnifications and prior notices decreased R\$1.5 million (-95%), which reflects the change in the Company's policy of not dismissing employees who retire under the social security system (INSS).

In comparison to 2Q09, there was a 6.0% decrease, which was already expected since last quarter, the amounts, related to the first four months of 2009, in provisions for the 13th salary (Christmas bonus), vacation and related taxes, were adjusted in order to reflect the salary increase as well as the reduction in indemnifications/prior notices expenses, as clarified above.

Depreciation

Depreciation decreased 34.5% against 3Q08, which is explained by the reduction in depreciation of vehicles and the reversal of the depreciation of assets donated by developers (new water and sanitary sewage networks), in compliance with Law # 11,638, thus these assets cannot be considered fixed assets.



Third Party Services

Third Party Services expenses went down by R\$10.2 million, or 46.1%, compared to 3Q08, primarily due to lower expenses with publicity services (R\$2.6 million), as a water quality campaign ended in 2008; in addition to a reduction on leasing of non-fixed assets (R\$1.5 million) and of professional technical services (R\$1.4 million). Furthermore, messenger, receptionist and surveillance expenses reduced R\$2.3 million, once those items became to be better recorded as operating costs for each unit.

Selling Expenses

Selling expenses totaled R\$43.5 million in 3Q09, a 14.8% and 2.0% increase compared to 3Q08 and 2Q09, respectively.

The following table details the variations in the items comprising selling expenses:

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|-----------------------------|---------------|---------------|---------------|-------------------|-------------------|
| Selling Expenses | 43,500 | 37,893 | 42,650 | 14.80% | 1.99% |
| Personnel | 24,246 | 21,705 | 22,657 | 11.71% | 7.01% |
| Depreciation / Amortization | 1,311 | 2,064 | 1,154 | -36.48% | 13.60% |
| Third Party Services | 4,099 | 3,512 | 4,048 | 16.71% | 1.26% |
| Material | 782 | 766 | 654 | 2.09% | 19.57% |
| General Expenses | 313 | 269 | 192 | 16.36% | 63.02% |
| Write-offs in PDA | 12,749 | 9,577 | 13,945 | 33.12% | -8.58% |

Personnel

Personnel expenses increased 11.7% compared to 3Q08, reflecting the salary adjustment in May 2009, as previously described in the item Costs of Services Rendered.

Other Operating Revenues/Expenses

The variation between 3Q09 and 3Q08 arises mainly from the reversal of non-deductible provision of the Actuarial Liability of the Supplementary Pension Fund sponsored by COPASA, in the amount of R\$4.2 million. Such reduction in the total expenses to be recognized is in accord with the actuarial report as of December 31, 2008. Furthermore, R\$2.0 million recorded in 3Q09 refers to the recognition of part of the subsidy for works of the Hydrographic Basin Restoration Program (ANA/Prodes) and the R\$3.4 million profit related to the sale of assets to the subsidiary Copanor. On the other hand, there was a R\$1.2 million reduction in "Revenue from Technical Services".



Other operating expenses increased R\$3.6 million compared to 3Q08, mainly due to the provisions for lawsuits with the inclusion of new civil and labor suits (R\$2.0 million); write off of non-approved studies and projects (R\$1.5 million); fixed assets' residual value expenses (R\$756 thousand). These increase were offset by the reduction of the provision for presumed credit of PIS/COFINS (taxes on revenue) and IPI (excise tax) credit premium (R\$598 thousand).

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|--|---------------|---------------|---------------|-------------------|-------------------|
| <u>Other Operating Revenues</u> | | | | | |
| Revenues of Technical Services | 560 | 1,774 | 249 | | |
| Reversal of the Non-Deductible Provision | 9,681 | 6,967 | 5,572 | | |
| Write-off (ODA) Recovery | 2,677 | 2,627 | 2,573 | | |
| Other Revenues | 6,871 | 2,637 | 4,880 | | |
| Total of Other Operating Revenues | 19,789 | 14,005 | 13,274 | 41.30% | 49.08% |
| <u>Other Operating Expenses</u> | | | | | |
| Non-Recurring Losses | 8,799 | 5,608 | 8,720 | | |
| Other Expenses | 1,834 | 1,455 | 2,220 | | |
| Total of Other Operating Expenses | 10,633 | 7,063 | 10,940 | 50.55% | -2.81% |

EBITDA

EBITDA was R\$242.5 million in 3Q09, with a 42.2% margin. The upturn in Net Revenue from Services (net operating revenue + other operating revenues) of 3.6% combined with the control of costs and expenses has allowed the Company to present excellent EBITDA margin in the quarter, although the tariff adjustment has not been approved yet.

The outstanding performance in net operating revenue is a result of the increase in the number of customers, which highlights the Company's efforts to increase the coverage of water and sanitary sewage services in cities that already operate and the number of new concessions, offsetting the non-approval of the tariff adjustment in 2009. There was also an increase of the other operating revenues item due to the reversal of the non-deductible provision of the Actuarial Liability of the Supplementary Pension Fund sponsored by COPASA, in the amount of R\$4.2 million.

Personnel and electric power expenses slightly increased as expected due to the salary adjustment carried out in May 2009. The Company's cost control policy has reduced expenses related to outsourced services, once advertising expenses decreased and materials expenses slightly increased 3.5% in comparison to 3Q08, although the entry of new water supply and sanitary systems.

For comparison purposes, if the tariff adjustment had been applied in March, 2008, net revenues would have increased R\$50.2 million (9.05% higher than the R\$554.7 million recorded in the quarter) and, consequently, EBITDA would have risen to R\$292.7 million, with a margin of 46.9%.



3Q09 Consolidated Earnings Release

EBITDA was R\$ 704.0 million in 9M09, with a margin of 42.0%, which represents an increase of 9.5% in comparison to 3Q08 (R\$642.8 million). In the same period, Net Revenue from Services increased 7.8%, while overall operating expenses, net of depreciation and amortization, rose 6.7% in relation to 3Q08, contributing to a better EBITDA margin. If the tariff adjustment had been applied, net revenues would have increased to R\$115.1 million (9.05% higher than the R\$1.28 billion recorded between March and September) and, consequently, EBITDA would have increased to R\$816.1 million, with a margin of 45.7%.

| EBITDA Calculation (R\$ thousand) | 3Q09 | 3Q08 | 2Q09 | 9M09 | 9M08 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|--|----------------|----------------|----------------|----------------|----------------|-------------------|-------------------|
| Operating Profit before Financial Expenses | 180,183 | 183,200 | 149,481 | 519,615 | 463,437 | -1.65% | 20.54% |
| Depreciation / Amortization | 62,313 | 60,243 | 61,307 | 184,384 | 179,389 | 3.44% | 1.64% |
| EBITDA | 242,496 | 243,443 | 210,788 | 703,999 | 642,826 | -0.39% | 15.04% |
| EBITDA Margin | 42.21% | 43.92% | 38.23% | 41.99% | 41.35% | | |

The Other Operating Revenues item includes the payment of R\$6.8 million made by the Government of Minas Gerais, which is related to the transfer of assets of the first nine systems to the subsidiary Copanor. This operation generated a non-recurring profit of R\$3.4 million, which was included after deduction of costs related to these assets (R\$3.4 million). If non-recurring profit was not considered, the adjusted EBITDA would have been, as follows:

| Adjusted EBITDA Calculation (R\$ thousand) | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|---|----------------|----------------|----------------|-------------------|-------------------|
| Operating Profit before Financial Expenses | 180,183 | 183,200 | 149,481 | -1.65% | 20.54% |
| Depreciation and amortization | 62,313 | 60,243 | 61,307 | 3.44% | 1.64% |
| EBITDA | 242,496 | 243,443 | 210,788 | -0.39% | 15.04% |
| EBITDA Margin | 42.21% | 43.92% | 38.23% | | |
| Non-recurring item | | | | | |
| Profit from disposal of fixed assets to Copanor | 3,370 | - | - | | |
| Adjusted EBITDA | 239,126 | 243,443 | 210,788 | -1.77% | 13.44% |
| Adjusted EBITDA Margin | 41.87% | 43.92% | 38.23% | | |



Net Financial Results

The table below presents our net financial results:

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|----------------------------------|----------------|---------------|---------------|-------------------|-------------------|
| <u>Financial Revenues</u> | | | | | |
| Monetary and Exchange Variations | 8,578 | -1,107 | 16,610 | | |
| Interest | 11,913 | 9,196 | 9,569 | | |
| Financial Operations Gains | 4,726 | 25,508 | 19,379 | | |
| Others | 5 | 15 | 1 | | |
| Total Financial Revenues | 25,222 | 33,612 | 45,559 | -24.96% | -44.64% |
| <u>Financial Expense</u> | | | | | |
| Monetary and Exchange Variations | 3,793 | 12,772 | 11,033 | | |
| Interest on Debt | 28,449 | 18,959 | 22,905 | | |
| Others | 590 | 529 | 1,422 | | |
| Total Financial Expenses | 32,832 | 32,260 | 35,360 | 1.77% | -7.15% |
| Net Financial Results | (7,610) | 1,352 | 10,199 | | |

Financial revenues fell in comparison to 3Q08, due to the reduction of the amounts recorded in the Financial Operation Gains item, as a result of the change in the booking method for interest earned in BNDES funding, in accordance with Law # 11,638. All financing agreements in BNDES are updated by the rates established, between the contracting date and the effective date of release of funds, which shall take place as investments are made.

Up to 2Q09, the difference between the amount contracted and the amount actually released was booked as financial revenue. As of 3Q09, interest expenses being appropriated to works in progress are being deducted from the amounts arising from these investments, in other words, the expenses imputed to the works in progress are net of financial revenues obtained.

Financial expenses remained steady in relation to 3Q08, since the upturn in the interest of the R\$9.5 million loan, which had been impacted by the interest increase in BNDES' debentures, was mitigated by the depreciation of the US dollar against the Brazilian Real.

The Company expects an increase in financial expenses for the next months due to the completion of works in progress.



Net Income and Earnings per Share

Net income was R\$121.2 million in 3Q09 compared to R\$145.1 million and R\$108.2 million in 3Q08 and 2Q09, respectively. The decrease, in comparison to 3Q08, is mainly due to differences in the booking of Interest on Equity. According to the Company's new dividend policy, the distributions of Interest on Equity were carried out in a more efficient way during the course of the year. Thus, the distribution of Interest on Equity was R\$37.9 million in 3Q09, with a tax benefit of R\$12.9 million, compared to R\$ 76.9 million in 3Q08, with a tax benefit of R\$26.2 million. Note that there were lower provisions for doubtful accounts and net financial results in 3Q08, as previously explained.

Unlike previous years, in which Employee Profit Sharing was fully recorded in the last quarter, Company booked R\$6.0 million related Employee Profit Sharing in 3Q09.

Net income was R\$362 million in 9M09, 3.9% higher than the R\$348.5 million recorded in 9M08. For comparison purposes, if we had not provisioned employees' profit sharing during 2009, accumulated net income would have been R\$384.5 million, 10.3% higher than 9M08.

| R\$ thousand | 3Q09 | 3Q08 | 2Q09 | 9M09 | 9M08 | 3Q09 x 3Q08 | 3Q09 x 2Q09 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|-------------------|
| Net Income | 121,166 | 145,110 | 108,168 | 362,042 | 348,546 | -16.50% | 12.00% |
| Earnings per Share | 1.06 | 1.26 | 0.94 | 3.14 | 3.04 | | |

Investments Completed and Investment Program (CAPEX)

Investments totaled R\$295.4 million in 3Q09 (28.3% out of the year forecast), of which R\$138.4 million was allocated to water supply systems, R\$149.5 million to sewage collection and treatment systems and R\$7.5 million invested in operational improvement programs, corporate development, and general assets.

Note that investments in water supply systems include the expansion and improvement of the Rio das Velhas Producing System, the expansion of the water supply systems of Jaíba and Araxá, the interconnection ducts of the basins of the Rio das Velhas and Rio Paraopeba.

Investments in the sanitary sewage systems comprise the implementation of the sanitary sewage systems of Betim and Curvelo, the recovery of the interceptor sluice of Ribeirão Arrudas and the secondary treatment works of the sewage treatment station of Ribeirão do Onça (ETE Onça).

In 9M09, COPASA invested R\$346.7 million in water supply systems, R\$345.6 million in sewage services, and R\$14.4 million in operating improvement programs, business development, goods for general use, and others.



| Investments | | | |
|---------------|----------------|--------------|--------------|
| R\$/Million | Estimate | Made | |
| | 2009 | 3Q09 | 9M09 |
| Water | 339.0 | 138.4 | 346.7 |
| Sewage | 674.0 | 149.5 | 345.6 |
| Other | 32.0 | 7.5 | 14.4 |
| Total | 1,045.0 | 295.4 | 706.7 |

Debt

COPASA's gross debt, including financing and other liabilities (Previminas and Cemig), totaled R\$1.97 billion on September 30, 2009, while net debt reached R\$1.45 billion. Net Debt/EBITDA ratio stood at 1.5x. Most of the debt is denominated in Brazilian Reais and annual amortizations are fixed and entirely compatible with the Company's cash flow. Real average cost of debt is 5.0% p.a. The Company does not carry out hedge operations for its dollar-denominated debt, since the debt amount is low and with a long-term maturity.

As a guarantee of the dollar denominated debt's last installment (US\$ 25 million), due in 2024, the Company holds a deposit in Reais (R\$) in Banco do Brasil which will be, up to 2024, adjusted by the average price of the US Treasury zero-coupon bonds. This deposit was R\$23.2 million as of September 30, 2009.

On September 30, 2009, the Company had R\$852.8 million of loans contracted from the Government Severance Indemnity Fund (FGTS) and the BNDES, to be disbursed and booked as liabilities according to the progress of the investments. In September 2009, the average grace period remaining was between 10 and 36 months, respectively, with amortization terms of 240 and 180 months, respectively.



List of Creditors

| FUNDING | FIXED RATE | VARIABLE RATE | MATURITY | OUTSTANDING BALANCE 9/30/2009 (R\$ THOUSAND) |
|---|--------------|---------------|------------|--|
| <i>In Local Currency</i> | | | | |
| FGTS* | 10.06% p.a | TR | 4/16/2029 | 735,088 |
| BDMG (SOMMA) | 8.88% p.a | IGP-M | 11/26/2016 | 25,114 |
| NATIONAL TREASURY | 5.38% p.a | TR | 1/1/2014 | 151,535 |
| BNDES/BNE | 1.52% p.a | TJLP | 6/15/2023 | 138,735 |
| BNDES/DEBENTURES – 1 st Issuing | 3.58% p.a | TJLP | 7/15/2014 | 225,126 |
| BNDES/ DEBENTURES – 2 nd Issuing | 2.30% p.a | TJLP | 6/3/2013 | 140,841 |
| BNDES/ DEBENTURES – 3 rd Issuing | 2.30% p.a | TJLP | 12/15/2019 | 327,317 |
| <i>Others</i> | | | | |
| CEMIG | 6.00% p.a | IGP-M | 6/10/2012 | 57,405 |
| PREVIMINAS | 6.00% p.a | INPC | 12/5/2020 | 99,576 |
| <i>IN US\$</i> | | | | |
| BANCO BRASIL (PONTE) | 3.81% p.a** | US\$ | 12/31/2009 | 1,019 |
| UNIÃO FEDERAL - BONDS | 5.80% p.a*** | US\$ | 4/30/2024 | 67,934 |
| TOTAL | | | | 1,969,689 |

*FGTS Funds: CEF, Bradesco, Itaú and Unibanco.

**Libor + 1.01% p.a.

***Average C Bond Rate, Par Bond and Bibis + (Libor + Spread of several bonds)



Subsidiaries

COPASA Águas Minerais

COPASA Águas Minerais de Minas S/A has begun selling the Águas Minerais Caxambu water brand in September 2008 in leading stores in São Paulo, Rio de Janeiro, the Federal District and Minas Gerais.

The company is awaiting approval from the National Health Surveillance Agency (Anvisa) in order to commercialize the brand Cambuquira, Lambari and Araxá.

The Company's Business Plan for 2009 envisages growth in the sales volume of the Caxambu water brand and new sales revenues from other sources.

COPASA Serviços de Irrigação

The Jaíba Project is an irrigation project carried out by the Federal Government and the Minas Gerais state government to support social and economic development in the north of the state. Set up to operate the irrigation system as part of the Jaíba Project – Stage II (Stage I of the project is operated by CODEVASF/DIJ), a wholly-owned subsidiary COPASA Serviços de Irrigação S/A was created, and began operating in March 2009.

As established by the Financial and Technical Cooperation Agreement signed between COPASA Serviços de Irrigação S/A and the State of Minas Gerais through its Planning and Management Department (SEPLAG), the Agriculture, Livestock and Supply Department (SEAPA), and Minas Gerais' Rural Foundation (RURALMINAS), investments have already been made by COPASA Serviços de Irrigação S.A., amounting R\$ 7.5 million. The government of Minas Gerais provided these resources in order to COPASA improve its operational infrastructure and purchase machinery and equipment needed to operate the system. It can be highlighted the following operating activities carried out by COPASA Serviços de Irrigação S/A:

- operation and maintenance of open channels, elevated pipelines, pumping stations and Water Treatment Stations;
- maintenance of roads to access Stage II, drainage systems and legal reserve.

COPANOR

COPASA Serviços de Saneamento Integrado do Norte e Nordeste de Minas Gerais S/A-COPANOR, COPASA's subsidiary founded on June 26, 2007, as a closed joint-stock corporation and headquartered in the city of Teófilo Otoni, is already operating 64 water supply and sewage systems. Of these, the water supply systems in the municipalities of Santa Maria do Salto, Berilo, Ladainha, Chapada do Norte, Angelândia, Aricanduva, Frei Gaspar, Setubinha, Umburatiba and Santa Cruz de Salinas, as well as in the villages of Berilo/Lelivéldia and Umburatiba/São Pedro do Pampã, were transferred from COPASA to COPANOR. The population currently served is 94,000. In addition to the systems in operation, 24 municipalities have signed the Program Agreements. In 83 municipalities, the municipal law authorizing the transfer of services to COPANOR has already been sanctioned.



In 2009, 71 of COPASA's concessions are in the process of being transferred to COPANOR, which will be the new service providing concessionaire in the municipalities with a population between 200 and 5,000 people in the Northern and Northeastern region of the state. It is estimated that 40 transfers will be carried out during 2009, with the remaining transfers taking place in 2010. The State government has already agreed with the indemnification amounts to COPASA by the transfer of assets. COPANOR paid R\$6.8 million to COPASA for the transfer of the first nine systems.

Summarized Statement of the Subsidiaries – 3Q09

| R\$ thousand | Águas Minerais | Coponor | Jaíba Project |
|---|----------------|--------------|---------------|
| Gross Revenues from Selling and/or Services | 185 | 665 | 1,412 |
| Gross Revenues Deductions | (65) | (62) | (52) |
| Net Revenues from Selling and/or Services | 120 | 603 | 1,360 |
| Total Costs and Expenses | (3,512) | (916) | (1,628) |
| Net Financial Revenues (Expenses) | (675) | (142) | (32) |
| IR + CSLL | - | - | (145) |
| Net Income (Loss) | (4,067) | (455) | (445) |



Glossary

ARSAE-MG – Regulatory Agency for Water Supply and Sanitary Sewage Services of the State of Minas Gerais, established on August 3, 2009, by Law 18,309, that sets forth the rules for water supply and sanitary sewage services in Minas Gerais.

RAW WATER – Water in its natural form as available in rivers, creeks, lakes, ponds, dams or groundwater, i.e., before undergoing any treatment process.

MAINS – Pipes designed to connect sources of raw water to water treatment plants, located outside the immediate environs of the sources; or pipes connecting treatment plants located in immediate environs of the sources to distant reservoirs which feed distribution networks.

CONCESSIONS – Authorization to provide water supply services and sanitary sewage.

CONCESSION AGREEMENT – Contracts signed with several municipalities to provide water supply and/or sanitary sewage services.

PROGRAM AGREEMENT – Instrument that sets forth and regulates the obligations of a State body, including its indirect management, towards another State body, or towards a public consortium, for public services provided by means of state cooperation.

TAX CLAIMS – The value of credits ascertained, pursuant to the Law that made COFINS and PIS/PASEP non-cumulative taxes. These credits are generated from contribution rates on expenses with electricity, outsourced services hired with legal entities, lease of assets and properties, depreciation and on material acquired, to offset COFINS and PIS/PASEP embedded in the prices of products and services acquired by a company.

CONSOLIDATED FINANCIAL STATEMENTS – Financial statements of an economic group, presented as if they were from a single economic entity.

GROSS DEBT – Sum of all short- and long-term financial liabilities (loans, debentures, etc.) of a company.

NET DEBT – Sum of a company's short- or long-term financial liabilities (loans, debentures, fixed income securities, etc.). Out of this amount it shall be deducted the company's cash and cash equivalents, that is, the sum of instruments that can be considered paper money.

UNITS – A legally occupied single occupation property, or independent subdivision of a property, possessing private or communal facilities for the use of water supply and sewage collection services.

FLOW – The way in which a watercourse flows (outflow, speed, etc).

WATER METER – A device that measures and displays the volume of water flowing through, i.e. water consumption.

WATER METERING – The use of equipment to measure the volume of water consumed by a property connection.

SERVICE INDEX – Served population compared to the urban population from the operated localities.

BILLING LOSS INDEX – Produced volume minus billed volume, divided by produced volume, times 100.

SANITATION LAW – Law 11,445, of January 5, 2007. It sets forth the national guidelines for the basic sanitation and the basic sanitation federal policy.

EMPLOYEES PROFIT SHARING – Amount to be distributed to the employees limited to 25% of minimum mandatory dividends paid to shareholders, i.e., 6.25% of net income for the year, after deducted the legal reserve, and shall have as performance standard, for purposes of achieving goals, the realization percentage of



the Company's Investment Program approved for the year, the number of connections per employee and the financial operating income.

PREVIMINAS – Entity responsible for the employees' complementary retirement plan.

NET SERVICES REVENUE – It represents the operating net revenue added to other operating revenues.

DISTRIBUTION NETWORK – It is the last stage of a water supply system that has a set of ducts seated on public ways or walkways, connected to home systems. Thus, the distribution networks conduct treated water all the way to points of use, maintaining its characteristics according to drinkability standards.

TARIFF PASS-THROUGH TO MUNICIPALITIES – It refers to the pass-through of part of the net operating income, calculated at a certain municipality, as provided for in the concession agreement with said municipality.

BASIC SANITATION – For the most part it is the use of water resources to meet the population's basic hygiene and public health needs including commercial, industrial and service enterprises. It is part of sanitation the planning, design, construction, operation and maintenance of water capture, treatment, canalization and distribution, as well as the collection, removal, treatment and final disposal of sewage.

OUTFLOW – The volume of water flowing through a given section of a pipe in a unit of time, usually expressed in liters per second (l/s), cubic meters per second (m^3/s) or cubic meters per hour (m^3/h).

The full glossary is available on the site www.copasa.com/ir .



Consolidated Income Statement (R\$ thousand)

| | 3Q09 | 3Q08 | Chg (%) |
|--|-----------------|-----------------|-----------------|
| GROSS OPERATING REVENUE | | | |
| Water services | 466,822 | 458,067 | 1.91 |
| Sewage services | 155,106 | 144,050 | 7.67 |
| Revenue from finished products | 185 | 120 | - |
| | 622,113 | 602,237 | 3.30 |
| GROSS REVENUE DEDUCTIONS | | | |
| Taxes on sales | (56,503) | (54,932) | 2.86 |
| Discounts and deductions | (10,931) | (6,906) | 58.28 |
| | (67,434) | (61,838) | 9.05 |
| NET OPERATING REVENUE | 554,679 | 540,399 | 2.64 |
| Cost of services rendered | (272,880) | (247,536) | 10.24 |
| GROSS PROFIT | 281,799 | 292,863 | (3.78) |
| Selling expenses | (43,500) | (37,893) | 14.80 |
| Administrative expenses | (67,271) | (78,712) | (14.54) |
| Other operating expenses | (10,633) | (7,063) | 50.55 |
| Other operating revenue | 19,789 | 14,005 | 41.30 |
| OPERATING PROFIT BEFORE FINANCIAL EXPENSES AND REVENUE | 180,183 | 183,200 | (1.65) |
| Financial expenses | (29,039) | (19,488) | 49.01 |
| Financial revenue | 16,644 | 34,719 | (52.06) |
| Interest on equity | (37,911) | (76,913) | - |
| OPERATING PROFIT BEFORE MONETARY VARIATION | 129,878 | 121,518 | 6.88 |
| INCOME FROM MONETARY AND EXCHANGE VARIATION | | | |
| Expenses from monetary and exchange variations | (3,793) | (12,772) | (70.30) |
| Revenues from monetary and exchange variations | 8,578 | (1,107) | (874.89) |
| | 4,785 | (13,879) | (134.48) |
| OPERATING PROFIT | 134,664 | 107,639 | 25.11 |
| Provision for income tax | (34,432) | (29,254) | 17.70 |
| Provision for income and social contribution taxes on net income | (10,961) | (10,187) | 7.60 |
| INCOME AFTER TAXES AND CONTRIBUTIONS | 89,270 | 68,197 | 30.90 |
| REVERSAL OF INTEREST ON EQUITY | 37,911 | 76,913 | (50.71) |
| INCOME BEFORE PROFIT SHARING | 127,181 | 145,110 | (12.36) |
| Employees profit sharing | (6,015) | - | - |
| NET INCOME FOR THE QUARTER | 121,167 | 145,110 | (16.50) |
| Number of outstanding shares at the end of the year | 114,929,328 | 114,795,524 | 0.12 |
| Net earnings per share (in R\$) | 1.05 | 1.26 | (16.60) |



Consolidated Balance Sheet as of September 30, 2009 and 2008 (R\$ thousand)

| ASSETS | 2009 | 2008 | Chg (%) |
|---|------------------|------------------|----------------|
| CURRENT LIABILITIES | | | |
| Cash and banks | 40,176 | 38,593 | 4.10 |
| Securities | 520,442 | 831,127 | (37.38) |
| Customers | 390,203 | 367,904 | 6.06 |
| Inventories | 30,363 | 28,959 | 4.85 |
| Taxes recoverable | 13,291 | 984 | 1250.75 |
| Deferred income and social contribution taxes | 1,320 | - | |
| Technical cooperation covenant | 0 | - | |
| Sundry credits | 56,121 | 11,912 | 371.13 |
| Total current assets | 1,051,916 | 1,279,479 | (17.79) |
| NON-CURRENT LIABILITIES | | | |
| Long-term assets | | | |
| Customers | 202,744 | 203,236 | (0.24) |
| Loan collaterals | 77,865 | 61,627 | 26.35 |
| Judicial deposits | 9,382 | 13,505 | (30.53) |
| Deferred income and social contribution taxes | 61,365 | 57,527 | 6.67 |
| Sundry credits | 53,164 | 43,582 | 21.99 |
| Permanent assets | | | |
| Investments | 260 | 1,219 | (78.66) |
| Property, plant and equipment | 4,962,880 | 4,258,275 | 16.55 |
| Intangible assets | 180,945 | 186,033 | (2.74) |
| Deferred charges | - | 10,924 | - |
| Total non-current assets | 5,548,605 | 4,835,928 | 14.74 |
| TOTAL ASSETS | 6,600,521 | 6,115,407 | 7.93 |
| LIABILITIES | | | |
| | 2009 | 2008 | Chg (%) |
| CURRENT LIABILITIES | | | |
| Loans and financings | 132,856 | 117,257 | 13.30 |
| Debentures | 60,227 | 51,247 | 17.52 |
| Contractors and suppliers | 72,539 | 74,214 | (2.26) |
| Taxes, charges and contributions | 39,436 | 51,491 | (23.41) |
| Provision for vacation | 64,863 | 54,809 | 18.34 |
| Provision for Christmas bonus | 29,651 | 26,278 | 12.83 |
| Employees profit sharing | 34,974 | 14,084 | 148.32 |
| Technical cooperation covenant | 4,387 | 16,651 | (73.65) |
| Supplementary private pension plan | 12,482 | 10,639 | 17.33 |
| Interest on equity | 37,903 | 73,831 | (48.66) |
| Electric power | 24,045 | 26,741 | (10.08) |
| Sundry liabilities | 12,271 | 16,135 | (23.95) |
| Total current liabilities | 525,633 | 533,377 | (1.45) |
| NON-CURRENT LIABILITIES | | | |
| Long-term liabilities | | | |
| Loans and financings | 986,569 | 820,282 | 20.27 |
| Debentures | 633,057 | 542,379 | 16.72 |
| Tax provision | 115,820 | 109,560 | 5.71 |
| Provision for contingencies | 28,225 | 34,029 | (17.06) |
| Advance for future capital increase | 8,797 | 8,797 | (0.00) |
| Supplementary private pension plan | 163,382 | 155,235 | 5.25 |
| Deferred income and social contribution taxes | 10,022 | 12,030 | (16.69) |
| Electric power | 38,270 | 54,240 | (29.44) |
| Sundry liabilities | 39,999 | 62,464 | (35.97) |
| Total non-current liabilities | 2,024,141 | 1,799,016 | 12.51 |
| SHAREHOLDERS' EQUITY | | | |
| Paid-up capital stock | 2,636,460 | 2,632,265 | 0.16 |
| Capital reserves | 70,388 | 70,388 | (0.00) |
| Profit reserves | 1,100,648 | 808,728 | 36.10 |
| Retained earnings | 243,251 | 271,633 | (10.45) |
| Total shareholders' equity | 4,050,747 | 3,783,014 | 7.08 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 6,600,521 | 6,115,407 | 7.93 |



Consolidated Cash Flow Statement

| | 3Q09 | 3Q08 |
|--|------------------|------------------|
| Net income for the quarter | 121,167 | 145,110 |
| Adjustments to reconcile net income and net cash | | |
| Allowance for doubtful accounts | 1,254 | 287 |
| Market Value earned on accounts receivable from clients in the quarter | (3,165) | (3,159) |
| Market Value earned on accounts receivable from clients in the quarter | (851) | (831) |
| Deferred income and social contribution taxes | 1,646 | (1,994) |
| Book Value on loan collaterals in the quarter | 2,145 | (3,941) |
| Profit on loan collaterals in the quarter | (1,154) | (1,168) |
| Property, plant and equipment net writte-offs | 769 | 52 |
| Depreciation and amortization | 62,310 | 60,243 |
| Interest on loans in the quarter | 12,218 | 15,809 |
| Market Value/Book Value earned on loans in the quarter | (5,132) | 19,035 |
| Tax provision | 1,262 | 1,860 |
| Provision for contingencies | (2,665) | (6,546) |
| Reversal of provision to actuarial liability | (4,452) | 0 |
| Interest on Previminas/Cemig in the quarter | 1,913 | 1,910 |
| Market Value on Previminas/Cemig in the quarter | 1,390 | 3,960 |
| Deferred revenue | (2,040) | |
| Adjusted net income | 186,615 | 230,627 |
| Decrease (increase) in operating assets | | |
| Accounts receivable from clients - current and long-term | (10,789) | (18,788) |
| Inventories | (638) | 2,533 |
| Recoverable taxes | (202) | (231) |
| Loan collaterals | (177) | 2,820 |
| Judicial deposits | 16 | 181 |
| Sundry credits - current and long-term | (12,109) | (4,157) |
| Increase (decrease) in operating liability | | |
| Contractors and suppliers | (40,522) | (4,782) |
| Taxes, charges and contributions | 5,348 | 103 |
| Provision for vacation | 2,170 | 4,819 |
| Provision for Christmas Bonus | 10,369 | 9,885 |
| Employees profit sharing | 6,014 | (102) |
| Technical cooperation covenant | 8,270 | 2,256 |
| Supplementary private pension plan | 67 | 237 |
| Electric power | (4,747) | 403 |
| Sundry liabilities - current and long-term | (4,652) | 1,074 |
| Advance for future capital increase | (256) | 0 |
| Net cash generated by operating activities | 144,777 | 226,878 |
| Cash flow from investment activities: | | |
| Funds from convertible debentures | 814 | 23 |
| Additions to property, plant and equipment | (266,358) | (200,299) |
| | | (573) |
| Net cash used in investment activities | (265,544) | (200,849) |
| Cash flow from financing activities: | | |
| Funding of new loans | 41,451 | 71,665 |
| Principal payment - loans | (40,477) | (35,328) |
| Payment of interests on loans | (31,062) | (24,760) |
| Interest on equity paid in the quarter | (43,675) | (3,118) |
| Principal payment - Previminas/Cemig | (6,283) | (5,846) |
| Payment of interest - Previminas/Cemig | (1,917) | (1,908) |
| Net cash used in financing activities | (81,963) | 705 |
| Net decrease in cash and cash equivalents | (202,730) | 26,734 |
| Cash and cash equivalents at the beginning of the quarter | 763,348 | 842,987 |
| Cash and cash equivalents at the end of the quarter | 560,618 | 869,721 |



About COPASA

COPASA's main activities comprise the planning, project design, execution, expansion, remodeling and provision of public water supply and sanitary sewage services. It also provides technical support services to several municipalities in the state of Minas Gerais, including municipalities where the Company has not been granted water or sewage concessions, and to the private sector. COPASA focuses its activities in the State of Minas Gerais, Brazil's third largest state economy.

Contact

Companhia de Saneamento de Minas Gerais - COPASA MG

Rua Mar de Espanha, 525

Belo Horizonte - MG

30330-270

Tel.: +55(31) 3250-2015

Fax: +55(31) 3250-1409

Paula Vasques Bittencourt

Chief Financial and Investor Relations Officer

E-mail: ri@copasa.com.br

This document may contain future considerations on COPASA's business prospects. These are mere projections and, therefore, based entirely on COPASA's management expectations regarding the future of the business. Such forward-looking statements are subject to risks and uncertainties which depend on factors including economic, political, financial and commercial conditions in the markets where we operate. Investors are hereby advised that these forecasts are no guarantee of future performance since they involve risks and uncertainties.