

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

August 30, 2004

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 6-K**

**REPORT OF FOREIGN ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For August 30, 2004**

**(Commission File No. 1-31317)**

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**Companhia de Saneamento Básico do Estado de São Paulo - SABESP**  
*(Exact name of registrant as specified in its charter)*

**Basic Sanitation Company of the State of Sao Paulo - SABESP**  
*(Translation of Registrant's name into English)*

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**Rua Costa Carvalho, 300  
São Paulo, S.P., 05429-900  
Federative Republic of Brazil**  
*(Address of Registrant's principal executive offices)*

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Indicate by check mark whether the registrant files or will file  
annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K  
in paper as permitted by Regulation S-T Rule 101(b)(1) .

Indicate by check mark if the registrant is submitting the Form 6-K  
in paper as permitted by Regulation S-T Rule 101(b)(7) .

Indicate by check mark whether the registrant by furnishing the  
information contained in this Form is also thereby furnishing the  
information to the Commission pursuant to Rule 12g3-2(b) under  
the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicated below the file number assigned to the  
registrant in connection with Rule 12g3-2(b):



(Convenience Translation into English from  
the Original Previously Issued in Portuguese)

Companhia de Saneamento Básico  
do Estado de São Paulo - SABESP

Interim Financial Statements  
for the Quarter and Six-month Period  
Ended June 30, 2004 and  
Independent Accountants' Review Report

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT ACCOUNTANTS REVIEW REPORT

To the Shareholders and Management of  
Companhia de Saneamento Básico do Estado de São Paulo - SABESP  
São Paulo - SP

1. We have performed a special review of the accompanying interim financial statements of Companhia de Saneamento Básico do Estado de São Paulo - SABESP (the Company), consisting of the balance sheet as of June 30, 2004, and the related statement of operations for the quarter and six-month period then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.
3. Based on our special review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. The supplementary information for the quarter and six-month period ended June 30, 2004, consisting of the financial statements in constant purchasing power, and the statement of cash flows are presented for purposes of permitting additional analyses and are not a required part of the basic financial statements. This supplementary information was reviewed by us in accordance with the auditing procedures mentioned in paragraph 2 and, based on our review, we are not aware of any material modifications that should be made for them to be fairly presented, in all material respects, in relation to the financial statements taken as a whole.
5. We had previously reviewed the balance sheet as of March 31, 2004, presented for comparative purposes, and issued an unqualified opinion thereon, dated May 12, 2004. The statement of operations for the quarter and six-month period ended June 30, 2003, the supplementary information in constant purchasing power, and the statement of cash flows for the six-month period then ended, presented for comparative purposes, were reviewed by other independent accountants, whose special review report thereon, dated August 8, 2003, was unqualified.
6. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.  
São Paulo, August 6, 2004

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Marco Antonio Brandão Simurro  
Engagement Partner

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

FEDERAL GOVERNMENT SERVICE  
 BRAZILIAN SECURITIES COMMISSION (CVM)  
 INTERIM FINANCIAL STATEMENTS (ITR)  
 COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Law  
 06/30/2004

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

01.01 IDENTIFICATION

|   |  |   |
|---|--|---|
| 1 CVM CODE<br>01444-3                             | 2 COMPANY NAME<br>CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO | 3 Federal Corporate Taxpayers<br>Registration Number (CNPJ)<br>43.776.517/0001-80 |
| 4 State Registration Number (NIRE)<br>35300016831 |  |   |

01.02 HEAD OFFICE

|                                      |                             |                                   |                          |               |
|--------------------------------------|-----------------------------|-----------------------------------|--------------------------|---------------|
| 1 ADDRESS<br>Rua Costa Carvalho, 300 |                             | 2 SUBURB OR DISTRICT<br>Pinheiros |                          |               |
| 3 POSTAL CODE<br>05429-900           | 4 MUNICIPALITY<br>São Paulo |                                   |                          | 5 STATE<br>SP |
| 6 AREA CODE<br>011                   | 7 TELEPHONE<br>3388-8000    | 8 TELEPHONE<br>3388-8200          | 9 TELEPHONE<br>3388-8201 | 10 TELEX      |
| 11 AREA CODE<br>011                  | 12 FAX<br>3813-0254         | 13 FAX<br>-                       | 14 FAX<br>-              |               |
| 15 E-MAIL<br>sabesp@sabesp.com.br    |                             |                                   |                          |               |

01.03 INVESTOR RELATIONS OFFICER (Company Mail Address)

|   |                             |                                   |              |               |
|---|-----------------------------|-----------------------------------|--------------|---------------|
| 1 NAME<br>Rui de Britto Álvares Affonso |                             |                                   |              |               |
| 2 ADDRESS<br>Rua Costa Carvalho, 300    |                             | 3 SUBURB OR DISTRICT<br>Pinheiros |              |               |
| 4 POSTAL CODE<br>05429-900              | 5 MUNICIPALITY<br>São Paulo |                                   |              | 6 STATE<br>SP |
| 7 AREA CODE<br>011                      | 8 TELEPHONE<br>3388-8247    | 9 TELEPHONE                       | 10 TELEPHONE | 11 TELEX      |
| 12 AREA CODE<br>011                     | 13 FAX<br>3815-4465         | 14 FAX<br>-                       | 15 FAX<br>-  |               |

16 E-MAIL  
raffonso@sabesp.com.br

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## 01.04 GENERAL INFORMATION/INDEPENDENT ACCOUNTANT

| CURRENT YEAR   |            | CURRENT QUARTER |               |            | PRIOR QUARTER |  |            |
|--|------------|-----------------|---------------|------------|---------------|--|------------|
| 1 BEGINNING  | 2 END      | 3 QUARTER       | 4 - BEGINNING | 5 END      | 6 QUARTER     | 7 BEGINNING  | 8- END     |
| 01/01/2004   | 12/31/2004 | 2               | 04/01/2004    | 06/30/2004 | 1             | 01/01/2004   | 03/31/2004 |
| 9 INDEPENDENT ACCOUNTANT<br>Deloitte Touche Tohmatsu Auditores Independentes |            |                 |               |            |               | 10 CVM CODE<br>00385-9   |            |
| 11 PARTNER RESPONSIBLE<br>Marco Antonio Brandão Simurro                      |            |                 |               |            |               | 12 INDIVIDUAL TAXPAYERS<br>REGISTRATION NUMBER OF<br>THE PARTNER RESPONSIBLE<br>755.400.708-44 |            |

## 01.05 CAPITAL COMPOSITION

| NUMBER OF SHARES<br>(THOUSAND) | 1 CURRENT QUARTER<br>06/30/2004 | 2 PRIOR QUARTER<br>03/31/2004 | 3 SAME QUARTER IN PRIOR<br>YEAR<br>06/30/2003 |
|--------------------------------|---------------------------------|-------------------------------|---|
| Paid-up Capital                |                                 |                               |   |
| 1 Common                       | 28,479,577                      | 28,479,577                    | 28,479,577                                    |
| 2 Preferred                    | 0                               | 0                             | 0   |
| 3 Total                        | 28,479,577                      | 28,479,577                    | 28,479,577                                    |
| Treasury Shares                |                                 |                               |   |
| 4 Common                       | 0                               | 0                             | 0   |
| 5 Preferred                    | 0                               | 0                             | 0   |
| 6 Total                        | 0                               | 0                             | 0   |

## 01.06 CHARACTERISTICS OF THE COMPANY

|  |
|--|
| 1 TYPE OF COMPANY<br>Commercial, Industrial and Other Companies                      |
| 2 SITUATION<br>Operating   |
| 3 NATURE OF OWNERSHIP<br>State-owned   |
| 4 ACTIVITY CODE<br>116 Water, Sanitation and Gas Services                            |
| 5 MAIN ACTIVITY<br>Water treatment and distribution; Sewage collection and treatment |
| 6 TYPE OF CONSOLIDATION<br>Not submitted   |
| 7 TYPE OF REPORT OF INDEPENDENT ACCOUNTANT<br>Unqualified                            |

## 01.07 COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

| 1 ITEM | 2 CNPJ | 3 NAME |
|--------|--------|--------|
|--------|--------|--------|



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

| 1- | 2 - Event | 3 - Approval | 4 - Income          | 6 - Beginning of the payment | 6 - Share type | 7 - Income per share |
|----|-----------|--------------|---------------------|------------------------------|----------------|----------------------|
| 01 | RCA       | 02/26/2004   | Interest on capital |                              | ON             | 0.0013800000         |
| 02 | RCA       | 04/24/2003   | Interest on capital | 06/29/2004                   | ON             | 0.0014100000         |
| 03 | RCA       | 05/29/2003   | Interest on capital | 06/29/2004                   | ON             | 0.0041500000         |
| 04 | RCA       | 11/20/2003   | Interest on capital | 06/29/2004                   | ON             | 0.0054400000         |
| 05 | RCA       | 01/08/2004   | Interest on capital | 06/29/2004                   | ON             | 0.0067000000         |

01.09 SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

| 1 ITEM | 2 DATE OF ALTERATION | 3 CAPITAL (In thousands of reais) | 4 AMOUNT OF THE ALTERATION (In thousands of reais) | 5 NATURE OF ALTERATION | 7 NUMBER OF SHARES ISSUED (Thousands) | 7 SHARE PRICE ON ISSUE DATE (Reais) |
|--------|----------------------|-----------------------------------|--|------------------------|---------------------------------------|-------------------------------------|
|        |                      |                                   |  |                        |                                       |                                     |

01.10 INVESTORS RELATIONS OFFICER

| 1 DATE     | 2 SIGNATURE |
|------------|-------------|
| 08/12/2004 |             |

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## 02.01 BALANCE SHEET - ASSETS (In thousands of Brazilian reais)

| Code          | Description                                   | 06/30/2004 | 03/31/2004 |
|---------------|---|------------|------------|
| 1             | Total assets                                  | 16,441,524 | 16,568,612 |
| 1.01          | Current assets                                | 987,443    | 1,162,961  |
| 1.01.01       | Cash and cash equivalents                     | 102,905    | 231,507    |
| 1.01.01.01    | Cash, banks and temporary cash investments    | 101,796    | 230,067    |
| 1.01.01.02    | Other cash equivalents                        | 1,109      | 1,440      |
| 1.01.02       | Receivables                                   | 773,407    | 851,136    |
| 1.01.02.01    | Accounts receivable                           | 773,407    | 851,136    |
| 1.01.03       | Inventories                                   | 20,347     | 21,152     |
| 1.01.03.01    | Supplies                                      | 20,347     | 21,152     |
| 1.01.04       | Other   | 90,784     | 59,166     |
| 1.01.04.01    | Recoverable taxes                             | 32,515     | 11,154     |
| 1.01.04.02    | Deferred income and social contribution taxes | 30,361     | 29,714     |
| 1.01.04.03    | Other receivables                             | 27,908     | 18,298     |
| 1.02          | Long-term assets                              | 1,379,525  | 1,308,242  |
| 1.02.01       | Sundry receivables                            | 1,379,525  | 1,308,242  |
| 1.02.01.01    | Accounts receivable                           | 235,460    | 195,796    |
| 1.02.01.02    | Indemnities receivable                        | 148,794    | 148,794    |
| 1.02.01.03    | Escrow deposits                               | 16,805     | 17,501     |
| 1.02.01.04    | GESP agreement                                | 497,513    | 497,513    |
| 1.02.01.05    | Receivables from shareholders                 | 206,997    | 185,973    |
| 1.02.01.06    | Deferred income and social contribution taxes | 246,090    | 231,282    |
| 1.02.01.07    | Other receivables                             | 27,866     | 31,383     |
| 1.02.02       | Receivables from related companies            | 0          | 0          |
| 1.02.02.01    | Affiliates                                    | 0          | 0          |
| 1.02.02.02    | Subsidiaries                                  | 0          | 0          |
| 1.02.02.03    | Other related companies                       | 0          | 0          |
| 1.02.03       | Other   | 0          | 0          |
| 1.03          | Permanent assets                              | 14,074,556 | 14,097,409 |
| 1.03.01       | Investments                                   | 1,917      | 740        |
| 1.03.01.01    | Affiliates                                    | 0          | 0          |
| 1.03.01.02    | Subsidiaries                                  | 0          | 0          |
| 1.03.01.03    | Other investments                             | 1,917      | 740        |
| 1.03.01.03.01 | Shares of other companies                     | 669        | 669        |
| 1.03.01.03.02 | Tax incentive investments                     | 1,226      | 49         |
| 1.03.01.03.03 | Compulsory deposits Eletrobrás                | 22         | 22         |
| 1.03.02       | Property, plant and equipment                 | 14,029,873 | 14,049,832 |
| 1.03.02.01    | Technical assets                              | 12,110,153 | 12,079,387 |
| 1.03.02.02    | Construction in progress                      | 1,919,720  | 1,970,445  |
| 1.03.03       | Deferred charges                              | 42,766     | 46,837     |
| 1.03.03.01    | Organizational and reorganization costs       | 42,766     | 46,837     |

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## 02.02 BALANCE SHEET - LIABILITIES AND SHAREHOLDERS EQUITY (In thousands of Brazilian reais)

| Code       | Description                                   | 06/30/2004 | 03/31/2004 |
|------------|---|------------|------------|
| 2          | Total liabilities                             | 16,441,524 | 16,568,612 |
| 2.01       | Current liabilities                           | 1,621,482  | 1,662,552  |
| 2.01.01    | Loans and financing                           | 484,348    | 475,115    |
| 2.01.02    | Debentures                                    | 632,055    | 498,816    |
| 2.01.02.01 | 3rd issue debentures                          | 366,597    | 366,597    |
| 2.01.02.02 | 4th issue debentures                          | 100,001    | 100,001    |
| 2.01.02.03 | 5th issue debentures                          | 146,173    | 0          |
| 2.01.02.04 | Interest on debentures                        | 19,284     | 32,218     |
| 2.01.03    | Suppliers                                     | 24,264     | 26,436     |
| 2.01.04    | Taxes payable                                 | 68,827     | 64,140     |
| 2.01.04.01 | PAES Program                                  | 34,766     | 33,993     |
| 2.01.04.02 | Cofins and Pasep                              | 14,126     | 12,965     |
| 2.01.04.03 | I.N.S.S.                                      | 17,966     | 15,114     |
| 2.01.04.04 | Other   | 1,969      | 2,068      |
| 2.01.05    | Dividends payable                             | 0          | 0          |
| 2.01.06    | Provisions                                    | 21,258     | 19,353     |
| 2.01.06.01 | Finsocial                                     | 7,872      | 7,872      |
| 2.01.06.02 | Customer claims                               | 12,184     | 11,481     |
| 2.01.06.03 | Supplier claims                               | 1,202      | 0          |
| 2.01.07    | Debts with related companies                  | 0          | 0          |
| 2.01.08    | Other   | 390,730    | 578,692    |
| 2.01.08.01 | Payroll and related charges                   | 157,301    | 141,384    |
| 2.01.08.02 | Services                                      | 50,952     | 51,522     |
| 2.01.08.03 | Interest on capital                           | 93,029     | 262,274    |
| 2.01.08.04 | Deferred income and social contribution taxes | 62,971     | 58,622     |
| 2.01.08.05 | Agreements - Municipal authorities            | 22,505     | 61,119     |
| 2.01.08.06 | Other payables                                | 3,972      | 3,771      |
| 2.02       | Long-term liabilities                         | 7,239,132  | 7,252,617  |
| 2.02.01    | Loans and financing                           | 5,759,703  | 5,646,189  |
| 2.02.02    | Debentures                                    | 442,345    | 608,791    |
| 2.02.02.01 | 4th issue debentures                          | 149,999    | 174,999    |
| 2.02.02.02 | 5th issue debentures                          | 292,346    | 433,792    |
| 2.02.03    | Provisions                                    | 420,850    | 409,850    |
| 2.02.03.01 | Provision for labor indemnities               | 23,818     | 24,539     |
| 2.02.03.02 | Civil   | 16,445     | 20,408     |
| 2.02.03.03 | Social security charges                       | 7,001      | 6,759      |
| 2.02.03.04 | Suppliers                                     | 178,496    | 165,162    |
| 2.02.03.05 | Customers                                     | 179,420    | 178,283    |
| 2.02.03.06 | Other   | 15,670     | 14,699     |
| 2.02.04    | Debts with related companies                  | 0          | 0          |
| 2.02.05    | Other   | 616,234    | 587,787    |
| 2.02.05.01 | Deferred income and social contribution taxes | 127,799    | 117,099    |
| 2.02.05.02 | PAES Program                                  | 278,132    | 280,450    |
| 2.02.05.03 | Social security charges                       | 183,905    | 164,649    |
| 2.02.05.04 | Other payables                                | 26,398     | 25,589     |
| 2.03       | Deferred income                               | 0          | 0          |
| 2.05       | Shareholders equity                           | 7,580,910  | 7,653,443  |
| 2.05.01    | Capital                                       | 3,403,688  | 3,403,688  |
| 2.05.02    | Capital reserves                              | 51,857     | 51,055     |
| 2.05.02.01 | Support for projects                          | 36,077     | 35,275     |
| 2.05.02.02 | Incentive reserves                            | 15,780     | 15,780     |

|               |                                       |           |           |
|---------------|---------------------------------------|-----------|-----------|
| 2.05.03       | Revaluation reserves                  | 2,666,336 | 2,700,714 |
| 2.05.03.01    | Own assets                            | 2,666,336 | 2,700,714 |
| 2.05.03.02    | Subsidiaries/affiliates               | 0         | 0         |
| 2.05.04       | Profit reserves                       | 1,398,796 | 1,398,796 |
| 2.05.04.01    | Legal                                 | 146,340   | 146,340   |
| 2.05.04.02    | Statutory                             | 0         | 0         |
| 2.05.04.03    | For contingencies                     | 0         | 0         |
| 2.05.04.04    | Unrealized profits                    | 0         | 0         |
| 2.05.04.05    | Profit retention                      | 0         | 0         |
| 2.05.04.06    | Special for unpaid dividends          | 0         | 0         |
| 2.05.04.07    | Other profit reserves                 | 1,252,456 | 1,252,456 |
| 2.05.04.07.01 | Investment reserve                    | 1,252,456 | 1,252,456 |
| 2.05.05       | Retained earnings/accumulated deficit | 60,233    | 99,190    |

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## 03.01 - STATEMENT OF OPERATIONS (In thousands of Brazilian reais)

| Code          | Description  | 04/01/2004 to<br>06/30/2004 | 01/01/2004 to<br>06/30/2004 | 04/01/2003 to<br>06/30/2003 | 01/01/2003 to<br>06/30/2003 |
|---------------|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 3.01          | Gross revenue from sales and services              | 1,078,647                   | 2,217,463                   | 1,013,850                   | 2,053,742                   |
| 3.01.01       | Water supply - retail                              | 551,635                     | 1,140,461                   | 514,989                     | 1,044,404                   |
| 3.01.02       | Water supply - bulk                                | 52,648                      | 106,025                     | 61,405                      | 122,948                     |
| 3.01.03       | Sewage collection and treatment                    | 449,545                     | 924,683                     | 414,511                     | 830,925                     |
| 3.01.04       | Other services rendered                            | 24,819                      | 46,294                      | 22,945                      | 55,465                      |
| 3.02          | Gross revenue deductions                           | (39,712)                    | (91,137)                    | (41,406)                    | (87,801)                    |
| 3.02.01       | Cofins   | (35,056)                    | (73,327)                    | (29,878)                    | (62,968)                    |
| 3.02.02       | Pasep  | (4,656)                     | (17,810)                    | (11,528)                    | (24,833)                    |
| 3.03          | Net revenue from sales and services                | 1,038,935                   | 2,126,326                   | 972,444                     | 1,965,941                   |
| 3.04          | Cost of sales and services                         | (546,541)                   | (1,082,949)                 | (507,570)                   | (980,772)                   |
| 3.05          | Gross profit                                       | 492,394                     | 1,043,377                   | 464,874                     | 985,169                     |
| 3.06          | Operating expenses/income                          | (566,650)                   | (938,659)                   | 1,729                       | (207,196)                   |
| 3.06.01       | Selling expenses                                   | (132,245)                   | (231,251)                   | (106,256)                   | (186,212)                   |
| 3.06.02       | General and administrative expenses                | (68,637)                    | (138,824)                   | (59,067)                    | (107,489)                   |
| 3.06.03       | Financial  | (365,768)                   | (568,584)                   | 167,052                     | 86,505                      |
| 3.06.03.01    | Financial income                                   | 27,484                      | 52,875                      | 37,221                      | 77,158                      |
| 3.06.03.01.01 | Financial income                                   | 30,947                      | 55,573                      | 36,008                      | 74,714                      |
| 3.06.03.01.02 | Cofins/Pasep                                       | (3,463)                     | (2,698)                     | 1,213                       | 2,444                       |
| 3.06.03.02    | Financial expenses                                 | (393,252)                   | (621,459)                   | 129,831                     | 9,347                       |
| 3.06.03.02.01 | Financial expenses                                 | (393,252)                   | (621,459)                   | 129,831                     | 9,347                       |
| 3.06.04       | Other operating income                             | -                           | -                           | -                           | -                           |
| 3.06.05       | Other operating expenses                           | -                           | -                           | -                           | -                           |
| 3.06.06       | Equity in subsidiaries and affiliates              | -                           | -                           | -                           | -                           |
| 3.07          | Income (loss) from operations                      | (74,256)                    | 104,718                     | 466,603                     | 777,973                     |
| 3.08          | Nonoperating income (expenses)                     | (11,001)                    | (11,484)                    | (2,287)                     | (32,039)                    |
| 3.08.01       | Revenue  | 2,109                       | 4,745                       | 1,861                       | 3,097                       |
| 3.08.01.01    | Revenue  | 2,494                       | 5,249                       | 1,921                       | 3,206                       |
| 3.08.01.02    | Cofins / Pasep                                     | (385)                       | (504)                       | (60)                        | (109)                       |
| 3.08.02       | Expenses   | (13,110)                    | (16,229)                    | (4,148)                     | (35,136)                    |
| 3.08.02.01    | Loss on disposal of property, plant and equipment  | (13,310)                    | (16,276)                    | (4,091)                     | (35,287)                    |
| 3.08.02.02    | Other  | 200                         | 47                          | (57)                        | 151                         |
| 3.09          | Income before taxes/profit sharing                 | (85,257)                    | 93,234                      | 464,316                     | 745,934                     |
| 3.10          | Provision for income and social contribution taxes | 17,843                      | (38,110)                    | (76,553)                    | (154,879)                   |
| 3.10.01       | Provision for income tax                           | 14,168                      | (30,306)                    | (60,846)                    | (118,699)                   |
| 3.10.02       | Provision for social contribution tax              | 3,675                       | (7,804)                     | (15,707)                    | (36,180)                    |
| 3.11          | Deferred income tax                                | 2,859                       | 4,588                       | (46,350)                    | (68,988)                    |
| 3.11.01       | Deferred income tax                                | 723                         | 5,612                       | (30,468)                    | (45,170)                    |
| 3.11.02       | Deferred social contribution tax                   | 2,136                       | (1,024)                     | (15,882)                    | (23,818)                    |
| 3.11.03       | Reversal of deferred income tax                    | -                           | -                           | -                           | -                           |
| 3.12          | Profit sharing/ statutory contributions            | (8,780)                     | (17,561)                    | (8,782)                     | (17,563)                    |
| 3.12.01       | Profit sharing                                     | -                           | -                           | -                           | -                           |
| 3.12.02       | Contributions                                      | (8,780)                     | (17,561)                    | (8,782)                     | (17,563)                    |
| 3.12.02.01    | Extraordinary item                                 | (8,780)                     | (17,561)                    | (8,782)                     | (17,563)                    |
| 3.13          | Reversal of interest on capital                    | -                           | -                           | -                           | -                           |
| 3.15          | Net income (loss)                                  | (73,335)                    | 42,151                      | 332,631                     | 504,504                     |
|               | NUMBER OF SHARES, EX-TREASURY SHARES (THOUSAND)    | 28,479,577                  | 28,479,577                  | 28,479,577                  | 28,479,577                  |
|               | EARNINGS PER SHARE                                 |                             | 0.00148                     | 0.01168                     | 0.01771                     |
|               | LOSS PER SHARE                                     | (0.00258)                   | -                           |                             |                             |

(Convenience Translation into English from the Original Previously Issued in Portuguese)

FEDERAL PUBLIC SERVICE

BRAZILIAN SECURITIES COMMISSION (CVM)

INTERIM FINANCIAL STATEMENTS (ITR)

COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Corporate Law

06/30/2004

04.01. Notes to the Interim Financial Statements

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## 1. OPERATIONS

Companhia de Saneamento Básico do Estado de São Paulo ( SABESP or the Company ) is engaged in the operation of public water and sewage systems in the State of São Paulo, Brazil, providing water and sewage services to a broad range of residential, commercial, industrial and public-sector customers. The Company also provides water on a bulk basis to certain municipalities in the São Paulo Metropolitan Region that do not have water production systems.

The Company provides water and sewage services in 368 municipalities in the State of São Paulo, nearly all of which are through concessions granted by the municipalities. Most of these concessions have 30-year terms, one of which expires in 2004 and the rest between 2005 and 2034. Each of these concessions is automatically renewable for a period equal to its initial term, unless the municipality or SABESP exercises the right to terminate the concession, through notification by either party at least six months prior to its expiration date.

The Company does not have the formal concession to provide water and sewage services in the City of São Paulo, which accounts for a substantial portion of the sales and services rendered. In Santos, a municipality in the Santos Coastal Area which also has a large population, SABESP operates based on a public authorization, like in some other municipalities in the Santos Coastal Area and the Ribeira Valley, where the Company started operating after the merger of the companies that formed SABESP.

## 2. PRESENTATION OF FINANCIAL STATEMENTS

The interim financial statements have been prepared in accordance with Brazilian accounting practices and standards of the Brazilian Securities Commission ( CVM ).

## 3. SIGNIFICANT ACCOUNTING PRACTICES

### a) Determination of results of operations

#### (i) Revenues from sales and services

Revenues are recorded as the services are provided. Unbilled revenue from water supply and sewage collection and treatment services are measured and recorded in accounts receivable, so that costs can be matched against revenues for the period. Said revenues are recorded net of the bonuses related to the Incentive Program for Water Consumption Reduction (Note 18).

#### (ii) Financial income and expenses

Represented mainly by interest, monetary and exchange variations on loans and financing and investments, calculated and recorded on the accrual basis of accounting.

#### (iii) Income and social contribution taxes

Recorded on the accrual basis of accounting. The provisions for income tax and deferred income tax on tax losses and temporary differences are calculated at the base rate of 15%, plus a 10% surtax. Provisions for social contribution tax and deferred social contribution tax on tax losses and on temporary differences are calculated at the rate of 9%.

#### (iv) Other income and expenses

Recognized on the accrual basis.

b) Temporary cash investments

Substantially represented by Financial Investment Fund (FIF) and Bank Deposit Certificates (CDB), stated at invested amounts plus income earned (on a pro rata basis) to the balance sheet date.

c) Allowance for doubtful accounts

Recognized in an amount considered sufficient to cover probable losses on the realization of receivables. The allowance is recorded in the statement of operations under the caption Selling Expenses .

d) Inventories

Inventories of materials used in operations and in the maintenance of the water and sewage systems are stated at average cost or realizable value, and are classified in current assets.

Inventories for capital projects are classified under property, plant and equipment and recorded at average cost.

e) Other current and long-term assets

Stated at cost or realizable value plus income earned, when applicable.

f) Permanent assets

Stated at cost, monetarily restated through December 31, 1995, together with the following:

Depreciation of property, plant, and equipment is calculated under the straight-line method at the annual rates indicated in Note 6.

The revaluation of property items, carried out in two stages in 1990 and 1991, was based on an appraisal report issued by independent appraisers and is realized through depreciation, sale, and disposal of the respective assets, with an offsetting credit to Retained earnings .

Financial charges on loans, obtained from third parties, for construction in progress are allocated to the costs of the assets.

Amortization of deferred charges is calculated on the straight-line basis over a period of five years from the date benefits start to be generated.

g) Loans and financing

Restated based on monetary and exchange variations, plus the respective charges incurred to the balance sheet date.

h) Accrued vacations

Accrued vacations and the related charges are recognized as incurred.

i) Reserve for contingencies

Recorded to cover losses on labor, tax, civil, and commercial lawsuits, at administrative and judicial levels, which are considered by legal counsel to be probable and estimable as of June 30, 2004.

j) Environmental costs

Costs relating to ongoing environmental programs are expensed as incurred. Ongoing programs are designed and conducted to minimize the environmental impact of the operations and to manage the environmental risks inherent in the activities. Accruals for these costs are recorded when they are considered to be probable and reasonably estimable.

k) Actuarial liability

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The Company sponsors a private defined benefit pension plan. CVM Resolution No. 371 of December 13, 2000 requires the recognition of actuarial liabilities in excess of plan assets. As permitted by this regulation, these liabilities are being recognized over a period of five years starting in 2002.

### l) Other current and long-term liabilities

Stated at their known or payable amounts, including, when applicable, charges and monetary variations.

### m) Interest on capital

This interest has been recorded in accordance with Law No. 9,249/95 for tax deductibility purposes, calculated on a daily pro rata basis based on the Long-term Interest Rate (TJLP), and recorded in conformity with CVM Resolution No. 207/96.

### n) Earnings per thousand shares

Calculated based on the number of shares outstanding at the balance sheet date.

### o) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the reporting periods. Actual results may differ from those estimates.

## 4. ACCOUNTS RECEIVABLE

Amounts receivable, except for agreements to refinance past-due accounts receivable, do not include interest, fines or any other charges on past-due bills, summarized as follows:

### a) Balance sheet amounts

|                           | June 2004 | March 2004 |
|---------------------------|-----------|------------|
| Current assets:           |           |            |
| Private-sector customers: |           |            |
| General customers (i)     | 448,333   | 471,023    |
| Special customers (ii)    | 123,201   | 129,536    |
| Agreements (iii)          | 52,165    | 51,680     |
|                           | 623,699   | 652,239    |
| Government entities:      |           |            |
| Municipal - São Paulo     | 227,263   | 221,844    |
| Municipal other           | 60,850    | 70,403     |
| State                     | 38,409    | 42,074     |
| Agreements (iii)          | 19,090    | 2,010      |
| Federal                   | 12,225    | 10,915     |
|                           | 357,837   | 347,246    |
| Permittees:               |           |            |
| Guarulhos                 | 2,242     | 11,245     |
| Mauá                      | 1,187     | 1,246      |



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|  |           |           |
|--|-----------|-----------|
| Mogi das Cruzes  | 2,340     | 2,351     |
| Santo André  | 1,435     | 4,423     |
| São Caetano do Sul   | 2,215     | 2,504     |
| Diadema  | 909       | 949       |
|  | <hr/>     | <hr/>     |
|  | 10,328    | 22,718    |
|  | <hr/>     | <hr/>     |
| Unbilled amounts   | 175,813   | 189,975   |
|  | <hr/>     | <hr/>     |
| Subtotal   | 1,167,677 | 1,212,178 |
|  | <hr/>     | <hr/>     |
| Allowance for doubtful accounts:<br>Private and government sectors | (394,270) | (361,042) |
|  | <hr/>     | <hr/>     |
| Total current assets   | 773,407   | 851,136   |
|  | <hr/>     | <hr/>     |
| Long-term assets:<br>Agreements (iii)                              | 38,940    | 27,544    |
|  | <hr/>     | <hr/>     |
| Permittees:  |           |           |
| Guarulhos  | 226,696   | 208,697   |
| Mauá   | 63,167    | 59,068    |
| Mogi das Cruzes  | 1,193     | 1,194     |
| Santo André  | 197,675   | 183,395   |
| Diadema  | 54,908    | 51,871    |
|  | <hr/>     | <hr/>     |
|  | 543,639   | 504,225   |
|  | <hr/>     | <hr/>     |
| Subtotal   | 582,579   | 531,769   |
|  | <hr/>     | <hr/>     |
| Allowance for doubtful accounts:<br>Permittees                     | (347,119) | (335,973) |
|  | <hr/>     | <hr/>     |
| Total long-term assets   | 235,460   | 195,796   |
|  | <hr/>     | <hr/>     |
| Total accounts receivable  | 1,008,867 | 1,046,932 |
|  | <hr/>     | <hr/>     |

Receivables from private-sector customers refer to:

- (i) General customers - residential and small and medium-sized businesses.
- (ii) Special customers - large consumers, commercial, industries, condominiums and special billing consumers (industrial waste, wells, etc.).
- (iii) Agreements - to refinance past-due receivables.

b) Aging summary

June 2004

March 2004

|                        |         |         |
|------------------------|---------|---------|
| Current                | 504,066 | 504,136 |
| Past due:              |         |         |
| Up to 30 days          | 135,440 | 145,114 |
| From 31 to 60 days     | 66,700  | 74,660  |
| From 61 to 90 days     | 48,834  | 36,447  |
| From 91 to 120 days    | 43,142  | 35,053  |
| From 121 to 180 days   | 70,561  | 66,542  |
| From 181 to 360 days   | 106,020 | 94,765  |
| For more than 360 days | 775,493 | 787,230 |

|          |           |           |
|----------|-----------|-----------|
| Subtotal | 1,750,256 | 1,743,947 |
|----------|-----------|-----------|

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Allowance for doubtful accounts | (741,389) | (697,015) |
|---------------------------------|-----------|-----------|

|       |           |           |
|-------|-----------|-----------|
| Total | 1,008,867 | 1,046,932 |
|-------|-----------|-----------|

|         |         |         |
|---------|---------|---------|
| Current | 773,407 | 851,136 |
|---------|---------|---------|

|           |         |         |
|-----------|---------|---------|
| Long-term | 235,460 | 195,796 |
|-----------|---------|---------|

c) Allowance for doubtful accounts

(i) Changes in the allowance during the year were as follows:

|  | 2nd quarter/2004 | 1st quarter/2004 |
|--|------------------|------------------|
| Beginning balance                                | 697,015          | 669,431          |
| Private-sector customers/<br>government entities | 25,821           | 9,310            |
| Permittees                                       | 18,553           | 18,274           |
| Additions for the period                         | 44,374           | 27,584           |
| Ending balance                                   | 741,389          | 697,015          |

|         |         |         |
|---------|---------|---------|
| Current | 394,270 | 361,042 |
|---------|---------|---------|

|           |         |         |
|-----------|---------|---------|
| Long-term | 347,119 | 335,973 |
|-----------|---------|---------|

(ii) In results

The Company recorded probable losses on accounts receivable generated in the second quarter of 2004 in the amount of R\$ 66,787 (net of recoveries, of which R\$ 22,413 up to R\$5 and R\$ 44,374 over R\$5), directly in income, under Selling Expenses, in accordance with Law No. 9,430/96. In the second quarter of 2003, these losses amounted to R\$ 41,329.

|                         | 2nd quarter/2004 | 2nd quarter/2003 |
|-------------------------|------------------|------------------|
| Allowances (over R\$5)  | (45,524)         | (31,589)         |
| Recoveries (over R\$5)  | 1,150            | 932              |
| Allowances (under R\$5) | (32,793)         | (21,224)         |
| Recoveries (under R\$5) | 10,380           | 10,552           |

|          |          |          |
|----------|----------|----------|
| Expenses | (66,787) | (41,329) |
|----------|----------|----------|

The Company's accounting policy for recognizing the allowance for doubtful accounts is summarized below. The amounts determined are considered by management to be sufficient to cover possible losses.

- Accounts receivable (except from the State Government) over R\$5 and less than R\$30 past due for more than 360 days are included in the allowance.
- Accounts receivable (except from the State Government) over R\$30 past due for more than 360 days, for which collection lawsuits have been initiated, are included in the allowance.
- Accounts receivable (except from the State Government) under R\$5 past due for more than 180 days are written off through a direct charge to Selling Expenses .

d) Bulk supply - Municipal authorities

Accounts receivable from bulk supply refer to the sale of treated water to certain municipalities, which distribute, bill, and charge the final consumers.

| Changes for the period        | 2nd quarter/2004 | 1st quarter/2004 |
|-------------------------------|------------------|------------------|
| Beginning balance             | 526,943          | 506,309          |
| Billings                      | 52,648           | 53,413           |
| Collections for the period    | (25,624)         | (32,772)         |
| Collections for prior periods | -                | (7)              |
| Ending balance                | 553,967          | 526,943          |
| Current                       | 10,328           | 22,718           |
| Long-term                     | 543,639          | 504,225          |

e) São Paulo State Government (GESP)

| Changes for the period                        | 2nd quarter/2004 | 1st quarter/2004 |
|---|------------------|------------------|
| Beginning balance                             | 42,074           | -                |
| Billings                                      | 68,985           | 65,519           |
| Collections                                   | (28,450)         | (7,355)          |
| Matching of accounts - amendment compensation | (44,200)         | (16,090)         |
| Ending balance                                | 38,409           | 42,074           |

5. RELATED-PARTY TRANSACTIONS

|  | June 2004 | March 2004 |
|--|-----------|------------|
| Current assets:  |           |            |
| Cash, banks and temporary cash investments with financial institutions controlled by the State Government - Nossa Caixa S.A. | 70,641    | 185,330    |

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|  |         |         |
|--|---------|---------|
| State Government customers (Note 4):   | 38,409  | 42,074  |
| Long-term assets:  |         |         |
| Accounts receivable - retirement benefits (ii)                                 | 206,997 | 185,973 |
| GESP Agreement - retirement benefits (i)                                       | 320,623 | 320,623 |
| GESP Agreement - providing of services, water supply and sewage collection (i) | 176,890 | 176,890 |
| Permanent assets:  |         |         |
| Property, plant and equipment - DAEE Agreement (iii)                           | 62,503  | 64,338  |
| Current liabilities: (i)   |         |         |
| Interest on capital through 2003   | 55,068  | 98,857  |
| Interest on capital accrued in 2004  | 28,120  | 28,120  |

|   | 2nd quarter/2004 | 2nd quarter/2003 |
|---|------------------|------------------|
| Gross revenue from sales and services: (*)    |                  |                  |
| Water sales                                   | 38,632           | 35,309           |
| Sewage services                               | 30,353           | 27,743           |
| Collections                                   | (72,650)         | (28,067)         |
| Financial income:                             |                  |                  |
| Temporary cash investments - Nossa Caixa S.A. | 11,687           | 18,539           |

(\*) Refers to sales transactions to State Government entities carried out under conditions considered by management as usual in the market, except for the form of settlement of receivables, which may be made under the following conditions:

| Agreement amendment: (i)                           | June 2004 | March 2004 |
|--|-----------|------------|
| Bills past due to November 2001                    | 269,672   | 324,563    |
| Bills past due from December 2001 to February 2004 | 196,967   | 196,967    |
| Monetary restatement                               | 57,299    | 60,249     |
| GESP agreement                                     | 523,938   | 581,779    |
| Offset with interest on capital for 2003           | (309,143) | (360,667)  |
| Offset with interest on capital for 2001           | (37,905)  | (44,222)   |
|  | (347,048) | (404,889)  |
| Agreement balance                                  | 176,890   | 176,890    |

(i) First Amendment to the Agreement for Debt Acknowledgement, Payment Commitment and Other Clauses

The first Amendment, signed on March 22, 2004, consolidates the State's debt to SABESP, which covers water supply and sewage collection bills due to February 2004, in the amount of R\$581,779, monetarily restated based on the Referential Rate (TR) at the end of each year to February 2004. This amount will be audited by the State within 180 days.

SABESP acknowledged a debt to the State for interest on capital related to results for years prior to 2003 in the amount of R\$158,065, restated based on the annual change in the Consumer Price Index (IPC/FIPE) to December of each year in which the interest on capital became due, and to February 2004, and of the portion related to results for 2003 in the amount of R\$360,667, totaling R\$518,732.

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The State and SABESP will provide reciprocal offset of their receivables up to the limit of R\$360,667, by means of monthly and consecutive installments from June to December 2004. The remaining balance of R\$221,111 of the State's consolidated debt will be paid in 60 equal and consecutive monthly installments, the first of which falling due on May 30, 2004. Part of the interest on capital for the years prior to 2003 will be offset against the first 12 installments, at the nominal amount of R\$44,222. The remaining portion of this amount will be subject to monetary restatement based on the monthly Expanded Consumer Price Index (IPCA-IBGE) plus 0.5% per month, starting in March 2004 and until the month when the respective payment is made or offset, and will be used for settling the water supply and sewage collection bills.

The debt in the amount of R\$320,623, which refers to the reimbursement for supplementary retirement and pension benefits in the period from March 1986 to November 2001, as established in State Law No. 200/74, is under discussion as set forth in the agreement and will be partially resolved by the transfer of the Alto Tietê Reservoir System, in the amount of R\$300,880, as part of the payment.

### (ii) Receivables from shareholder

These receivables refer to supplementary pensions and paid leave benefits paid by the Company to former employees of the state-owned companies which were merged to form SABESP. These amounts should be reimbursed by the State Government, which is responsible for fulfilling these obligations, established by State Law No. 200/74. These receivables amount to R\$206,997 as of June 30, 2004, and to R\$185,973 as of March 31, 2004. They are classified in long-term assets.

### (iii) Agreement with the Department of Water and Electric Power (DAEE)

This agreement, signed on April 24, 1997, between DAEE and SABESP has the purpose of establishing joint operations for interconnecting the Tietê River with the Biritiba Reservoir and the interconnection of this Reservoir to the Jundiá Reservoir, for optimizing the Alto Tietê Basin by adding 5.0 m<sup>3</sup>/s of water. DAEE grants a concession to SABESP for the use of the water for a 30-year period.

## 6. PROPERTY, PLANT AND EQUIPMENT

|                 | June 2004 |                          | March 2004 |           |
|-----------------|-----------|--------------------------|------------|-----------|
|                 | Cost      | Accumulated depreciation | Net        | Net       |
| In use:         |           |                          |            |           |
| Water systems:  |           |                          |            |           |
| Land            | 931,518   | -                        | 931,518    | 930,239   |
| Buildings       | 2,604,898 | (1,152,684)              | 1,452,214  | 1,473,947 |
| Connections     | 756,260   | (275,250)                | 481,010    | 480,930   |
| Water meters    | 253,323   | (119,545)                | 133,778    | 136,280   |
| Networks        | 3,073,278 | (823,065)                | 2,250,213  | 2,255,391 |
| Equipment       | 235,090   | (128,497)                | 106,593    | 108,407   |
| Other           | 460,863   | (164,810)                | 296,053    | 277,310   |
|                 | 8,315,230 | (2,663,851)              | 5,651,379  | 5,662,504 |
| Sewage systems: |           |                          |            |           |
| Land            | 348,223   | -                        | 348,223    | 348,202   |
| Buildings       | 1,361,039 | (423,366)                | 937,673    | 919,320   |
| Connections     | 784,997   | (272,785)                | 512,212    | 510,510   |
| Networks        | 4,347,617 | (889,687)                | 3,457,930  | 3,404,238 |
| Equipment       | 456,707   | (273,111)                | 183,596    | 181,046   |
| Other           | 18,706    | (3,353)                  | 15,353     | 9,574     |
|                 | 7,317,289 | (1,862,302)              | 5,454,987  | 5,372,890 |

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|                                   |            |             |            |            |
|-----------------------------------|------------|-------------|------------|------------|
| Land                              | 102,867    | -           | 102,867    | 102,527    |
| Buildings                         | 117,399    | (57,482)    | 59,917     | 60,401     |
| Transportation equipment          | 130,477    | (111,518)   | 18,959     | 21,239     |
| Furniture, fixtures and equipment | 246,442    | (146,855)   | 99,587     | 132,244    |
| Free lease land                   | 25,312     | -           | 25,312     | 25,312     |
| Free lease assets                 | 9,618      | (3,027)     | 6,591      | 6,591      |
|                                   | 632,115    | (318,882)   | 313,233    | 348,314    |
|                                   | 16,264,634 | (4,845,035) | 11,419,599 | 11,383,708 |
| Construction in progress:         |            |             |            |            |
| Water systems                     | 524,768    | -           | 524,768    | 528,386    |
| Sewage systems                    | 1,374,183  | -           | 1,374,183  | 1,420,506  |
| Other                             | 20,769     | -           | 20,769     | 21,553     |
|                                   | 1,919,720  | -           | 1,919,720  | 1,970,445  |
| Intangible assets                 | 745,510    | (54,956)    | 690,554    | 695,679    |
| Total                             | 18,929,864 | (4,899,991) | 14,029,873 | 14,049,832 |

a) Depreciation

Depreciation is calculated at the following annual rates: buildings - 4%; interceptors and networks 2%; machinery and equipment 10%; water meters - 10%; vehicles 20%; computer equipments 20%; connections - 5% and furniture 10%.

Tangible assets are amortized over the life of the concession agreements of the municipalities assumed.

b) Construction in progress

Estimated disbursement for the period from July 2004 to 2009, related to construction works already contracted, is approximately R\$674,500 (unaudited).

c) Disposals of property, plant, and equipment:

In the second quarter of 2004, the Company wrote off property, plant and equipment items in the amount of R\$ 13,310 (2003 - R\$ 4,094). Of this amount R\$ 13,198 (2003 - R\$ 4,094) refers to items in use, due to obsolescence, theft and sale, and R\$ 112 refers to theft of equipment of construction in progress.

d) Expropriations

As a result of the construction of priority projects related to water and sewage systems, the Company was required to expropriate or establish rights of way in third-party properties, in conformity with the related legislation. The owners of these properties will be compensated either amicably or through the courts. The amount of compensation to be paid starting in the third quarter of 2004, without estimated date for actual disbursement, is estimated at approximately R\$278,000 which will be paid with internal funds. The assets to be received as a result of these negotiations will be recorded as property, plant, and equipment after the transaction is completed. In the second quarter of 2004, the amount referring to expropriations was R\$668 (2003 - R\$1,529).

e) Tax effects on the revaluation of assets

As permitted by CVM Instruction No. 197/93, the Company did not record accruals for the tax effects (deferred taxes) on the revaluation write-up recorded as a result of the revaluations of property, plant, and equipment carried out in 1990 and 1991. Had this effect been accounted for, the unrealized amount as of June 30, 2004 would be R\$507,507 (June 2003 - R\$545,665). In the period from January to June 2004, the realization of the revaluation reserve amounted to R\$57,383 (January to June 2003 - R\$79,130).

## f) Intangible assets

Starting in 1998, negotiations for new concessions are made on the basis of the economic and financial results of the transaction determined in appraisal reports issued by independent experts.

The amount defined in the respective contract, after the transaction is closed with the municipal authorities, with payment through Company shares or in cash, is recorded in this account and amortized over the concession period.

## 7. LOANS AND FINANCING

## (i) Debit balance of loans and financing

|  | June 2004 |           |           | March 2004 |           |           | Final maturity | Annual interest rate | Monetary restatement           | Collaterals  |
|--|-----------|-----------|-----------|------------|-----------|-----------|----------------|----------------------|--------------------------------|--------------|
|  | Current   | Long-term | Total     | Current    | Long-term | Total     |                |                      |                                |              |
| In local currency:   |           |           |           |            |           |           |                |                      |                                |              |
| Federal Government/Banco do Brasil   | 164,630   | 2,226,908 | 2,391,538 | 160,508    | 2,259,921 | 2,420,429 | 2014           | 8.5                  | UPR                            | GESP         |
| Debentures 3rd Issue   | 366,597   | -         | 366,597   | 366,597    | -         | 366,597   | 2004           | CDI+2.85%            | -                              | -            |
| Debentures 4th Issue   | 100,001   | 149,999   | 250,000   | 100,001    | 174,999   | 275,000   | 2006           | CDI+1.2%             | -                              | -            |
| Debentures 5th Issue   | 146,173   | 292,346   | 438,519   | -          | 433,792   | 433,792   | 2007 to 2008   | CDI+2.0% and 12.7%   | IGP-M                          | -            |
| Caixa Econômica Federal  | 38,163    | 471,553   | 509,716   | 37,291     | 478,857   | 516,148   | 2018           | 5% to 9.5%           | UPR                            | Own funds    |
| Brazilian Economic and Social Development Bank - BNDES                             | -         | 145,317   | 145,317   | -          | 119,253   | 119,253   | 2013           | 3% + TJLP            | -                              | Own funds    |
| Other  | 2,315     | 25,244    | 27,559    | 2,299      | 25,422    | 27,721    | 2009/11        | 12% / CDI            | UPR                            | -            |
| Interest and charges   | 41,427    | -         | 41,427    | 54,254     | -         | 54,254    |                |                      |                                |              |
|  | 859,306   | 3,311,367 | 4,170,673 | 720,950    | 3,492,244 | 4,213,194 |                |                      |                                |              |
| In foreign currency:   |           |           |           |            |           |           |                |                      |                                |              |
| International Bank for Reconstruction and Development (World Bank): US\$13,314,000 | 13,791    | 27,581    | 41,372    | 12,976     | 32,439    | 45,415    | 2007           | 4.85                 | Var.basket of currencies +US\$ | Federal Gov. |
| Société Générale: 2,351,000  | 3,273     | 5,650     | 8,923     | 2,916      | 6,924     | 9,840     | 2006           | 4.99                 |                                | Federal Gov. |
| Interamerican Development Bank (IDB): US\$447,200,000                              | 117,111   | 1,272,625 | 1,389,736 | 110,645    | 1,210,901 | 1,321,546 | 2007/25        | 3% to 7.7%           | Var. basket of currencies+US\$ | Federal Gov. |
| Eurobonds: US\$500,000,000   | -         | 1,553,750 | 1,553,750 | -          | 1,454,300 | 1,454,300 | 2005/08        | 10% - 12%            | US\$                           | -            |
| Deutsche Bank Luxembourg: US\$30,000,000   | 62,150    | 31,075    | 93,225    | 58,172     | 58,172    | 116,344   | 2005           | 11.125               | US\$                           | -            |
| Interest and charges   | 60,772    | -         | 60,772    | 68,272     | -         | 68,272    |                |                      |                                |              |
|  | 257,097   | 2,890,681 | 3,147,778 | 252,981    | 2,762,736 | 3,015,717 |                |                      |                                |              |
| Total  | 1,116,403 | 6,202,048 | 7,318,451 | 973,931    | 6,254,980 | 7,228,911 |                |                      |                                |              |

Exchange rate on June 30th, 2004: US\$ 3.1075; 3.79522

UPR: Standard Reference Unit

VARIATION OF BASKET OF CURRENCIES: Amount related to IDB and World Bank

CDI: Interbank Deposit rate

TJLP: Long-term interest rate

: Euro

IGP-M: General Market Price Index

## (ii) Settlement of Loans and Financing

Total debts payable through the yearend amount to R\$711,676. The main portion refers to debentures of the 3rd and 4th issue in the amount of R\$ 416,597, and the amount indexed to the US dollar and the euro is R\$ 158,887.

| INSTITUTION                          | 2004<br>Jul-Dec | 2005             | 2006           | 2007           | 2008             | 2009           | 2010 and<br>thereafter | TOTAL            |
|--------------------------------------|-----------------|------------------|----------------|----------------|------------------|----------------|------------------------|------------------|
| <b>IN LOCAL CURRENCY</b>             |                 |                  |                |                |                  |                |                        |                  |
| Federal Government / Banco do Brasil | 80,571          | 171,756          | 186,945        | 203,477        | 221,471          | 241,058        | 1,286,260              | 2,391,538        |
| Caixa Econômica Federal              | 17,707          | 37,599           | 40,719         | 44,100         | 48,555           | 49,336         | 271,700                | 509,716          |
| Debentures                           | 416,597         | 246,174          | 246,172        | 146,173        | -                | -              | -                      | 1,055,116        |
| BNDES                                | -               | 5,295            | 19,947         | 20,760         | 20,760           | 20,760         | 57,795                 | 145,317          |
| Other                                | 1,098           | 3,142            | 4,088          | 4,088          | 4,088            | 3,908          | 7,147                  | 27,559           |
| Interest and charges                 | 36,816          | 4,611            | -              | -              | -                | -              | -                      | 41,427           |
|                                      | 552,789         | 468,577          | 497,871        | 418,598        | 294,874          | 315,062        | 1,622,902              | 4,170,673        |
| <b>IN FOREIGN CURRENCY</b>           |                 |                  |                |                |                  |                |                        |                  |
| World Bank                           | 6,895           | 13,791           | 13,791         | 6,895          | -                | -              | -                      | 41,372           |
| Société Générale                     | 1,589           | 3,464            | 3,870          | -              | -                | -              | -                      | 8,923            |
| IBD                                  | 58,556          | 117,111          | 128,398        | 128,399        | 87,560           | 87,560         | 782,152                | 1,389,736        |
| Eurobonds                            | -               | 854,563          | -              | -              | 699,187          | -              | -                      | 1,553,750        |
| Deutsche Bank Luxembourg             | 31,075          | 62,150           | -              | -              | -                | -              | -                      | 93,225           |
| Interest and charges                 | 60,772          | -                | -              | -              | -                | -              | -                      | 60,772           |
|                                      | 158,887         | 1,051,079        | 146,059        | 135,294        | 786,747          | 87,560         | 782,152                | 3,147,778        |
| <b>Total</b>                         | <b>711,676</b>  | <b>1,519,656</b> | <b>643,930</b> | <b>553,892</b> | <b>1,081,621</b> | <b>402,622</b> | <b>2,405,054</b>       | <b>7,318,451</b> |

## 8. INCOME AND SOCIAL CONTRIBUTION TAXES

## a) Balance sheet and income statement amounts

|  | June 2004     | March 2004    |
|--|---------------|---------------|
| In current assets: (i)                       |               |               |
| Income tax available for offset              | 26,632        | 9,046         |
| Social contribution tax available for offset | 5,883         | 2,108         |
|  | <u>32,515</u> | <u>11,154</u> |
| Deferred income tax                          | 3,346         | 2,871         |
| Deferred social contribution tax             | 27,015        | 26,843        |
|  | <u>30,361</u> | <u>29,714</u> |
| In long-term assets: (ii)                    |               |               |
| Deferred income tax                          | 152,714       | 143,205       |
| Deferred social contribution tax             | 93,376        | 88,077        |
|  | <u></u>       | <u></u>       |



|                                  | 246,090 | 231,282 |
|----------------------------------|---------|---------|
| In current liabilities:          |         |         |
| Deferred PASEP (tax on revenue)  | 20,624  | 19,851  |
| Deferred COFINS (tax on revenue) | 42,347  | 38,771  |
|                                  | 62,971  | 58,622  |
| In long-term liabilities: (iii)  |         |         |
| Deferred income tax              | 71,345  | 65,408  |
| Deferred social contribution tax | 21,175  | 19,038  |
| Deferred PASEP                   | 11,745  | 11,277  |
| Deferred COFINS                  | 23,534  | 21,376  |
|                                  | 127,799 | 117,099 |

## b) Deferred Taxes

## (i) In current assets

Mainly calculated on temporary differences totaling R\$13,386 (March 2004 - R\$11,481). As of June 30, 2004, social contribution tax loss carryforwards is R\$286,776 (March 2004 - R\$286,776).

## (ii) In long-term assets

Mainly calculated on temporary differences totaling R\$610,858 (March 2004 - R\$572,820) related to income tax, and R\$626,121 (March 2004 - R\$584,742) related to social contribution tax.

The Company is claiming in court the right to fully offset the tax loss carryforwards without the 30% annual limitation imposed by Law No. 8,981/95; however, the portion offset in the period was within the limitation established in this law. As of June 30, 2004, social contribution tax loss carryforwards is R\$411,389 (March 2004 - R\$393,884).

In compliance with CVM Resolution No. 273/98 and CVM Instruction No. 371/02, the realization of credits arising from tax loss carryforwards and temporary differences is based on budget projections.

## (iii) In long-term liabilities

Mainly calculated on temporary differences totaling R\$285,382 (March 2004 - R\$261,633) related to income tax and R\$235,276 (March 2004 - R\$211,527) related to social contribution tax.

## c) Reconciliation of the effective tax rate

The amount recorded as income and social contribution tax expense in the financial statements is reconciled to the statutory rates, as shown below:

|                            | 2nd quarter/2004 | 2nd quarter/2003 |
|----------------------------|------------------|------------------|
| Income (loss) before taxes | (85,257)         | 464,316          |
| Cost at 34% statutory rate | 28,987           | (157,867)        |

Reconciliation:

Additions:

|  |          |         |
|--|----------|---------|
| Nondeductible realization of the revaluation reserve | (11,688) | (8,906) |
|--|----------|---------|

Exclusions:

|                     |   |        |
|---------------------|---|--------|
| Interest on capital | - | 40,185 |
|---------------------|---|--------|

|                   |       |       |
|-------------------|-------|-------|
| Other differences | 3,403 | 3,685 |
|-------------------|-------|-------|

|   |        |           |
|---|--------|-----------|
| Income and social contribution taxes in the statement of operations | 20,702 | (122,903) |
|---|--------|-----------|

The effective tax rate for the quarter was affected by contingent liabilities (customers, suppliers, civil, labor and environmental), actuarial liability and realization of the revaluation reserve.

#### 9. PAES - Special Installment Payment Plan

The Company applied for enrollment in PAES on July 15, 2003, in accordance with Law No. 10,684 of May 30, 2003, and included in its application the debts related to COFINS and PASEP which were involved in a legal action challenging application of Law No. 9718/98, and the outstanding balance under the Tax Recovery Program (REFIS), amounting to R\$316,953. The debt, which is pending confirmation by the Federal Revenue Authorities, plus interest based on the TJLP, will be paid in 120 months.

After enrolling in the PAES program, from July to June 2004, the Company paid R\$33,284 and accrued R\$29,229 for charges.

The assets pledged as guarantee under the REFIS program, in the amount of R\$249,034, remain as guarantee under the PAES program.

#### 10. PROVISIONS AND CONTINGENCIES

##### (a) Provisions in current liabilities

The Company has accrued in current liabilities, under the heading Provisions, the amount of R\$21,258 (March 2004 - R\$19,353) related to ongoing lawsuits in the execution phase.

(i) Customers refers to lawsuits filed by customers for tariff parity.

(ii) Finsocial In July 1991, an Ordinary Declaratory Action and for Annulment was filed, through lawsuit No. 91.0663460-5, requesting that the Finsocial (tax on revenues) debts be declared null, and that the requirement for SABESP to pay Finsocial be revoked.

Escrow deposits were made at the rate of 2%, for the period from April 1991 to April 1992, and on August 30, 1994, the withdrawal of 75% of these deposits was authorized. The remaining 25% of this amount, corresponding to the rate of 0.5%, was maintained as an escrow deposit, and also accrued.

With the recognition by the Federal Supreme Court (STF) of the constitutionality of Finsocial on the gross revenue of companies that solely provide services, which in the understanding of the legal counsel has an effect on the discussion of merit by SABESP, the Company settled, on July 26, 2002, the amount of R\$ 57,016, corresponding to 1.5% of the total amount due, requesting conversion to the Federal Revenue Service of the total amount in escrow deposit, closing the legal claim related to lawsuit No. 91.0663460-5.

##### b) Provisions in long-term liabilities

The Company, based on an analysis with its lawyers, recorded a reserve for contingencies in the amount of R\$420,850 (March 2004 - R\$409,850), considered sufficient to cover probable losses in legal actions.

(i) Labor claims - the Company is a defendant in various labor claims, and a significant portion of the involved amounts is under provisional or definitive execution. This amount is thus classified as a probable loss, and a reserve has been duly recorded. The reserve refers mainly to claims concerning overtime payment and health hazard premium, which are currently at various court levels.

(ii) Suppliers - refer to lawsuits filed by service providers arising from construction contracts, which have already been judged by lower courts and await decision on the appeals filed by SABESP.

(iii) Customers - these amounts refer to various lawsuits filed by customers seeking tariff parity, currently in trial or appellate courts, where decisions have been both favorable and unfavorable to the Company.

c) Lawsuits

The Company is a party to judicial and administrative lawsuits related to environmental, tax, civil and labor issues, whose chances of success/loss are considered by legal counsel as possible, and are not being recorded in the Company's accounting books. The amount involved in these lawsuits is approximately R\$736,500 as of June 30, 2004 (March 2004 - R\$572,800).

11. EMPLOYEE ASSISTANCE AND PENSION PLANS

The Company sponsors Fundação Sabesp de Seguridade Social - SABESPREV, established in August 1990 with the primary purpose of managing SABESP employees' supplementary pension plans and assistance plan.

Monthly contributions to the defined-benefit plan are as follows: 2.10% refer to Company's contributions, and 2.10% refer to participating employees' contributions.

The participating employees' contributions mentioned above is an average, since the discount amount varies according to the salary range, from 1% to 8.5%.

The assistance plan provides optional, freely-chosen health plans maintained by contributions from the Company and participants, which were as follows in the period:

- Company: 6.21% of payroll, on average.
- Participating employees: 3.21% of base salary and premiums, equivalent to 2.25% of gross payroll, on average.

12. EMPLOYEES' BENEFITS

In order to comply with CVM Resolution No. 371 of December 13, 2000, the amounts of the pension plan benefits granted or to be granted, to which employees are entitled after retirement, are presented below.

As of December 31, 2003, based on the report of the independent actuary, SABESP had a net actuarial liability of R\$305,184 representing the difference between the present value of the Company's obligations to the participating employees, retired employees, and pensioners, and the value of the related assets.

The Company opted to record the liability over a five-year period starting in 2002. The actuarial liability as of June 30, 2004, in the amount of R\$183,905 (March 2004 - R\$164,649), is recorded in long-term liabilities.

For 2004, estimated expenses total R\$86,934. Expenses were recognized for the period from January to June 2004, as follows:

|                              | 2nd quarter/2004 | 1st half/2004 | 2nd quarter/2003 | 1st half/2003 |
|------------------------------|------------------|---------------|------------------|---------------|
| Repass to Sabesprev          | 3,158            | 6,449         | 3,003            | 5,843         |
| Recorded actuarial liability | 19,256           | 38,365        | 19,263           | 38,562        |
| Total recorded               | 22,414           | 44,814        | 22,266           | 44,405        |

The amount related to cost of past service is recorded as an Extraordinary item net of taxes.

13. PROFIT SHARING

As a result of negotiations held by the Company with entities representing the employees, a Profit Sharing Program was implemented for the period from July 2003 to June 2004, with the payment of an amount corresponding to up to one month's payroll, depending on achievement of targets.

In December 2003, the Company paid an advance of R\$20,382, equivalent to 50% of one month's payroll. In the quarter, the Company accrued the amount of R\$11,850, totaling R\$22,042 for the half, recorded in current liabilities, with additional payment scheduled for the end of August.

2004.

#### 14. FINANCIAL INSTRUMENTS

##### (a) Market value of financial instruments

The Company's management calculates the market value of these financial instruments on an annual basis.

##### (b) Credit risk concentration

A substantial part of sales is dispersed among a large number of customers. In the case of these customers, the credit risk is minimum due to the large portfolio and control procedures, which monitor this risk.

Doubtful receivables are properly covered by a provision for loss on their realization.

##### (c) Foreign currency

Foreign currency operations comprise financing for specific works related to improvement and expansion of the water supply and sewage systems.

#### 15. OPERATING COSTS AND EXPENSES

|  | 2nd quarter 2004 | 1st half 2004    | 2nd quarter 2003 | 1st half 2003  |
|--|------------------|------------------|------------------|----------------|
| <b>1. Cost of sales and services:</b>          |                  |                  |                  |                |
| Payroll and related charges                    | 204,580          | 398,459          | 202,885          | 370,852        |
| General supplies                               | 18,773           | 36,718           | 17,818           | 34,988         |
| Treatment supplies                             | 22,598           | 49,953           | 20,759           | 47,627         |
| Outside services                               | 59,626           | 113,889          | 47,890           | 95,769         |
| Electric power                                 | 90,319           | 186,704          | 77,466           | 152,276        |
| General expenses                               | 7,801            | 15,427           | 8,900            | 17,393         |
| Depreciation and amortization                  | 142,844          | 281,799          | 131,852          | 261,867        |
|  | <b>546,541</b>   | <b>1,082,949</b> | <b>507,570</b>   | <b>980,772</b> |
| <b>2. Selling expenses:</b>                    |                  |                  |                  |                |
| Payroll and related charges                    | 35,955           | 68,601           | 33,791           | 59,343         |
| General supplies                               | 1,269            | 2,813            | 1,194            | 2,412          |
| Outside services                               | 15,786           | 29,821           | 20,174           | 41,452         |
| Electric power                                 | 197              | 397              | 178              | 387            |
| General expenses                               | 11,610           | 22,041           | 8,937            | 15,845         |
| Depreciation and amortization                  | 641              | 1,261            | 653              | 1,225          |
| Write-off of receivables                       | 66,787           | 106,317          | 41,329           | 65,548         |
|  | <b>132,245</b>   | <b>231,251</b>   | <b>106,256</b>   | <b>186,212</b> |
| <b>3. General and administrative expenses:</b> |                  |                  |                  |                |
| Payroll and related charges                    | 29,386           | 56,171           | 27,544           | 49,277         |
| General supplies                               | 798              | 1,559            | 887              | 1,772          |
| Outside services                               | 23,223           | 43,877           | 10,416           | 20,162         |
| Electric power                                 | 204              | 406              | 184              | 383            |
| General expenses                               | 4,030            | 15,132           | 8,693            | 15,076         |
| Depreciation and amortization                  | 5,757            | 9,685            | 3,284            | 6,313          |
| Tax expenses                                   | 5,239            | 11,994           | 8,059            | 14,506         |
|  | <b>68,637</b>    | <b>138,824</b>   | <b>59,067</b>    | <b>107,489</b> |

## 4. Costs, selling and general and administrative expenses (1+2+3):

|                               |         |           |         |           |
|-------------------------------|---------|-----------|---------|-----------|
| Payroll and related charges   | 269,921 | 523,231   | 264,220 | 479,472   |
| General supplies              | 20,840  | 41,090    | 19,899  | 39,172    |
| Treatment supplies            | 22,598  | 49,953    | 20,759  | 47,627    |
| Outside services              | 98,635  | 187,587   | 78,480  | 157,383   |
| Electric power                | 90,720  | 187,507   | 77,828  | 153,046   |
| General expenses              | 23,441  | 52,600    | 26,530  | 48,314    |
| Depreciation and amortization | 149,242 | 292,745   | 135,789 | 269,405   |
| Tax expenses                  | 5,239   | 11,994    | 8,059   | 14,506    |
| Write-off of receivables      | 66,787  | 106,317   | 41,329  | 65,548    |
|                               | <hr/>   | <hr/>     | <hr/>   | <hr/>     |
|                               | 747,423 | 1,453,024 | 672,893 | 1,274,473 |

## 5. Financial expenses:

|   |         |          |           |           |
|---|---------|----------|-----------|-----------|
| Interest, fines and late payment charges on loans and financing - in local currency   | 108,209 | 219,269  | 134,909   | 268,216   |
| Interest, fines and late payment charges on loans and financing - in foreign currency | 61,193  | 117,935  | 58,297    | 123,983   |
| Interest on capital   | -       | 39,302   | 118,190   | 158,347   |
| Interest on capital (reversal)  | -       | (39,302) | (118,190) | (158,347) |
| Other expenses on loans   | 82      | 164      | 85        | 5,648     |
| Income tax on remittances abroad  | 6,860   | 12,881   | 2,488     | 15,228    |
| Other financial expenses  | 12,135  | 20,181   | 31,879    | 43,261    |
| Monetary variations on loans and financing  | 16,838  | 30,304   | 38,311    | 83,139    |
| Exchange variations on loans and financing  | 174,719 | 192,353  | (464,818) | (626,999) |
| Other monetary and exchange variations  | 1,669   | 3,018    | 6,436     | 8,207     |
| Provisions  | 11,547  | 25,354   | 62,582    | 69,970    |
|   | <hr/>   | <hr/>    | <hr/>     | <hr/>     |
|   | 393,252 | 621,459  | (129,831) | (9,347)   |

## 6. Financial income:

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Monetary variations                          | 19,380  | 31,119  | 7,612   | 19,531  |
| Income from temporary cash investments       | 4,849   | 11,687  | 20,084  | 38,173  |
| Interest                                     | 6,717   | 12,766  | 8,312   | 17,010  |
| Other  | 1       | 1       | -       | -       |
|  | <hr/>   | <hr/>   | <hr/>   | <hr/>   |
| Total financial income                       | 30,947  | 55,573  | 36,008  | 74,714  |
| COFINS and PASEP (taxes on financial income) | (2,771) | (4,725) | (1,647) | (3,447) |
| COFINS and PASEP Credit                      | (692)   | 2,027   | 2,860   | 5,891   |
|  | <hr/>   | <hr/>   | <hr/>   | <hr/>   |
|  | (3,463) | (2,698) | 1,213   | 2,444   |

## Total financial income, net

|                                  |         |         |           |          |
|----------------------------------|---------|---------|-----------|----------|
|                                  | <hr/>   | <hr/>   | <hr/>     | <hr/>    |
|                                  | 27,484  | 52,875  | 37,221    | 77,158   |
|                                  | <hr/>   | <hr/>   | <hr/>     | <hr/>    |
| Financial expenses (income), net | 365,768 | 568,584 | (167,052) | (86,505) |

## 16. INDEMNITIES RECEIVABLE

The Municipalities of Diadema and Mauá terminated the concessions for water supply and sewage collection at the beginning of 1995.

In December 1996, the Company filed claims to seek compensation for investments made during the terms of the concession agreements.

Although the Company has not yet been compensated for these investments, water is still supplied on a bulk basis to these municipalities, which currently operate their own water distribution and sewage collection systems.

The net book value of property, plant, and equipment relating to the Municipality of Diadema, written off in December 1996, amounted to R\$75,231, and the claim balance and other receivables from the municipality amounting to R\$62,876 are recorded under long-term receivables as Indemnities receivable .

The net book value of property, plant and equipment relating to the Municipality of Mauá, written off in 1999, amounted to R\$103,763, and the claim balance of R\$85,918 is recorded under long-term receivables as Indemnities receivable .

Both claims are pending court decisions, although the legal counsel conducting the litigation expects a favorable outcome for the Company.

Regarding the Municipality of Mauá, the expert report was presented, as well as the clarifications prepared by the parties' technical staff. After the conclusion of the evidence phase, considering that the parties did not request a new presentation of proof, the period for presentation of briefs was begun.

Accordingly, SABESP presented its closing arguments. The records were submitted for conclusion on May 13, 2004 for the Municipality of Mauá to present its closing arguments. Subsequently, the records will be submitted for conclusion for sentencing.

Regarding the Municipality of Diadema, for the declaratory action for nonpayment of trade bills, attachment and joint judgment with the public civil action was determined. The performance of an accounting examination was also determined, and the parties presented the queries to the court-appointed expert.

SABESP filed an appeal against the decision determining the joint judgment of the claims, and is presently awaiting judgment of this appeal. Accordingly, the Company is awaiting the attachment of said records and the preparation of the expert report.

## 17. SHAREHOLDERS EQUITY

### a) Authorized capital

The Company is authorized to increase its capital up to a maximum of R\$4,100,000, corresponding to 40,000,000,000 registered common shares without par value.

### b) Subscribed and paid-up capital

Subscribed and paid-up capital is represented by 28,479,577,827 registered common shares without par value, held as follows:

| Shareholders                              | June 2004             |               | March 2004            |               |
|---|-----------------------|---------------|-----------------------|---------------|
|   | Number of shares      | %             | Number of shares      | %             |
| São Paulo State Finance Department        | 20,376,674,058        | 71.55         | 20,376,674,058        | 71.55         |
| Shares held in custody by Stock Exchanges | 8,073,289,501         | 28.33         | 8,073,374,511         | 28.33         |
| Other                                     | 29,614,268            | 0.12          | 29,529,258            | 0.12          |
|   | <u>28,479,577,827</u> | <u>100.00</u> | <u>28,479,577,827</u> | <u>100.00</u> |

### c) Remuneration of shareholders

Shareholders are entitled to a mandatory minimum dividend distribution of 25% of adjusted net income, calculated in conformity with Brazilian corporate law.

Interest declared in 2004 will be paid up to 60 days after the Annual Shareholders Meeting that approves the balance sheet.

### d) Capital reserve

Comprises tax incentives and donations from government entities.

e) Revaluation reserve

As permitted by CVM Instruction No. 197/93, the Company opted not to recognize income and social contribution taxes on the revaluation reserve for property, plant and equipment items recorded up to 1991.

The revaluation reserve is transferred to retained earnings in proportion to the depreciation and disposal of the respective assets.

f) Changes in retained earnings

|                                    | 2nd quarter/2004 | 1st quarter/2004 |
|------------------------------------|------------------|------------------|
| Beginning balance                  | 99,190           | -                |
| Realization of revaluation reserve | 34,378           | 23,006           |
| Net income (loss)                  | (73,335)         | 115,486          |
| Legal reserve                      | -                | -                |
| Interest on capital                | -                | (39,302)         |
| Investment reserve                 | -                | -                |
| Ending balance                     | 60,233           | 99,190           |

18. INCENTIVE PROGRAM FOR WATER CONSUMPTION REDUCTION

SABESP has implemented the Incentive Program for Water Consumption Reduction, the purpose of which is to encourage the population of the São Paulo Metropolitan Area to reduce water use, in order to help face the water shortage caused by the low rainfall levels and the resulting low water levels in the reservoirs that supply the region.

The program will encompass the municipalities of the Metropolitan Region supplied by the metropolitan aqueduct system and will be effective for six months starting March 15, 2004, consisting of the awarding of a 20% discount on water and sewage tariffs for users who reduce their water consumption by at least 20% in relation to the same period last year.

The results for the period from March 15 to June 30, 2004 are as follows:

- Reduction of R\$34,945, approximately 4.7% of the billed amount for water and sewage, in the São Paulo metropolitan region;
- In June, the consumption reduction target was reached by approximately 1,599,662 users, representing 49.4% of the customers served in the São Paulo metropolitan region.

19. NEW FUNDING

(i) Sanitation Program

Severance Pay Fund (FGTS) 2004

SABESP has filed with the Ministry of Cities, through Caixa Econômica Federal - financial agent of the FGTS, a request to obtain financing for 40 new projects in the amount of R\$714,227 (total investment of R\$793,585), under the Water and Institutional Development formats. Of this total, four projects were approved to be contracted, a total of R\$171,983 in investments and R\$154,785 in financing. The consultation letters referring to the remaining 36 projects are with the Ministry of Cities (FGTS fund management body), with the possibility of being selected and contracted by the end of the year. The tightening of public sector credit is regulated by National Monetary Council Resolution No. 3,201/04, of May 27, 2004.

(ii) BNDES

SABESP is concluding all the procedures for the signing, in the second half of 2004, of a R\$298,249 new financing, of which R\$133,669 is for payment of the federal government's contribution to the Environmental Recovery Program of the Santos Metropolitan Region, which will be financed by the Japan Bank for International Cooperation ( JBIC ) for sewage projects, and R\$164,580 to finance water projects contractually agreed upon by the JBIC for the Santos Metropolitan Region.

The payment conditions for water will be: 10-year term, including a 3-year grace period. Interest of 4.5% p.a. (2% p.a. plus an additional 1% p.a. basic interest for large companies + 1.5% p.a. of credit risk rate) + TJLP (Long-Term Interest Rate) of up to 6% p.a., and the excess amount is added to the debit balance.

For sewage the payment conditions will be: 10-year term, including a 3-year grace period. Interest of 4.0% p.a. (2% p.a. as basic remuneration, plus an additional 1% p.a. basic interest for large companies + 1.5% p.a. of credit risk rate, less the priority-sector discount of 0.5% p.a.) + TJLP of up to 6% p.a., and the excess amount is added to the debit balance.

## 20. SUBSEQUENT EVENTS

- Japan Bank for International Cooperation ( JBIC )

On August 6, 2004, SABESP signed a Financing Agreement with the JBIC (Japan Bank For International Cooperation), with a guarantee from the Federal Government, in the amount of ¥ 21,320 million, equivalent to approximately R\$588,000, for the Environmental Recovery Program of the Santos Metropolitan Region, a project involving ¥ 39,221 million, equivalent to approximately R\$1,081,000, with SABESP contributing ¥ 17,901 million, equivalent to approximately R\$493,000. The total financing term is 25 years, with an 18-year amortization period and a 7-year grace period. Interest is payable semiannually, at the rates of 2.5% p.a. for the sewage network and 1.8% p.a. for sewage treatment facilities.

- Debentures and promissory notes

On June 17, 2004, the Board of Directors approved: (I) the request for filing of the Company's Securities Distribution Program, in accordance with CVM Instruction No. 400, in the amount of R\$ 1,500,000; with a two-year term; (ii) the issuance of promissory notes, not included in the Distribution Program, in the amount of R\$200,000, of which R\$ 130,000 was distributed on July 16, 2004, as bridge operation; and (iii) the 6th issuance of simple debentures, without guarantee, and non-convertible, in the amount of R\$600,000, in the context of the Distribution Program.

- Renewal of Grant of the Cantareira System

The conditions for renewal of the grant for use of the water of the Piracicaba Basin by the Cantareira System, responsible for supplying approximately 48% of the population of the São Paulo Metropolitan Region, were established by DAEE Administrative Rule No. 1213, of August 6, 2004, for a period of 10 years, in general, establishing that:

- SABESP will be guaranteed the withdrawal of 31.0 m<sup>3</sup>/s during 83% of the time;
- during the remaining time, the flow may vary from 31.0 m<sup>3</sup>/s to 24.8 m<sup>3</sup>/s (considered the minimum). We point out that the probability that this minimum flow will occur is small, having occurred once in 74 years.



## 05.01. Comment on the Company's Performance in the Quarter

1. SABESP had a 6.8% increase in net revenue while EBITDA remained unchanged.

| (R\$ million)                               |       |         |           |
|---|-------|---------|-----------|
| Main indicators                             | 2Q03  | 2Q04    | Variation |
| Net operating revenue                       | 972.4 | 1,038.9 | 6.8%      |
| Operating revenue before financial expenses | 299.5 | 291.5   | (2.7%)    |
| EBITDA (*)                                  | 435.3 | 440.8   | 1.3%      |
| EBITDA margin                               | 44.8% | 42.4%   |           |
| Net income (loss)                           | 332.6 | (73.3)  |           |

(\*) Earnings before interest, taxes, depreciation and amortization.

Sabesp had a net revenue of R\$1,038.9 million, and EBITDA of R\$440.8 million in 2Q04. Besides the increase in net revenue, the 6.8% devaluation of the real against the US dollar had a negative impact on the period. The final result was a loss of R\$ 73.3 million.

2. Gross operating revenue 6.4% growth

Gross operating revenue increased by R\$64.8 million, or 6.4%. This quarter reflects the results of the Incentive Program for Water Consumption Reduction begun in March of this year in the Sao Paulo Metropolitan Region, which is responsible for almost 70% of the Company's revenue. In the second quarter, discounts granted totaled R\$34.9 million, or 4.7% of the water and sewage billed in the Sao Paulo Metropolitan Region.

In addition to the discount's direct impact on revenue, a considerable number of customers (almost 20% of connections) nearly reached the water consumption reduction target for the discount. This caused a reduction in the average tariff, resulting in a modest increase in revenue in the period.

Billed volumes of retail water and sewage decreased 1.2% with the inclusion of São Bernardo do Campo in the Company's retail volume. Not considering this municipality, there was a 3.9% decrease in billed volume of retail water and sewage in the São Paulo Metropolitan Region, and 2.2% in the Company's total volume.

The tables below show the volume of retail water and sewage billed according to the user category and region, in the second quarters of 2003 and 2004 (unaudited):

| VOLUME OF RETAIL WATER AND SEWAGE BILLED - millions of m3 |       |       |        |        |       |        |              |       |        |
|---|-------|-------|--------|--------|-------|--------|--------------|-------|--------|
| User Category   | Water |       | Var. % | Sewage |       | Var. % | Water+Sewage |       | Var. % |
|   | 2Q03  | 2Q04  |        | 2Q03   | 2Q04  |        | 2Q03         | 2Q04  |        |
| Residential   | 296.2 | 298.4 | 0.7    | 226.8  | 231.6 | 2.1    | 523.0        | 530.0 | 1.3    |
| Commercial  | 35.5  | 35.2  | (0.9)  | 31.2   | 31.7  | 1.6    | 66.7         | 66.9  | 0.3    |
| Industrial  | 7.6   | 7.8   | 2.6    | 7.2    | 7.8   | 8.3    | 14.8         | 15.6  | 5.4    |
| Public  | 11.9  | 11.6  | (2.5)  | 9.3    | 9.1   | (2.2)  | 21.2         | 20.7  | (2.4)  |
| Total   | 351.2 | 353.0 | 0.5    | 274.5  | 280.2 | 2.1    | 625.7        | 633.2 | 1.2    |

| VOLUME OF RETAIL WATER AND SEWAGE BILLED - millions of m3 |       |       |        |        |       |        |              |       |        |
|---|-------|-------|--------|--------|-------|--------|--------------|-------|--------|
| Region  | Water |       | Var. % | Sewage |       | Var. % | Water+Sewage |       | Var. % |
|   | 2Q03  | 2Q04  |        | 2Q03   | 2Q04  |        | 2Q03         | 2Q04  |        |
| SP Metropolitan region                                    | 233.8 | 234.7 | 0.4    | 185.6  | 189.7 | 2.2    | 419.4        | 424.4 | 1.2    |
| Regional (*)  | 117.4 | 118.3 | 0.8    | 88.9   | 90.5  | 1.8    | 206.3        | 208.8 | 1.2    |
| Total   | 351.2 | 353.0 | 0.5    | 274.5  | 280.2 | 2.1    | 625.7        | 633.2 | 1.2    |

(\*) Comprising the Coastal and Interior regions of the State

3. Costs, Administrative and Selling Expenses

Costs, Administrative and Selling Expenses increased R\$74.5 million or 11.1%.

(R\$ million)

|   | 2Q03         | 2Q04         | Difference  | %           |
|---|--------------|--------------|-------------|-------------|
| Payroll and related charges                       | 264.2        | 269.9        | 5.7         | 2.2         |
| General supplies                                  | 19.9         | 20.8         | 0.9         | 4.5         |
| Treatment supplies                                | 20.8         | 22.6         | 1.8         | 8.7         |
| Outside services                                  | 78.5         | 98.6         | 20.1        | 25.6        |
| Electric power                                    | 77.8         | 90.7         | 12.9        | 16.6        |
| General expenses                                  | 26.5         | 23.5         | (3.0)       | (11.3)      |
| Depreciation and amortization                     | 135.8        | 149.3        | 13.5        | 9.9         |
| Write-off of receivables                          | 41.3         | 66.8         | 25.5        | 61.7        |
| Tax expenses                                      | 8.1          | 5.2          | (2.9)       | (35.8)      |
| <b>Costs, administrative and selling expenses</b> | <b>672.9</b> | <b>747.4</b> | <b>74.5</b> | <b>11.1</b> |

The main differences were as follows:

### 3.1. Payroll and related charges

Payroll and related charges increased by R\$5.7 million or 2.2%. This growth was mainly due to a 4.18% salary adjustment beginning in May 2004, referring to collective bargaining.

### 3.2. General supplies

General supplies increased by R\$0.9 million or 4.5%, mainly in relation to maintenance of residential connections.

3.3 Treatment Supplies Treatment supplies increased by R\$ 1.8 million or 8.7%, mainly due to increased consumption of activated charcoal and aluminum sulphate. With climate changes and conditions of the watershed, there was a proliferation of alga that, when dead, leave an odor and taste in the water removed with the application of activated charcoal.

### 3.4. Outside services

Outside services increased by R\$20.1 million or 25.6%, as a result of increases in advertising and publicity, for the institutional campaigns promoted by Sabesp ( Watch the Level , Rationing 2004 and the Incentive Program for Water Consumption Reduction ). Other expenses that justified the increase is the paving and replacements of pavement and technical professional services.

### 3.5. Electric power

Electric power increased by R\$12.9 million or 16.6%, due to an average increase of 14.3% in power tariff and of 1.3% due to adjustment of the emergency capacity charge. Regarding power consumption, there was a 1% drop in the second quarter of 2004 (510,576 MWh) compared to the same period of 2003 (515,807 MWh) due to the Incentive Program for Water Consumption Reduction in effect since March 2004.

### 3.6. General expenses

General expenses decreased by R\$3.0 million or 11.3%, mainly as a result of reserves for contingencies. The 2Q04 amount is smaller than in 2Q03.

### 3.7. Depreciation and amortization

Depreciation and amortization increased by R\$13.5 million or 9.9%, due to transfers from property, plant and equipment in progress to property, plant and equipment in service.

3.8. Write-off of Receivables Increased by R\$ 25.5 million or 61.7%, due to the write-off in June of invoices above R\$ 30,000.00, more than one year past due, with lawsuits.

3.9 Tax Expenses Decreased by R\$ 2.9 million or 35.8%, due to payment of Eurobonds in 2Q03 with a higher levy of CPMF (tax on bank transactions).

## 4. Financial Expenses and Monetary Variations on Liabilities

## 4.1 Financial Expenses

Financial expenses decreased by R\$90.2 million or 31.1%, due to:

- Provisions, which decreased by R\$ 51.0 million, due to a larger provision for lawsuits on customers in 2Q03;
- Interest on domestic loans and financing, which decreased by R\$ 26.7 million, due to the decrease in the variation of the annual interbank deposit rate (CDI) on the debit balance of the debentures issued by SABESP in the capital market;
- Other financial expenses, which decreased by R\$ 19.7 million, due to the fine (50% reduction) on the Cofins and Pasesp debt consolidated in PAES tax refinancing program (Law No. 10,684/2003 - New Refis), in 2Q03.

## 4.2 Monetary Variations on Liabilities

Monetary variations on liabilities decreased by R\$613.3 million, due to the 6.8% devaluation of the Brazilian real against the US dollar in 2Q04 when compared to the 14.4% appreciation in 2Q03, which affected loans denominated in foreign currency.

## 5. Operating indicators

As shown in the table below, the Company is still expanding its services. (unaudited)

| Main Operating Indicators        | 2Q03   | 2Q04   | %      |
|----------------------------------|--------|--------|--------|
| Water connections (1)            | 5,975  | 6,285  | 5.2    |
| Sewage connections (1)           | 4,385  | 4,673  | 6.6    |
| Population served - water (2)    | 21.2   | 22.2   | 4.7    |
| Population served - sewage (2)   | 17.0   | 18.0   | 5.9    |
| Billed volume - bulk water (3)   | 86.4   | 62.3   | (27.9) |
| Billed volume - retail water (3) | 351.2  | 353.0  | 0.5    |
| Billed volume - sewage (3)       | 274.5  | 280.2  | 2.1    |
| Number of employees              | 18,355 | 17,807 | (3.0)  |
| Operating productivity (4)       | 564    | 615    | 9.0    |

- (1) In thousand units at the end of the period  
(2) In millions of inhabitants at the end of the period  
(3) In millions of m3  
(4) Number of water and sewage connections per employee

## 10.01. CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES

|  |                            |
|--|----------------------------|
| 1 - ITEM                               | 01                         |
| 2 - ORDER NUMBER                       | 3                          |
| 3 - CVM REGISTRATION NUMBER            | CVM/SRE/DEB/1999-030       |
| 4 - DATE OF REGISTRATION WITH CVM      | 03/18/1999                 |
| 5 - ISSUED SERIES                      | 1                          |
| 6 - TYPE OF ISSUE                      | SIMPLE                     |
| 7 - NATURE OF ISSUE                    | PUBLIC                     |
| 8 - ISSUE DATE                         | 02/01/1999                 |
| 9 - DUE DATE                           | 09/24/2004                 |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE         |
| 11 - REMUNERATION CONDITIONS           | CDI RATE + 2.85% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                       |
| 13 - NOMINAL VALUE (reais)             | 1,002.76                   |
| 14 - AMOUNT ISSUED (Thousand of reais) | 115,317                    |
| 15 - DEBENTURES ISSUED (Units)         | 115,000                    |
| 16 - OUTSTANDING DEBENTURES (Units)    | 103,807                    |
| 17 - TREASURY DEBENTURES (Units)       | 11,193                     |
| 18 - REDEEMED DEBENTURES (Units)       | 0                          |
| 19 - CONVERTED DEBENTURES (Number)     | 0                          |
| 20 - DEBENTURES TO PLACE (Number)      | 0                          |
| 21 - DATE OF LAST RENEGOTIATION        | 03/24/2003                 |
| 22 - DATE OF NEXT EVENT                | 09/24/2004                 |

|  |                            |
|--|----------------------------|
| 1 - ITEM                               | 02                         |
| 2 - ORDER NUMBER                       | 3                          |
| 3 - CVM REGISTRATION NUMBER            | CVM/SRE/DEB/1999-031       |
| 4 - DATE OF REGISTRATION WITH CVM      | 03/18/1999                 |
| 5 - ISSUED SERIES                      | 2                          |
| 6 - TYPE OF ISSUE                      | SIMPLE                     |
| 7 - NATURE OF ISSUE                    | PUBLIC                     |
| 8 - ISSUE DATE                         | 02/01/1999                 |
| 9 - DUE DATE                           | 09/24/2004                 |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE         |
| 11 - REMUNERATION CONDITIONS           | CDI RATE + 2.85% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                       |
| 13 - NOMINAL VALUE (reais)             | 1,002.76                   |
| 14 - AMOUNT ISSUED (Thousand of reais) | 115,317                    |
| 15 - DEBENTURES ISSUED (Units)         | 115,000                    |
| 16 - OUTSTANDING DEBENTURES (Units)    | 103,198                    |
| 17 - TREASURY DEBENTURES (Units)       | 11,802                     |
| 18 - REDEEMED DEBENTURES (Units)       | 0                          |
| 19 - CONVERTED DEBENTURES (Number)     | 0                          |
| 20 - DEBENTURES TO PLACE (Number)      | 0                          |
| 21 - DATE OF LAST RENEGOTIATION        | 03/24/2003                 |
| 22 - DATE OF NEXT EVENT                | 09/24/2004                 |

|  |                            |
|--|----------------------------|
| 1 - ITEM                               | 03                         |
| 2 - ORDER NUMBER                       | 3                          |
| 3 - CVM REGISTRATION NUMBER            | CVM/SRE/DEB/1999-032       |
| 4 - DATE OF REGISTRATION WITH CVM      | 03/18/1999                 |
| 5 - ISSUED SERIES                      | 3                          |
| 6 - TYPE OF ISSUE                      | SIMPLE                     |
| 7 - NATURE OF ISSUE                    | PUBLIC                     |
| 8 - ISSUE DATE                         | 02/01/1999                 |
| 9 - DUE DATE                           | 09/24/2004                 |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE         |
| 11 - REMUNERATION CONDITIONS           | CDI RATE + 2.85% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                       |
| 13 - NOMINAL VALUE (reais)             | 1,002.76                   |
| 14 - AMOUNT ISSUED (Thousand of reais) | 115,317                    |
| 15 - DEBENTURES ISSUED (Units)         | 115,000                    |
| 16 - OUTSTANDING DEBENTURES (Units)    | 102,159                    |
| 17 - TREASURY DEBENTURES (Units)       | 12,841                     |
| 18 - REDEEMED DEBENTURES (Units)       | 0                          |
| 19 - CONVERTED DEBENTURES (Number)     | 0                          |
| 20 - DEBENTURES TO PLACE (Number)      | 0                          |
| 21 - DATE OF LAST RENEGOTIATION        | 03/24/2003                 |
| 22 - DATE OF NEXT EVENT                | 09/24/2004                 |

|  |                            |
|--|----------------------------|
| 1 - ITEM                               | 04                         |
| 2 - ORDER NUMBER                       | 3                          |
| 3 - CVM REGISTRATION NUMBER            | CVM/SRE/DEB/1999-033       |
| 4 - DATE OF REGISTRATION WITH CVM      | 03/18/1999                 |
| 5 - ISSUED SERIES                      | 4                          |
| 6 - TYPE OF ISSUE                      | SIMPLE                     |
| 7 - NATURE OF ISSUE                    | PUBLIC                     |
| 8 - ISSUE DATE                         | 02/01/1999                 |
| 9 - DUE DATE                           | 09/24/2004                 |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE         |
| 11 - REMUNERATION CONDITIONS           | CDI RATE + 2.85% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                       |
| 13 - NOMINAL VALUE (reais)             | 1,002.76                   |
| 14 - AMOUNT ISSUED (Thousand of reais) | 51,808                     |
| 15 - DEBENTURES ISSUED (Units)         | 51,666                     |
| 16 - OUTSTANDING DEBENTURES (Units)    | 41,005                     |
| 17 - TREASURY DEBENTURES (Units)       | 10,661                     |
| 18 - REDEEMED DEBENTURES (Units)       | 0                          |
| 19 - CONVERTED DEBENTURES (Number)     | 0                          |
| 20 - DEBENTURES TO PLACE (Number)      | 0                          |
| 21 - DATE OF LAST RENEGOTIATION        | 03/24/2003                 |
| 22 - DATE OF NEXT EVENT                | 09/24/2004                 |

|  |                            |
|--|----------------------------|
| 1 - ITEM                               | 05                         |
| 2 - ORDER NUMBER                       | 3                          |
| 3 - CVM REGISTRATION NUMBER            | CVM/SRE/DEB/1999-034       |
| 4 - DATE OF REGISTRATION WITH CVM      | 03/18/1999                 |
| 5 - ISSUED SERIES                      | 5                          |
| 6 - TYPE OF ISSUE                      | SIMPLE                     |
| 7 - NATURE OF ISSUE                    | PUBLIC                     |
| 8 - ISSUE DATE                         | 02/01/1999                 |
| 9 - DUE DATE                           | 09/24/2004                 |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE         |
| 11 - REMUNERATION CONDITIONS           | CDI RATE + 2.85% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                       |
| 13 - NOMINAL VALUE (reais)             | 1,002.76                   |
| 14 - AMOUNT ISSUED (Thousand of reais) | 16,473                     |
| 15 - DEBENTURES ISSUED (Units)         | 16,428                     |
| 16 - OUTSTANDING DEBENTURES (Units)    | 16,428                     |
| 17 - TREASURY DEBENTURES (Units)       | 0                          |
| 18 - REDEEMED DEBENTURES (Units)       | 0                          |
| 19 - CONVERTED DEBENTURES (Number)     | 0                          |
| 20 - DEBENTURES TO PLACE (Number)      | 0                          |
| 21 - DATE OF LAST RENEGOTIATION        | 03/24/2003                 |
| 22 - DATE OF NEXT EVENT                | 09/24/2004                 |



|  |                           |
|--|---------------------------|
| 1 - ITEM                               | 06                        |
| 2 - ORDER NUMBER                       | 4                         |
| 3 - CVM REGISTRATION NUMBER            | CVM\SRE\DEB\2001-022      |
| 4 - DATE OF REGISTRATION WITH CVM      | 06/04/2001                |
| 5 - ISSUED SERIES                      | SOLE                      |
| 6 - TYPE OF ISSUE                      | SIMPLE                    |
| 7 - NATURE OF ISSUE                    | PUBLIC                    |
| 8 - ISSUE DATE                         | 04/01/2001                |
| 9 - DUE DATE                           | 12/15/2006                |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE        |
| 11 - REMUNERATION CONDITIONS           | CDI RATE + 1.2% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                      |
| 13 - NOMINAL VALUE (reais)             | 8,390.92                  |
| 14 - AMOUNT ISSUED (Thousand of reais) | 251,727                   |
| 15 - DEBENTURES ISSUED (Units)         | 30,000                    |
| 16 - OUTSTANDING DEBENTURES (Units)    | 30,000                    |
| 17 - TREASURY DEBENTURES (Units)       | 0                         |
| 18 - REDEEMED DEBENTURES (Units)       | 0                         |
| 19 - CONVERTED DEBENTURES (Number)     | 0                         |
| 20 - DEBENTURES TO PLACE (Number)      | 0                         |
| 21 - DATE OF LAST RENEGOTIATION        |                           |
| 22 - DATE OF NEXT EVENT                | 09/15/2004                |

|  |                         |
|--|-------------------------|
| 1 - ITEM                               | 07                      |
| 2 - ORDER NUMBER                       | 5                       |
| 3 - CVM REGISTRATION NUMBER            | CVM\SRE\DEB\2002-013    |
| 4 - DATE OF REGISTRATION WITH CVM      | 05/14/2002              |
| 5 - ISSUED SERIES                      | 1                       |
| 6 - TYPE OF ISSUE                      | SIMPLE                  |
| 7 - NATURE OF ISSUE                    | PUBLIC                  |
| 8 - ISSUE DATE                         | 04/01/2002              |
| 9 - DUE DATE                           | 03/01/2007              |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE      |
| 11 - REMUNERATION CONDITIONS           | CDI RATE + 2% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                    |
| 13 - NOMINAL VALUE (reais)             | 10,410.48               |
| 14 - AMOUNT ISSUED (Thousand of reais) | 326,597                 |
| 15 - DEBENTURES ISSUED (Units)         | 31,372                  |
| 16 - OUTSTANDING DEBENTURES (Units)    | 31,372                  |
| 17 - TREASURY DEBENTURES (Units)       | 0                       |
| 18 - REDEEMED DEBENTURES (Units)       | 0                       |
| 19 - CONVERTED DEBENTURES (Number)     | 0                       |
| 20 - DEBENTURES TO PLACE (Number)      | 0                       |
| 21 - DATE OF LAST RENEGOTIATION        | 10/01/2003              |
| 22 - DATE OF NEXT EVENT                | 07/01/2004              |

|  |                         |
|--|-------------------------|
| 1 - ITEM                               | 08                      |
| 2 - ORDER NUMBER                       | 5                       |
| 3 - CVM REGISTRATION NUMBER            | CVM\SRE\DEB\2002-014    |
| 4 - DATE OF REGISTRATION WITH CVM      | 05/14/2002              |
| 5 - ISSUED SERIES                      | 2                       |
| 6 - TYPE OF ISSUE                      | SIMPLE                  |
| 7 - NATURE OF ISSUE                    | PUBLIC                  |
| 8 - ISSUE DATE                         | 04/01/2002              |
| 9 - DUE DATE                           | 03/01/2007              |
| 10 - TYPE OF DEBENTURE                 | WITHOUT PREFERENCE      |
| 11 - REMUNERATION CONDITIONS           | IGP-M + 12.7% PER ANNUM |
| 12 - PREMIUM/DISCOUNT                  | NONE                    |
| 13 - NOMINAL VALUE (reais)             | 14,889,09               |
| 14 - AMOUNT ISSUED (Thousand of reais) | 128,463                 |
| 15 - DEBENTURES ISSUED (Units)         | 8,628                   |
| 16 - OUTSTANDING DEBENTURES (Units)    | 8,628                   |
| 17 - TREASURY DEBENTURES (Units)       | 0                       |
| 18 - REDEEMED DEBENTURES (Units)       | 0                       |
| 19 - CONVERTED DEBENTURES (Number)     | 0                       |
| 20 - DEBENTURES TO PLACE (Number)      | 0                       |
| 21 - DATE OF LAST RENEGOTIATION        | 10/01/2003              |
| 22 - DATE OF NEXT EVENT                | 04/01/2005              |

## 16.01. OTHER INFORMATION CONSIDERED RELEVANT BY THE COMPANY

## Supplementary information

In order to provide improved information to the market, the Company is also presenting as supplementary information its statements of cash flows prepared in accordance with IBRACON Accounting Standard No. 20, and the supplementary information in constant purchasing power.

## 1. SUPPLEMENTARY INFORMATION - STATEMENTS OF CASH FLOW

| Description   | (R\$ million) |           |           |           |
|---|---------------|-----------|-----------|-----------|
|   | 2Q04          | 1H04      | 2Q03      | 1H03      |
| Cash flow from operating activities                                 |               |           |           |           |
| Net income (loss)   | (73,335)      | 42,151    | 332,631   | 504,504   |
| Adjustments to reconcile net income (loss):                         |               |           |           |           |
| Deferred income and social contribution taxes                       | (406)         | 188       | 41,826    | (16,325)  |
| Reserve for contingencies   | 12,905        | 38,271    | (121,741) | (89,129)  |
| Social security charges   | 19,256        | 38,365    | 19,263    | 38,562    |
| Property, plant and equipment received in donation (private sector) | (2,286)       | (2,587)   | (343)     | (343)     |
| Loss on disposal of property, plant and equipment                   | 13,310        | 16,276    | 4,091     | 35,287    |
| Gain on sale of property, plant and equipment                       | -             | -         | (4)       | (4)       |
| Depreciation  | 138,865       | 274,067   | 129,085   | 256,260   |
| Amortization  | 10,377        | 18,678    | 6,704     | 13,145    |
| Interest on loans and financing payable                             | 176,175       | 350,130   | 192,096   | 400,960   |
| Monetary and exchange variations on loans and financing             | 191,557       | 222,657   | (426,507) | (543,860) |
| Monetary variation on interest on capital                           | 5,389         | 6,493     | -         | -         |
| Allowance for doubtful accounts                                     | 66,787        | 106,317   | 41,329    | 65,548    |
|   | 558,594       | 1,111,006 | 218,430   | 664,605   |
| (Increase) decrease in assets:                                      |               |           |           |           |
| Accounts receivable   | 10,942        | (68,023)  | 20,527    | (79,499)  |
| Receivables from shareholders                                       | -             | -         | (20,390)  | (38,864)  |
| Inventories   | 805           | 1,961     | (1,853)   | 2,507     |
| Income and social contribution taxes available for offset           | (21,361)      | (31,375)  | -         | -         |
| Other receivables   | (9,610)       | (16,033)  | (8,888)   | 52,290    |

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|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Accounts receivable - long-term                  | (39,664)  | (50,370)  | (1,080)   | (1,957)   |
| Receivables from shareholders - GESP Agreement   | -         | (12,713)  | -         | -         |
| Receivables from shareholders - GESP Agreement   | (21,024)  | (36,634)  | -         | -         |
| Escrow deposits                                  | 696       | 771       | (304)     | 186       |
| Other long-term receivables                      | 3,517     | 2,717     | (1,047)   | (1,960)   |
|  | (75,699)  | (209,699) | (13,035)  | (67,297)  |
| Increase (decrease) in liabilities:              |           |           |           |           |
| Suppliers  | (2,172)   | (27,670)  | (69)      | (12,328)  |
| Payroll and related charges                      | 15,917    | 22,007    | 46,410    | 63,164    |
| Interest on capital                              | -         | -         | 1,704     | -         |
| Taxes payable                                    | 4,687     | (15,661)  | (10,621)  | 81,293    |
| Other payables                                   | 87,800    | 3,133     | 2,066     | (2,987)   |
| Taxes payable - long-term liabilities            | (2,318)   | (4,082)   | 168,251   | 154,060   |
| Other payables - long-term liabilities           | 809       | 1,700     | -         | -         |
|  | 104,723   | (20,573)  | 207,741   | 283,202   |
| Net cash provided by operating activities        | 587,618   | 880,734   | 413,136   | 880,510   |
| Cash flow from investing activities:             |           |           |           |           |
| Purchase of property, plant and equipment        | (242,212) | (317,691) | (113,985) | (222,308) |
| Purchase of investments                          | (1,177)   | (1,177)   | -         | -         |
| Sale of property, plant and equipment            | -         | 176       | 8         | 8         |
| Increase in deferred charges                     | (56)      | (124)     | (1,546)   | (4,048)   |
| Net cash used in investing activities            | (243,445) | (318,816) | (115,523) | (226,348) |
| Cash flow from financing activities:             |           |           |           |           |
| Loans and financing - long-term:                 |           |           |           |           |
| Funding operations                               | 51,309    | 103,202   | 702,604   | 719,124   |
| Payments   | (349,450) | (647,938) | (306,206) | (651,640) |
| Interest on capital                              |           |           |           |           |
| Interest on capital paid                         | (188,274) | (189,663) | (111,452) | (114,987) |
| Matching of accounts                             | 13,640    | (5,627)   | -         | -         |
| Net cash used in financing activities            | (472,775) | (740,026) | 284,946   | (47,503)  |
| Increase (decrease) in cash and cash equivalents | (128,602) | (178,108) | 582,559   | 606,659   |

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|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Cash and cash equivalents at beginning of period                           | 231,507   | 281,013   | 438,771   | 414,671   |
| Cash and cash equivalents at end of period                                 | 102,905   | 102,905   | 1,021,330 | 1,021,330 |
| Change in cash   | (128,602) | (178,108) | 582,559   | 606,659   |
| Supplementary cash flow information:                                       |           |           |           |           |
| Capitalization of interest and financial charges                           | 19,950    | 26,138    | (8,341)   | (10,528)  |
| Income and social contribution taxes paid                                  | -         | 67,710    | 128,646   | 128,646   |
| Property, plant and equipment received in donation and/or paid with shares | 801       | 1,117     | 404       | 943       |
| Cofins and Pasesp paid   | 36,238    | 88,982    | 47,243    | 78,356    |
| Transactions not affecting cash  |           |           |           |           |
| Acquisition related to São Bernardo do Campo:                              |           |           |           |           |
| Purchase price   | 415,471   | 415,471   | -         | -         |
| Offset of accounts receivable  | (265,432) | (265,432) | -         | -         |
| Amount payable   | (71,268)  | (22,506)  | -         | -         |
| Amount paid  | 29,258    | 78,020    | -         | -         |

2. SUPPLEMENTARY INFORMATION IN CONSTANT PURCHASING POWER

a) Restatement index

The restatement of permanent assets, shareholders' equity, income and expense accounts, and the calculation of gains and losses on monetary items was based on the Accounting Monetary Unit (UMC), which considers as a basis the General Market Price Index (IGP-M), which was 3.95% for the quarter and 6.78% year to date.

b) Balance sheet accounts

Monetary assets and liabilities shown in the financial statements in constant purchasing power are the same as those shown as under corporate law, except accounts receivable from customers, accounts payable to suppliers and contractors, and deferred income and social contribution taxes in long-term liabilities, which are adjusted to reflect the purchasing power or realization value in currency as of June 30, 2004, taking as a basis the rate disclosed by the National Association of Investment Banks and Securities Dealers (ANBID).

Permanent assets and shareholders' equity have been adjusted based on the monthly change in the UMC, which was restated based on the IGP-M index through June 30, 2004.

c) Income and expense accounts

All income and expense accounts were restated using the UMC from the month originally recorded, adjusted according to inflationary gains and losses calculated on the monthly beginning and ending balances of the monetary assets and liabilities generating financial income and expenses or nominal inflationary gains and losses which were considered as reductions of the income and expense accounts to which they are linked.

d) Deferred taxes

Deferred income and social contribution taxes were calculated based on the 15% tax rate plus surtaxes of 10% and 9%, respectively, on the increased value of the permanent asset items arising from their monetary restatement, in accordance with CVM instructions included in Pronouncement No. 99/006 from IBRACON (Brazilian Institute of Independent Auditors).

The amounts are in constant purchasing power as of June 30, 2004.

|                                     | (In thousands of R\$) |                           |
|-------------------------------------|-----------------------|---------------------------|
| Balance sheet                       | Nominal currency      | Constant purchasing power |
| Total assets                        | 16,441,524            | 33,006,812                |
| Current assets                      | 987,443               | 985,479                   |
| Long-term assets                    | 1,379,525             | 1,379,525                 |
| Permanent assets                    | 14,074,556            | 30,641,808                |
| Investments                         | 1,917                 | 2,907                     |
| Property, plant and equipment       | 14,029,873            | 30,560,543                |
| Deferred charges                    | 42,766                | 78,358                    |
| Total liabilities                   | 16,441,524            | 33,006,812                |
| Current liabilities                 | 1,621,482             | 1,621,249                 |
| Long-term liabilities               | 7,239,132             | 12,147,945                |
| Shareholders equity                 | 7,580,910             | 19,237,618                |
| Capital                             | 3,403,688             | 8,564,141                 |
| Capital reserves                    | 51,857                | 99,710                    |
| Revaluation reserves                | 2,666,336             | 6,767,675                 |
| Profit reserves                     | 1,398,796             | 3,769,745                 |
| Retained earnings                   | 60,233                | 36,347                    |
|                                     |                       | (In thousands of R\$)     |
|                                     | January to June 2004  |                           |
| Statement of Operations             | Nominal currency      | Constant purchasing power |
| Net revenue from sales and services | 2,126,326             | 2,192,802                 |
| Cost of sales and services          | (1,082,949)           | (1,472,979)               |
| Gross profit                        | 1,043,377             | 719,823                   |
| Selling expenses                    | (231,251)             | (239,594)                 |
| Administrative expenses             | (138,824)             | (151,041)                 |
| Income before financial expenses    | 673,302               | 329,188                   |
| Financial expenses, net             | (568,584)             | (155,304)                 |

|   |          |          |
|---|----------|----------|
| Income from operations  | 104,718  | 173,884  |
| Nonoperating expenses   | (11,484) | (36,441) |
| Income before taxes and profit sharing                          | 93,234   | 137,443  |
| Provision for income and social contribution taxes              | (38,110) | (40,341) |
| Deferred income and social contribution taxes                   | 4,588    | 6,461    |
| Extraordinary item, net of income and social contribution taxes | (17,561) | (18,265) |
| Net income  | 42,151   | 85,298   |
| Earnings per share  | 0.00148  | 0.00300  |
| Reconciliation between net income and shareholders' equity      |          |          |

(In thousands of R\$)

|                                   | Net income  | Shareholders' equity |
|-----------------------------------|-------------|----------------------|
| Corporate law                     | 42,151      | 7,580,910            |
| Price-level restatements:         |             |                      |
| Of permanent assets               | 1,568,609   | 16,567,252           |
| Of shareholders' equity           | (1,528,726) |                      |
| Adjustment to present value - net | 1,262       | (1,731)              |
| Reversal (provision) of taxes:    |             |                      |
| Income tax                        | 1,472       | (3,609,421)          |
| Social contribution tax           | 530         | (1,299,392)          |
| In constant purchasing power      | 85,298      | 19,237,618           |

### 3. CHANGE IN OWNERSHIP CONTROL OF CONTROLLING SHAREHOLDERS, BOARD MEMBERS AND DIRECTORS FROM JUNE 30, 2003 TO JUNE 30, 2004

|                         | 06/30/2003       |                       |        | Number of shares |                       |                            | 06/30/2004       |        |
|-------------------------|------------------|-----------------------|--------|------------------|-----------------------|----------------------------|------------------|--------|
|                         | Number of shares | Number of sharequotas | %      | New shareholders | Common share movement | No longer with the Company | Number of shares | %      |
| Shareholders            |                  |                       |        |                  |                       |                            |                  |        |
| Controlling shareholder | 20,376,674,058   |                       | 71.55  |                  |                       |                            | 20,376,674,058   | 71.55  |
| Board of Directors      | 90,017           |                       |        | 1                |                       | (2)                        | 90,016           |        |
| Executive Board         | 110,000          | 2,493,526*            |        |                  | (110,000)             | 2,493,526*                 |                  |        |
| Fiscal Council          | 110,000          |                       |        |                  | (110,000)             |                            |                  |        |
| Other shareholders      | 8,102,593,752    |                       |        |                  |                       |                            | 8,102,813,753    |        |
| Outstanding shares**    | 8,102,903,752    |                       | 28.45  |                  |                       |                            | 8,102,903,753    | 28.45  |
| Total shares            | 28,479,577,827   |                       | 100.00 | 1                | (220,000)             | (2)                        | 28,479,577,827   | 100.00 |

\* Sharequotas of investment fund based on Sabesp shares (each sharequota is equivalent to 20,000 shares).



\*\* Except for a member of the Board of Directors who held 90,000 shares, the shares held by the other members were assigned by the State of São Paulo Finance Department and are returned when their holders leave the Board.

## 4. OWNERSHIP CONTROL

| Shareholder   | Common Shares  | %      |
|---|----------------|--------|
| Holders of more than 5% of the shares<br>São Paulo State Finance Department | 20,376,674,058 | 71.55  |
| MAJORITY SHAREHOLDER  | 20,376,674,058 | 71.55  |
| MANAGEMENT  |                |        |
| Board of Directors  | 90,016         |        |
| Executive Board   | -              |        |
| Fiscal Council  | -              |        |
| TREASURY SHARES   | -              |        |
| OTHER SHAREHOLDERS  | 8,102,813,753  |        |
| TOTAL   | 28,479,577,827 | 100.00 |
| SHARES OUTSTANDING IN THE MARKET  | 8,102,903,753  | 28.45  |

17.01. UNQUALIFIED SPECIAL REVIEW REPORT

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT ACCOUNTANTS REVIEW REPORT

To the Shareholders and Management of  
Companhia de Saneamento Básico do Estado de São Paulo - SABESP  
São Paulo - SP

1. We have performed a special review of the accompanying interim financial statements of Companhia de Saneamento Básico do Estado de São Paulo - SABESP (the Company), consisting of the balance sheet as of June 30, 2004, and the related statement of operations for the quarter and six-month period then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company's management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.
3. Based on our special review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. The supplementary information for the quarter and six-month period ended June 30, 2004, consisting of the financial statements in constant purchasing power, and the statement of cash flows are presented for purposes of permitting additional analyses and are not a required part of the basic financial statements. This supplementary information was reviewed by us in accordance with the auditing procedures mentioned in paragraph 2 and, based on our review, we are not aware of any material modifications that should be made for them to be fairly presented, in all material respects, in relation to the financial statements taken as a whole.
5. We had previously reviewed the balance sheet as of March 31, 2004, presented for comparative purposes, and issued an unqualified opinion thereon, dated May 12, 2004. The statement of operations for the quarter and six-month period ended June 30, 2003, the supplementary information in constant purchasing power, and the statement of cash flows for the six-month period then ended, presented for comparative purposes, were reviewed by other independent accountants, whose special review report thereon, dated August 8, 2003, was unqualified.
6. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil. São Paulo, August 6, 2004

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Marco Antonio Brandão Simurro  
Engagement Partner

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city São Paulo, Brazil.

Date: August 30, 2004

**Companhia de Saneamento Básico do Estado de São Paulo - SABESP**

By:                   /s/ Rui de Britto Álvares Affonso

Name: Rui de Britto Álvares  
Affonso  
Title: Economic-Financial Officer  
and Investor Relations Officer

**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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