

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

May 03, 2013

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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 May 1, 2013**  
**(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 ☐X☐ 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 ☒X☐

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

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

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ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Company Information / Capital Breakdown

| <b>Number of Shares<br/>(Units)</b> | <b>Current Quarter<br/>09/30/2012</b> |
|-------------------------------------|---------------------------------------|
| <b>Paid-in Capital</b>              |                                       |
| Common                              | 227,836,623                           |
| Preferred                           | 0                                     |
| <b>Total</b>                        | <b>227,836,623</b>                    |
| <b>Treasury Shares</b>              |                                       |
| Common                              | 0                                     |
| Preferred                           | 0                                     |
| <b>Total</b>                        | <b>0</b>                              |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Company Information / Cash Proceeds**

| <b>Event</b>                | <b>Approval</b> | <b>Proceeds</b>    | <b>Date of Payment</b> | <b>Type of Share</b> | <b>Class of Share</b> | <b>Earnings per Share<br/>(Reais / Share)</b> |
|-----------------------------|-----------------|--------------------|------------------------|----------------------|-----------------------|-----------------------------------------------|
| Board of Directors' Meeting | 02/09/2012      | Interest on Equity | 06/22/2012             | Common               |                       | 2.54000                                       |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Parent Company Financial Statements / Statement of Financial Position – Assets

(R\$ thousand)

| Code          | Description                                 | Current Quarter | Previous Year |
|---------------|---------------------------------------------|-----------------|---------------|
|               |                                             | 09/30/2012      | 12/31/2011    |
| 1             | Total Assets                                | 25,748,423      | 25,018,556    |
| 1.01          | Current Assets                              | 3,170,190       | 3,704,694     |
| 1.01.01       | Cash and Cash Equivalents                   | 1,766,313       | 2,142,079     |
| 1.01.03       | Accounts Receivable                         | 1,139,520       | 1,257,348     |
| 1.01.03.01    | Customers                                   | 1,005,395       | 1,072,015     |
| 1.01.03.02    | Other Accounts Receivable                   | 134,125         | 185,333       |
| 1.01.03.02.01 | Balances with Related Parties               | 134,125         | 185,333       |
| 1.01.04       | Inventories                                 | 39,709          | 44,576        |
| 1.01.06       | Recoverable Taxes                           | 53,314          | 117,893       |
| 1.01.06.01    | Current Recoverable Taxes                   | 53,314          | 117,893       |
| 1.01.08       | Other Current Assets                        | 171,334         | 142,798       |
| 1.01.08.03    | Other                                       | 171,334         | 142,798       |
| 1.01.08.03.01 | Restricted Cash                             | 71,013          | 99,729        |
| 1.01.08.03.20 | Other Accounts Receivable                   | 100,321         | 43,069        |
| 1.02          | Noncurrent Assets                           | 22,578,233      | 21,313,862    |
| 1.02.01       | Long-Term Assets                            | 936,975         | 931,985       |
| 1.02.01.03    | Accounts Receivable                         | 321,680         | 333,713       |
| 1.02.01.03.01 | Customers                                   | 321,680         | 333,713       |
| 1.02.01.06    | Deferred Taxes                              | 187,409         | 177,926       |
| 1.02.01.06.01 | Deferred Income Tax and Social Contribution | 187,409         | 177,926       |
| 1.02.01.08    | Credit with Related Parties                 | 146,373         | 170,288       |
| 1.02.01.08.03 | Credit with Controlling Shareholders        | 146,373         | 170,288       |
| 1.02.01.09    | Other Noncurrent Assets                     | 281,513         | 250,058       |
| 1.02.01.09.03 | Indemnifications Receivable                 | 60,295          | 60,295        |
| 1.02.01.09.04 | Judicial Deposits                           | 48,254          | 54,178        |
| 1.02.01.09.05 | ANA – National Water Agency                 | 106,478         | 100,551       |
| 1.02.01.09.20 | Other Accounts Receivable                   | 66,486          | 35,034        |
| 1.02.02       | Investments                                 | 77,481          | 74,571        |
| 1.02.02.01    | Shareholdings                               | 23,435          | 21,986        |

|               |                                     |            |            |
|---------------|-------------------------------------|------------|------------|
| 1.02.02.01.04 | Other Shareholdings                 | 23,435     | 21,986     |
| 1.02.02.02    | Investment Properties               | 54,046     | 52,585     |
| 1.02.03       | Property, Plant and Equipment       | 199,654    | 181,585    |
| 1.02.04       | Intangible Assets                   | 21,364,123 | 20,125,721 |
| 1.02.04.01    | Intangible Assets                   | 21,364,123 | 20,125,721 |
| 1.02.04.01.01 | Concession Contracts                | 7,683,233  | 7,736,810  |
| 1.02.04.01.02 | Program Contracts                   | 4,252,345  | 3,179,545  |
| 1.02.04.01.03 | Service Contracts                   | 9,485,186  | 9,190,573  |
| 1.02.04.01.04 | Software License                    | 195        | 2,316      |
| 1.02.04.01.05 | New Businesses                      | 13,378     | 16,477     |
| 1.02.04.01.06 | Provision for Asset Impairment      | -35,127    | 0          |
| 1.02.04.01.07 | Provision for Physical Count Losses | -35,087    | 0          |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Financial Position – Liabilities**

(R\$ thousand)

| Code          | Description                                     | Current Quarter | Previous Year |
|---------------|-------------------------------------------------|-----------------|---------------|
|               |                                                 | 09/30/2012      | 12/31/2011    |
| 2             | Total Liabilities                               | 25,748,423      | 25,018,556    |
| 2.01          | Current Liabilities                             | 3,606,408       | 3,956,146     |
| 2.01.01       | Labor and Pension Plan Liabilities              | 316,816         | 243,502       |
| 2.01.01.01    | Pension Plan Liabilities                        | 23,850          | 31,836        |
| 2.01.01.02    | Labor Liabilities                               | 292,966         | 211,666       |
| 2.01.02       | Suppliers                                       | 255,236         | 244,658       |
| 2.01.02.01    | Domestic Suppliers                              | 255,236         | 244,658       |
| 2.01.03       | Tax Liabilities                                 | 221,268         | 180,794       |
| 2.01.03.01    | Federal Tax Liabilities                         | 216,083         | 175,264       |
| 2.01.03.01.01 | Income Tax and Social Contribution Payable      | 97,894          | 0             |
| 2.01.03.01.02 | PIS-PASEP and COFINS (taxes on revenue) Payable | 51,437          | 57,052        |
| 2.01.03.01.03 | INSS (social security contribution) Payable     | 26,070          | 25,630        |
| 2.01.03.01.04 | Installment Program - Law 10684/03              | 28,279          | 36,716        |
| 2.01.03.01.20 | Other Federal Taxes                             | 12,403          | 55,866        |
| 2.01.03.03    | Municipal Taxes Liabilities                     | 5,185           | 5,530         |
| 2.01.04       | Loans and Financing                             | 1,310,039       | 1,629,184     |
| 2.01.04.01    | Loans and Financing                             | 817,460         | 825,265       |
| 2.01.04.01.01 | In Domestic Currency                            | 598,582         | 635,888       |
| 2.01.04.01.02 | In Foreign Currency                             | 218,878         | 189,377       |
| 2.01.04.02    | Debentures                                      | 492,579         | 803,919       |
| 2.01.05       | Other Liabilities                               | 858,511         | 893,938       |
| 2.01.05.01    | Liabilities with Related Parties                | 1,231           | 12,062        |
| 2.01.05.01.03 | Debts with Controlling Shareholders             | 1,231           | 12,062        |
| 2.01.05.02    | Other                                           | 857,280         | 881,876       |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable        | 142             | 247,486       |
| 2.01.05.02.04 | Accounts Payable                                | 378,682         | 383,116       |

|               |                                                  |            |            |
|---------------|--------------------------------------------------|------------|------------|
| 2.01.05.02.05 | Refundable Amounts                               | 44,801     | 50,300     |
| 2.01.05.02.06 | Program Contract Commitments                     | 106,156    | 62,287     |
| 2.01.05.02.07 | Private Public Partnership                       | 24,357     | 12,693     |
| 2.01.05.02.08 | Agreement with São Paulo Municipality Government | 49,272     | 62,228     |
| 2.01.05.02.09 | Indemnities                                      | 9,465      | 5,310      |
| 2.01.05.02.10 | Agreements                                       | 173,000    | 0          |
| 2.01.05.02.20 | Other Payables                                   | 71,405     | 58,456     |
| 2.01.06       | Provisions                                       | 644,538    | 764,070    |
| 2.01.06.01    | Tax, Social Security, Labor and Civil Provisions | 185,589    | 117,556    |
| 2.01.06.01.01 | Tax Provisions                                   | 5,916      | 5,859      |
| 2.01.06.01.02 | Social Security and Labor Provisions             | 138,340    | 86,821     |
| 2.01.06.01.04 | Civil Provisions                                 | 41,333     | 24,876     |
| 2.01.06.02    | Other Provisions                                 | 458,949    | 646,514    |
| 2.01.06.02.03 | Provisions for Environmental                     | 14,761     | 12,014     |
| 2.01.06.02.04 | Provisions for Customers                         | 343,020    | 244,817    |
| 2.01.06.02.05 | Provisions for Suppliers                         | 101,168    | 389,683    |
| 2.02          | Noncurrent Liabilities                           | 10,737,774 | 10,516,514 |
| 2.02.01       | Loans and Financing                              | 7,084,777  | 6,794,148  |
| 2.02.01.01    | Loans and Financing                              | 4,716,091  | 4,725,684  |
| 2.02.01.01.01 | In Domestic Currency                             | 1,676,552  | 1,861,640  |

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ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Parent Company Financial Statements / Statement of Financial Position – Liabilities

(R\$ thousand)

| Code          | Description                      | Current Quarter | Previous Year |
|---------------|----------------------------------|-----------------|---------------|
|               |                                  | 09/30/2012      | 12/31/2011    |
| 2.02.01.01.02 | In Foreign Currency              | 3,039,539       | 2,864,044     |
| 2.02.01.02    | Debentures                       | 2,368,686       | 2,068,464     |
| 2.02.02       | Other Payables                   | 2,941,283       | 2,914,607     |
| 2.02.02.02    | Other                            | 2,941,283       | 2,914,607     |
|               | Other Taxes and Contributions    |                 |               |
| 2.02.02.02.03 | Payable                          | 0               | 18,363        |
| 2.02.02.02.04 | Pension Plan Liabilities         | 2,113,479       | 2,050,697     |
| 2.02.02.02.05 | Program Contract Liabilities     | 151,575         | 130,978       |
| 2.02.02.02.06 | Private Public Partnership – PPP | 401,934         | 416,105       |
| 2.02.02.02.07 | Indemnities                      | 29,644          | 43,707        |
| 2.02.02.02.08 | TAC – Retirees                   | 17,047          | 30,171        |
| 2.02.02.02.09 | Deferred COFINS and PASEP        | 116,048         | 114,106       |
| 2.02.02.02.20 | Other Payables                   | 111,556         | 110,480       |
| 2.02.04       | Provisions                       | 711,714         | 807,759       |
|               | Tax, Social Security, Labor and  |                 |               |
| 2.02.04.01    | Civil Provisions                 | 292,595         | 293,794       |
| 2.02.04.01.01 | Tax Provisions                   | 71,756          | 70,589        |
|               | Social Security and Labor        |                 |               |
| 2.02.04.01.02 | Provisions                       | 97,128          | 69,715        |
| 2.02.04.01.04 | Civil Provisions                 | 123,711         | 153,490       |
| 2.02.04.02    | Other Provisions                 | 419,119         | 513,965       |
| 2.02.04.02.03 | Provisions for Environmental     | 131,423         | 109,165       |
| 2.02.04.02.04 | Provisions for Customers         | 258,200         | 373,716       |
| 2.02.04.02.05 | Provisions for Suppliers         | 29,496          | 31,084        |
| 2.03          | Equity                           | 11,404,241      | 10,545,896    |
| 2.03.01       | Paid-in Capital                  | 6,203,688       | 6,203,688     |
| 2.03.02       | Capital Reserves                 | 124,255         | 124,255       |
| 2.03.02.07    | Support to Projects              | 108,475         | 108,475       |
| 2.03.02.08    | Incentive Reserves               | 15,780          | 15,780        |
| 2.03.04       | Profit Reserves                  | 3,929,810       | 4,217,953     |
| 2.03.04.01    | Legal Reserve                    | 521,219         | 521,219       |
| 2.03.04.08    | Additional Dividend Proposed     | 0               | 288,143       |

|            |                               |           |           |
|------------|-------------------------------|-----------|-----------|
| 2.03.04.10 | Reserve for Investments       | 3,408,591 | 3,408,591 |
|            | Retained Earnings/Accumulated |           |           |
| 2.03.05    | Losses                        | 1,146,488 | 0         |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

# Parent Company Financial Statements / Statement of Income

(R\$ thousand)

| Code       | Description                                        | Current Quarter<br>07/01/2012 to<br>09/30/2012 | YTD Current<br>Year<br>01/01/2012 to<br>09/30/2012 | Same Quarter<br>Previous Year<br>07/01/2011 to<br>09/30/2011 | YTD Previous<br>Year<br>01/01/2011 to<br>09/30/2011 |
|------------|----------------------------------------------------|------------------------------------------------|----------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|
| 3.01       | Revenue from Sales and/or Services                 | 2,710,985                                      | 7,763,716                                          | 2,591,262                                                    | 7,225,668                                           |
| 3.02       | Cost of Sales and/or Services                      | -1,592,348                                     | -4,656,557                                         | -1,634,513                                                   | -4,440,004                                          |
| 3.02.01    | Cost of Sales and/or Services                      | -993,171                                       | -2,952,507                                         | -978,484                                                     | -2,858,247                                          |
| 3.02.02    | Construction Cost                                  | -599,177                                       | -1,704,050                                         | -656,029                                                     | -1,581,757                                          |
| 3.03       | Gross Profit                                       | 1,118,637                                      | 3,107,159                                          | 956,749                                                      | 2,785,664                                           |
| 3.04       | Operating Income/Expenses                          | -456,398                                       | -1,094,916                                         | -323,374                                                     | -1,075,481                                          |
| 3.04.01    | Selling Expenses                                   | -188,892                                       | -528,182                                           | -116,219                                                     | -449,757                                            |
| 3.04.02    | General and Administrative Expenses                | -207,387                                       | -530,417                                           | -192,317                                                     | -660,018                                            |
| 3.04.04    | Other Operating Income                             | 14,528                                         | 48,009                                             | -2,131                                                       | 58,058                                              |
| 3.04.04.01 | Other Operating Income                             | 16,114                                         | 53,341                                             | -2,434                                                       | 63,889                                              |
| 3.04.04.02 | COFINS and PASEP                                   | -1,586                                         | -5,332                                             | 303                                                          | -5,831                                              |
| 3.04.05    | Other Operating Expenses                           | -74,061                                        | -80,683                                            | -10,540                                                      | -19,346                                             |
| 3.04.05.01 | Loss on Write-off of Property, Plant and Equipment | -73                                            | -1,881                                             | -8,265                                                       | -12,644                                             |
| 3.04.05.03 | Tax Incentives                                     | -3,730                                         | -8,417                                             | -1,915                                                       | -6,225                                              |
| 3.04.05.04 | Provision for Asset Impairment                     | -35,127                                        | -35,127                                            | 0                                                            | 0                                                   |
| 3.04.05.05 | Provision for Physical Count Losses                | -35,087                                        | -35,087                                            | 0                                                            | 0                                                   |
| 3.04.05.20 | Other                                              | -44                                            | -171                                               | -360                                                         | -477                                                |
| 3.04.06    | Equity in the Earnings of Joint Ventures           | -586                                           | -3,643                                             | -2,167                                                       | -4,418                                              |
| 3.05       | Income Before Financial Result and Taxes           | 662,239                                        | 2,012,243                                          | 633,375                                                      | 1,710,183                                           |

|            |                     |          |           |          |           |
|------------|---------------------|----------|-----------|----------|-----------|
| 3.06       | Financial Result    | -109,293 | -395,657  | -510,698 | -515,782  |
| 3.06.01    | Financial Income    | 68,232   | 226,644   | 113,894  | 324,466   |
| 3.06.01.01 | Financial Income    | 68,282   | 226,749   | 113,508  | 339,030   |
|            | Foreign Exchange    | -50      | -105      | 386      | -14,564   |
| 3.06.01.02 | Gains               |          |           |          |           |
| 3.06.02    | Financial Expenses  | -177,525 | -622,301  | -624,592 | -840,248  |
| 3.06.02.01 | Financial Expenses  | -154,450 | -476,759  | -158,207 | -517,203  |
|            | Foreign Exchange    | -23,075  | -145,542  | -466,385 | -323,045  |
| 3.06.02.02 | Losses              |          |           |          |           |
|            | Earnings Before     | 552,946  | 1,616,586 | 122,677  | 1,194,401 |
| 3.07       | Income Taxes        |          |           |          |           |
|            | Income Tax and      | -191,182 | -470,098  | -54,713  | -463,996  |
| 3.08       | Social Contribution |          |           |          |           |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Income**

(R\$ thousand)

| Code       | Description                          | Current Quarter             | YTD Current                         | Same Quarter                                    | YTD Previous                        |
|------------|--------------------------------------|-----------------------------|-------------------------------------|-------------------------------------------------|-------------------------------------|
|            |                                      | 07/01/2012 to<br>09/30/2012 | Year<br>01/01/2012 to<br>09/30/2012 | Previous<br>Year<br>07/01/2011 to<br>09/30/2011 | Year<br>01/01/2011 to<br>09/30/2011 |
| 3.08.01    | Current                              | -240,126                    | -479,581                            | -112,974                                        | -519,992                            |
| 3.08.02    | Deferred                             | 48,944                      | 9,483                               | 58,261                                          | 55,996                              |
|            | Net Income from Continued Operations | 361,764                     | 1,146,488                           | 67,964                                          | 730,405                             |
| 3.09       | Net Income/Loss for the Period       | 361,764                     | 1,146,488                           | 67,964                                          | 730,405                             |
| 3.11       | Earnings per Share - (Reais / Share) |                             |                                     |                                                 |                                     |
| 3.99       | Basic Earnings per Share             |                             |                                     |                                                 |                                     |
| 3.99.01    | Common Shares                        | 1.58783                     | 5.03208                             | 0.29830                                         | 3.20584                             |
| 3.99.01.01 | Diluted Earnings per Share           |                             |                                     |                                                 |                                     |
| 3.99.02    | Common Shares                        | 1.58783                     | 5.03208                             | 0.29830                                         | 3.20584                             |
| 3.99.02.01 |                                      |                             |                                     |                                                 |                                     |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Comprehensive Income**

**Justification for not filing out the chart:**

The Company does not record statement of comprehensive income.

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Parent Company Financial Statements / Statement of Cash Flows – Indirect Method

(R\$ thousand)

| Code       | Description                              | YTD Current Year         | YTD Previous Year        |
|------------|------------------------------------------|--------------------------|--------------------------|
|            |                                          | 01/01/2012 to 09/30/2012 | 01/01/2011 to 09/30/2011 |
| 6.01       | Net Cash from Operating Activities       | 1,847,791                | 1,897,590                |
| 6.01.01    | Cash from Operations                     | 3,378,306                | 3,186,309                |
|            | Net Income Before Income Tax and         | 1,616,586                | 1,194,401                |
| 6.01.01.01 | Social Contribution                      |                          |                          |
| 6.01.01.02 | Provision for Contingencies              | 231,150                  | 220,254                  |
|            | Income in Write-off of Intangible and    | 2,129                    | 21,162                   |
| 6.01.01.05 | Fixed Assets                             |                          |                          |
| 6.01.01.06 | Depreciation and Amortization            | 543,702                  | 572,514                  |
|            | Interest on Loans and Financing          | 306,742                  | 342,528                  |
| 6.01.01.07 | Payable                                  |                          |                          |
| 6.01.01.08 | Monetary and Foreign Exchange            | 169,399                  | 367,326                  |
|            | Variation on Loans and Financing         |                          |                          |
| 6.01.01.09 | Interest and Foreign Exchange Losses     | 1,147                    | 2,197                    |
| 6.01.01.10 | Interest and Foreign Exchange Gains      | -9,919                   | -19,404                  |
|            | Allowance for Doubtful Accounts and      |                          |                          |
| 6.01.01.11 | Securities Write-off                     | 304,011                  | 240,883                  |
| 6.01.01.12 | Provision for Consent Decree (TAC)       | 24,482                   | 40,561                   |
| 6.01.01.13 | Equity in the Earnings of Joint Ventures | 3,643                    | 4,418                    |
| 6.01.01.14 | Provision for Sabesprev Mais             | -6,522                   | -7,432                   |
| 6.01.01.15 | Other Provisions/Reversals               | 1,186                    | 4,900                    |
|            | Transfer of Funds to São Paulo           | -4,080                   | 0                        |
| 6.01.01.16 | Municipal Government                     |                          |                          |
| 6.01.01.17 | Gross Margin over Intangible Assets      | -36,919                  | -39,284                  |
|            | Resulting from Concession Contracts      |                          |                          |
| 6.01.01.18 | Pension Plan Liabilities                 | 161,355                  | 241,285                  |
| 6.01.01.19 | Provision for Physical Count Losses      | 35,087                   | 0                        |
| 6.01.01.20 | Provision for Asset Impairment           | 35,127                   | 0                        |
| 6.01.02    | Assets and Liabilities Variations        | -771,753                 | -265,960                 |
| 6.01.02.01 | Accounts Receivable                      | -195,751                 | -219,880                 |
|            | Balances and Transactions with           | 50,582                   | 36,585                   |
| 6.01.02.02 | Related Parties                          |                          |                          |

|            |                                    |            |            |
|------------|------------------------------------|------------|------------|
| 6.01.02.03 | Inventories                        | 4,791      | 228        |
| 6.01.02.04 | Recoverable Taxes                  | -27,229    | -42,159    |
| 6.01.02.05 | Other Accounts Receivable          | -95,741    | -21,186    |
| 6.01.02.06 | Judicial Deposits                  | -150,326   | 3,624      |
| 6.01.02.08 | Contractors and Suppliers          | -28,618    | 73,762     |
|            | Payroll, Provisions and Social     | 48,832     | 22,557     |
| 6.01.02.09 | Contribution                       |            |            |
| 6.01.02.10 | Pension Plan Liabilities           | -98,573    | -8,432     |
| 6.01.02.11 | Taxes and Contributions Payable    | -76,930    | -56,672    |
| 6.01.02.12 | Services Received                  | -4,434     | -37,695    |
| 6.01.02.13 | Other Liabilities                  | 85,326     | 131,608    |
| 6.01.02.14 | Provisions                         | -285,624   | -148,317   |
| 6.01.02.15 | Taxes on Revenues                  | 1,942      | 17         |
| 6.01.03    | Other                              | -758,762   | -1,022,759 |
| 6.01.03.01 | Interest Paid                      | -471,168   | -583,666   |
|            | Income Tax and Social Contribution | -287,594   | -439,093   |
| 6.01.03.02 | Paid                               |            |            |
| 6.02       | Net Cash from Investing Activities | -1,330,861 | -1,154,196 |
| 6.02.01    | Acquisition of Fixed Assets        | -12,305    | -8,174     |
| 6.02.02    | Increase in Intangible Assets      | -1,342,180 | -1,337,179 |
| 6.02.03    | Increase in Investment             | -5,092     | -14,050    |
| 6.02.04    | Restricted Cash                    | 28,716     | 205,207    |
| 6.03       | Net Cash from Financing Activities | -892,696   | -503,943   |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Cash Flows – Indirect Method**

(R\$ thousand)

| Code    | Description                                      | YTD Current Year         | YTD Previous Year        |
|---------|--------------------------------------------------|--------------------------|--------------------------|
|         |                                                  | 01/01/2012 to 09/30/2012 | 01/01/2011 to 09/30/2011 |
| 6.03.01 | Funding - Loans                                  | 995,442                  | 1,456,501                |
| 6.03.02 | Amortization of Loans                            | -1,350,366               | -1,537,521               |
| 6.03.03 | Payment of Interest on Equity                    | -537,772                 | -422,923                 |
| 6.05    | Increase (Decrease) in Cash and Cash Equivalents | -375,766                 | 239,451                  |
| 6.05.01 | Opening Cash and Cash Equivalents                | 2,142,079                | 1,988,004                |
| 6.05.02 | Closing Cash and Cash Equivalents                | 1,766,313                | 2,227,455                |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Changes in Equity – 01/01/2012 to 09/30/2012**

(R\$ thousand)

| Code    | Description                        | Capital<br>Paid | Capital<br>Reserves,<br>Options<br>Granted<br>and<br>Treasury<br>Shares | Profit<br>Reserves<br>Earnings/Accumulated | Retained<br>Losses | Other<br>Comprehensive<br>Income | Equity     |
|---------|------------------------------------|-----------------|-------------------------------------------------------------------------|--------------------------------------------|--------------------|----------------------------------|------------|
| 5.01    | Opening Balances                   | 6,203,688       | 124,255                                                                 | 4,217,953                                  | 0                  | 0                                | 10,545,896 |
| 5.03    | Adjusted Opening Balances          | 6,203,688       | 124,255                                                                 | 4,217,953                                  | 0                  | 0                                | 10,545,896 |
| 5.04    | Capital Transactions with Partners | 0               | 0                                                                       | -288,143                                   | 0                  | 0                                | -288,143   |
| 5.04.08 | Approved Additional Dividends      | 0               | 0                                                                       | -288,143                                   | 0                  | 0                                | -288,143   |
| 5.05    | Total Comprehensive Income         | 0               | 0                                                                       | 0                                          | 1,146,488          | 0                                | 1,146,488  |
| 5.05.01 | Net income for the Period          | 0               | 0                                                                       | 0                                          | 1,146,488          | 0                                | 1,146,488  |
| 5.07    | Closing Balances                   | 6,203,688       | 124,255                                                                 | 3,929,810                                  | 1,146,488          | 0                                | 11,404,241 |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Changes in Equity – 01/01/2011 to 09/30/2011**

(R\$ thousand)

| Code    | Description                        | Capital<br>Paid | Capital<br>Reserves,<br>Options<br>Granted<br>and<br>Treasury<br>Shares | Profit<br>Reserves<br>Earnings/Accumulated | Retained<br>Losses | Other<br>Comprehensive<br>Income | Equity     |
|---------|------------------------------------|-----------------|-------------------------------------------------------------------------|--------------------------------------------|--------------------|----------------------------------|------------|
| 5.01    | Opening Balances                   | 6,203,688       | 124,255                                                                 | 3,353,857                                  | 0                  | 0                                | 9,681,800  |
| 5.03    | Adjusted Opening Balances          | 6,203,688       | 124,255                                                                 | 3,353,857                                  | 0                  | 0                                | 9,681,800  |
| 5.04    | Capital Transactions with Partners | 0               | 0                                                                       | -68,761                                    | 0                  | 0                                | -68,761    |
| 5.04.08 | Approved Additional Dividends      | 0               | 0                                                                       | -68,761                                    | 0                  | 0                                | -68,761    |
| 5.05    | Total Comprehensive Income         | 0               | 0                                                                       | 0                                          | 730,405            | 0                                | 730,405    |
| 5.05.01 | Net income for the Period          | 0               | 0                                                                       | 0                                          | 730,405            | 0                                | 730,405    |
| 5.07    | Closing Balances                   | 6,203,688       | 124,255                                                                 | 3,285,096                                  | 730,405            | 0                                | 10,343,444 |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Parent Company Financial Statements / Statement of Value Added

(R\$ thousand)

| Code       | Description                              | YTD Current Year         | YTD Previous Year        |
|------------|------------------------------------------|--------------------------|--------------------------|
|            |                                          | 01/01/2012 to 09/30/2012 | 01/01/2011 to 09/30/2011 |
| 7.01       | Revenue                                  | 8,149,228                | 7,634,919                |
|            | Sales of Merchandise, Products and       | 6,500,917                | 6,043,317                |
| 7.01.01    | Services                                 |                          |                          |
| 7.01.02    | Other Revenue                            | 53,341                   | 63,889                   |
|            | Revenue from the Construction of Own     | 1,740,969                | 1,621,042                |
| 7.01.03    | Assets                                   |                          |                          |
|            | Allowance for/Reversal of Doubtful       | -145,999                 | -93,329                  |
| 7.01.04    | Accounts                                 |                          |                          |
| 7.02       | Inputs Acquired from Third Parties       | -3,398,090               | -3,106,286               |
|            | Costs of Products, Goods and Services    | -2,818,116               | -2,626,876               |
| 7.02.01    | Sold                                     |                          |                          |
|            | Materials, Energy, Outsourced            | -499,291                 | -460,064                 |
| 7.02.02    | Services and Other                       |                          |                          |
| 7.02.03    | Loss/Recovery of Asset Values            | -35,127                  | 0                        |
| 7.02.04    | Other                                    | -45,556                  | -19,346                  |
| 7.02.04.01 | Provision for Inventory Losses           | -35,087                  | 0                        |
| 7.02.04.02 | Other                                    | -10,469                  | -19,346                  |
| 7.03       | Gross Value Added                        | 4,751,138                | 4,528,633                |
| 7.04       | Retentions                               | -543,702                 | -572,514                 |
|            | Depreciation, Amortization and           | -543,702                 | -572,514                 |
| 7.04.01    | Depletion                                |                          |                          |
| 7.05       | Net Value Added Produced                 | 4,207,436                | 3,956,119                |
| 7.06       | Value Added Received in Transfer         | 223,001                  | 320,048                  |
| 7.06.01    | Equity in the Earnings of Joint Ventures | -3,643                   | -4,418                   |
| 7.06.02    | Financial Income                         | 226,644                  | 324,466                  |
| 7.07       | Total Value Added to Distribute          | 4,430,437                | 4,276,167                |
| 7.08       | Value Added Distribution                 | 4,430,437                | 4,276,167                |
| 7.08.01    | Personnel                                | 1,148,828                | 1,277,402                |
| 7.08.01.01 | Direct Compensation                      | 774,184                  | 741,888                  |
| 7.08.01.02 | Benefits                                 | 302,641                  | 453,324                  |
| 7.08.01.03 |                                          | 72,003                   | 82,190                   |

|            |                                    |           |           |
|------------|------------------------------------|-----------|-----------|
|            | Government Severance Indemnity     |           |           |
|            | Fund for Employees (FGTS)          |           |           |
| 7.08.02    | Taxes and Contributions            | 1,249,710 | 1,178,364 |
| 7.08.02.01 | Federal                            | 1,184,199 | 1,125,646 |
| 7.08.02.02 | State                              | 38,764    | 30,702    |
| 7.08.02.03 | Municipal                          | 26,747    | 22,016    |
| 7.08.03    | Third Parties                      | 885,411   | 1,089,996 |
| 7.08.03.01 | Interest                           | 839,409   | 1,062,725 |
| 7.08.03.02 | Rental                             | 46,002    | 27,271    |
| 7.08.04    | Retained Earnings                  | 1,146,488 | 730,405   |
|            | Retained Earnings/Accumulated Loss | 1,146,488 | 730,405   |
| 7.08.04.03 | for the Period                     |           |           |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Consolidated Financial Statements / Statement of Financial Position - Assets

(R\$ thousand)

| Code          | Description                                 | Current Quarter | Previous Year |
|---------------|---------------------------------------------|-----------------|---------------|
|               |                                             | 09/30/2012      | 12/31/2011    |
| 1             | Total Assets                                | 25,953,815      | 25,214,984    |
| 1.01          | Current Assets                              | 3,169,152       | 3,725,833     |
| 1.01.01       | Cash and Cash Equivalents                   | 1,777,706       | 2,149,989     |
| 1.01.03       | Accounts Receivable                         | 1,140,621       | 1,257,992     |
| 1.01.03.01    | Customers                                   | 1,006,496       | 1,072,659     |
| 1.01.03.02    | Other Accounts Receivable                   | 134,125         | 185,333       |
| 1.01.03.02.01 |                                             | 134,125         | 185,333       |
|               | Balances with Related Parties               |                 |               |
| 1.01.04       | Inventories                                 | 39,754          | 44,611        |
| 1.01.06       | Recoverable Taxes                           | 53,683          | 118,116       |
| 1.01.06.01    | Current Recoverable Taxes                   | 53,683          | 118,116       |
| 1.01.08       | Other Current Assets                        | 157,388         | 155,125       |
| 1.01.08.03    | Other                                       | 157,388         | 155,125       |
| 1.01.08.03.01 |                                             | 71,013          | 99,729        |
|               | Restricted Cash                             |                 |               |
| 1.01.08.03.20 |                                             | 86,375          | 55,396        |
|               | Other Accounts Receivable                   |                 |               |
| 1.02          | Noncurrent Assets                           | 22,784,663      | 21,489,151    |
| 1.02.01       | Long-Term Assets                            | 942,988         | 938,421       |
| 1.02.01.03    | Accounts Receivable                         | 321,680         | 333,713       |
| 1.02.01.03.01 |                                             | 321,680         | 333,713       |
|               | Customers                                   |                 |               |
| 1.02.01.06    | Deferred Taxes                              | 191,537         | 179,463       |
| 1.02.01.06.01 | Deferred Income Tax and Social Contribution | 191,537         | 179,463       |
| 1.02.01.08    | Credit with Related Parties                 | 146,373         | 170,288       |
| 1.02.01.08.03 |                                             | 146,373         | 170,288       |
|               | Credit with Controlling Shareholders        |                 |               |
| 1.02.01.09    | Other Noncurrent Assets                     | 283,398         | 254,957       |
| 1.02.01.09.03 |                                             | 60,295          | 60,295        |
|               | Indemnifications Receivable                 |                 |               |
|               | Judicial Deposits                           | 48,254          | 54,178        |

1.02.01.09.04

|               |                                     |            |            |
|---------------|-------------------------------------|------------|------------|
| 1.02.01.09.05 |                                     | 106,478    | 100,551    |
|               | ANA – National Water Agency         |            |            |
| 1.02.01.09.20 |                                     | 68,371     | 39,933     |
|               | Other Accounts Receivable           |            |            |
| 1.02.02       | Investments                         | 54,046     | 52,585     |
| 1.02.02.02    | Investment Properties               | 54,046     | 52,585     |
| 1.02.03       | Property, Plant and Equipment       | 401,337    | 356,468    |
| 1.02.04       | Intangible Assets                   | 21,386,292 | 20,141,677 |
| 1.02.04.01    | Intangible Assets                   | 21,386,292 | 20,141,677 |
| 1.02.04.01.01 |                                     | 7,705,289  | 7,752,756  |
|               | Concession Contracts                |            |            |
| 1.02.04.01.02 |                                     | 4,252,345  | 3,179,545  |
|               | Program Contracts                   |            |            |
| 1.02.04.01.03 |                                     | 9,485,186  | 9,190,573  |
|               | Service Contracts                   |            |            |
| 1.02.04.01.04 |                                     | 308        | 2,326      |
|               | Software License                    |            |            |
| 1.02.04.01.05 |                                     | 13,378     | 16,477     |
|               | New Business                        |            |            |
| 1.02.04.01.06 | Provision for Asset Impairment      | -35,127    | 0          |
| 1.02.04.01.07 | Provision for Physical Count Losses | -35,087    | 0          |

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ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

### Consolidated Financial Statements / Statement of Financial Position - Liabilities

(R\$ thousand)

| Code          | Description                                     | Current Quarter | Previous Year |
|---------------|-------------------------------------------------|-----------------|---------------|
|               |                                                 | 09/30/2012      | 12/31/2011    |
| 2             | Total Liabilities                               | 25,953,815      | 25,214,984    |
| 2.01          | Current Liabilities                             | 3,626,811       | 3,968,668     |
| 2.01.01       | Labor and Pension Plan Liabilities              | 317,467         | 243,876       |
| 2.01.01.01    | Pension Plan Liabilities                        | 23,965          | 31,927        |
| 2.01.01.02    | Labor Liabilities                               | 293,502         | 211,949       |
| 2.01.02       | Suppliers                                       | 257,128         | 255,557       |
| 2.01.02.01    | Domestic Suppliers                              | 257,128         | 255,557       |
| 2.01.03       | Tax Liabilities                                 | 221,436         | 181,122       |
| 2.01.03.01    | Federal Tax Liabilities                         | 216,244         | 175,378       |
| 2.01.03.01.01 | Income Tax and Social Contribution Payable      | 97,981          |               |
| 2.01.03.01.02 | PIS-PASEP and COFINS (taxes on revenue) Payable | 51,480          | 57,073        |
| 2.01.03.01.03 | INSS (social security contribution) Payable     | 26,083          | 25,645        |
| 2.01.03.01.04 | Installment Program - Law 10684/03              | 28,279          | 36,716        |
| 2.01.03.01.20 | Other Federal Taxes                             | 12,421          | 55,944        |
| 2.01.03.02    | State Tax Liabilities                           | 0               | 4             |
| 2.01.03.03    | Municipal Tax Liabilities                       | 5,192           | 5,740         |
| 2.01.04       | Loans and Financing                             | 1,316,504       | 1,630,010     |
| 2.01.04.01    | Loans and Financing                             | 823,925         | 826,091       |
| 2.01.04.01.01 | In Domestic Currency                            | 605,047         | 636,714       |
| 2.01.04.01.02 | In Foreign Currency                             | 218,878         | 189,377       |
| 2.01.04.02    | Debentures                                      | 492,579         | 803,919       |
| 2.01.05       | Other Liabilities                               | 869,738         | 894,033       |
| 2.01.05.01    | Liabilities with Related Parties                | 1,231           | 12,062        |
| 2.01.05.01.03 | Debts with Controlling Shareholders             | 1,231           | 12,062        |
| 2.01.05.02    | Other                                           | 868,507         | 881,971       |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable        | 142             | 247,486       |
| 2.01.05.02.04 | Services                                        | 378,682         | 383,116       |

|               |                                                           |            |            |
|---------------|-----------------------------------------------------------|------------|------------|
| 2.01.05.02.05 |                                                           | 44,801     |            |
|               | Refundable Amounts                                        |            | 50,300     |
| 2.01.05.02.06 |                                                           | 106,156    |            |
|               | Program Contract Commitments                              |            | 62,287     |
| 2.01.05.02.07 |                                                           | 24,357     |            |
|               | Private Public Partnership – PPP                          |            | 12,693     |
| 2.01.05.02.08 | Agreement with São Paulo Municipal Government             | 49,272     | 62,228     |
| 2.01.05.02.09 |                                                           | 9,465      |            |
|               | Indemnities                                               |            | 5,310      |
| 2.01.05.02.10 | Agreements                                                | 173,000    | 0          |
| 2.01.05.02.20 |                                                           | 82,632     |            |
|               | Other Payables                                            |            | 58,551     |
| 2.01.06       | Provisions                                                | 644,538    | 764,070    |
| 2.01.06.01    | Tax, Social Security, Labor and Civil Provisions          | 185,589    | 117,556    |
| 2.01.06.01.01 |                                                           | 5,916      |            |
|               | Tax Provisions                                            |            | 5,859      |
| 2.01.06.01.02 |                                                           | 138,340    |            |
|               | Social Security and Labor Provisions                      |            | 86,821     |
| 2.01.06.01.04 |                                                           | 41,333     |            |
|               | Civil Provisions                                          |            | 24,876     |
| 2.01.06.02    | Other Provisions                                          | 458,949    | 646,514    |
| 2.01.06.02.03 | Provisions for Environmental and Decommission Liabilities | 14,761     | 12,014     |
| 2.01.06.02.04 |                                                           | 343,020    |            |
|               | Provisions for Customers                                  |            | 244,817    |
| 2.01.06.02.05 |                                                           | 101,168    |            |
|               | Provisions for Suppliers                                  |            | 389,683    |
| 2.02          | Noncurrent Liabilities                                    | 10,922,763 | 10,700,420 |
| 2.02.01       | Loans and Financing                                       | 7,269,624  | 6,966,285  |
| 2.02.01.01    | Loans and Financing                                       | 4,743,105  | 4,737,722  |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

### Consolidated Financial Statements / Statement of Financial Position - Liabilities

(R\$ thousand)

| Code          | Description                           | Current Quarter | Previous Year |
|---------------|---------------------------------------|-----------------|---------------|
|               |                                       | 09/30/2012      | 12/31/2011    |
| 2.02.01.01.01 |                                       | 1,703,566       |               |
|               | In Domestic Currency                  |                 | 1,873,678     |
| 2.02.01.01.02 |                                       | 3,039,539       |               |
|               | In Foreign Currency                   |                 | 2,864,044     |
| 2.02.01.02    | Debentures                            | 2,526,519       | 2,228,563     |
| 2.02.02       | Other Payables                        | 2,941,422       | 2,926,376     |
| 2.02.02.02    | Other                                 | 2,941,422       | 2,926,376     |
| 2.02.02.02.03 |                                       | 0               |               |
|               | Other Taxes and Contributions Payable |                 | 18,363        |
| 2.02.02.02.04 |                                       | 2,113,479       |               |
|               | Pension Plan Liabilities              |                 | 2,050,697     |
| 2.02.02.02.05 |                                       | 151,575         |               |
|               | Program Contract Liabilities          |                 | 130,978       |
| 2.02.02.02.06 |                                       | 401,934         |               |
|               | Private Public Partnership – PPP      |                 | 416,105       |
| 2.02.02.02.07 |                                       | 29,644          |               |
|               | Indemnities                           |                 | 43,707        |
| 2.02.02.02.08 |                                       | 17,047          |               |
|               | TAC – Retirees                        |                 | 30,171        |
| 2.02.02.02.09 |                                       | 117,507         |               |
|               | Deferred COFINS and PASEP             |                 | 114,957       |
| 2.02.02.02.20 |                                       | 110,236         |               |
|               | Other Payables                        |                 | 121,398       |
| 2.02.04       | Provisions                            | 711,717         | 807,759       |
|               | Tax, Social Security, Labor and Civil | 292,598         |               |
| 2.02.04.01    | Provisions                            |                 | 293,794       |
| 2.02.04.01.01 |                                       | 71,756          |               |
|               | Tax Provisions                        |                 | 70,589        |
| 2.02.04.01.02 |                                       | 97,128          |               |
|               | Social Security and Labor Provisions  |                 | 69,715        |
| 2.02.04.01.04 |                                       | 123,714         |               |
|               | Civil Provisions                      |                 | 153,490       |
| 2.02.04.02    | Other Provisions                      | 419,119         | 513,965       |
|               | Provision for Environmental           | 131,423         | 109,165       |

2.02.04.02.03

|               |                               |            |            |
|---------------|-------------------------------|------------|------------|
| 2.02.04.02.04 |                               | 258,200    |            |
|               | Provisions for Customers      |            | 373,716    |
| 2.02.04.02.05 |                               | 29,496     |            |
|               | Provisions for Suppliers      |            | 31,084     |
| 2.03          | Consolidated Equity           | 11,404,241 | 10,545,896 |
| 2.03.01       | Paid-In Capital               | 6,203,688  | 6,203,688  |
| 2.03.02       | Capital Reserves              | 124,255    | 124,255    |
| 2.03.02.07    | Support to Projects           | 108,475    | 108,475    |
| 2.03.02.08    | Incentive Reserves            | 15,780     | 15,780     |
| 2.03.04       | Profit Reserves               | 3,929,810  | 4,217,953  |
| 2.03.04.01    | Legal Reserve                 | 521,219    | 521,219    |
| 2.03.04.08    | Additional Dividend Proposed  | 0          | 288,143    |
| 2.03.04.10    | Reserve for Investments       | 3,408,591  | 3,408,591  |
|               | Retained Earnings/Accumulated | 1,146,488  |            |
| 2.03.05       | Losses                        |            | 0          |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Consolidated Financial Statements / Statement of Income

(R\$ thousand)

| Code       | Description                                        | Current<br>Quarter             | YTD<br>Current<br>Year         | Same<br>Quarter<br>Previous<br>Year | YTD<br>Previous<br>Year        |
|------------|----------------------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|            |                                                    | 07/01/2012<br>to<br>09/30/2012 | 01/01/2012<br>to<br>09/30/2012 | 07/01/2011<br>to<br>09/30/2011      | 01/01/2011<br>to<br>09/30/2011 |
| 3.01       | Revenue from Sales and/or Services                 | 2,710,673                      | 7,777,356                      | 2,592,799                           | 7,230,055                      |
| 3.02       | Cost of Goods and/or Services                      | -1,591,939                     | -4,667,260                     | -1,635,681                          | -4,443,251                     |
| 3.02.01    | Cost of Goods and/or Services                      | -992,226                       | -2,954,883                     | -979,440                            | -2,860,691                     |
| 3.02.02    | Construction Cost                                  | -599,713                       | -1,712,377                     | -656,241                            | -1,582,560                     |
| 3.03       | Gross Profit                                       | 1,118,734                      | 3,110,096                      | 957,118                             | 2,786,804                      |
| 3.04       | Operating Income/Expenses                          | -456,640                       | -1,097,489                     | -322,628                            | -1,075,239                     |
| 3.04.01    | Selling Expenses                                   | -188,654                       | -528,323                       | -116,307                            | -449,949                       |
| 3.04.02    | General and Administrative Expenses                | -208,495                       | -536,598                       | -193,678                            | -664,088                       |
| 3.04.04    | Other Operating Income                             | 14,570                         | 48,115                         | -2,103                              | 58,144                         |
| 3.04.04.01 | Other Operating Income                             | 16,156                         | 53,447                         | -2,406                              | 63,975                         |
| 3.04.04.02 | COFINS and PASEP                                   | -1,586                         | -5,332                         | 303                                 | -5,831                         |
| 3.04.05    | Other Operating Expenses                           | -74,061                        | -80,683                        | -10,540                             | -19,346                        |
| 3.04.05.01 | Loss on Write-off of Property, Plant and Equipment | -73                            | -1,881                         | -8,265                              | -12,644                        |
| 3.04.05.03 | Tax Incentives                                     | -3,730                         | -8,417                         | -1,915                              | -6,225                         |
| 3.04.05.04 | Provision for Asset Impairment                     | -35,127                        | -35,127                        | 0                                   | 0                              |
| 3.04.05.05 | Provision for Physical Count Losses                | -35,087                        | -35,087                        | 0                                   | 0                              |
| 3.04.05.20 | Other                                              | -44                            | -171                           | -360                                | -477                           |
| 3.05       | Income Before Financial Result and Taxes           | 662,094                        | 2,012,607                      | 634,490                             | 1,711,565                      |
| 3.06       | Financial Result                                   | -109,408                       | -398,551                       | -510,871                            | -516,124                       |
| 3.06.01    | Financial Income                                   | 68,319                         | 227,088                        | 113,987                             | 324,651                        |
| 3.06.01.01 | Financial Income                                   | 68,370                         | 227,184                        | 113,601                             | 339,212                        |
| 3.06.01.02 | Foreign Exchange Gains                             | -51                            | -96                            | 386                                 | -14,561                        |
| 3.06.02    | Financial Expenses                                 | -177,727                       | -625,639                       | -624,858                            | -840,775                       |
| 3.06.02.01 | Financial Expenses                                 | -154,652                       | -480,085                       | -158,473                            | -517,729                       |
| 3.06.02.02 | Foreign Exchange Losses                            | -23,075                        | -145,554                       | -466,385                            | -323,046                       |
| 3.07       | Earnings Before Income Taxes                       | 552,686                        | 1,614,056                      | 123,619                             | 1,195,441                      |
| 3.08       | Income Tax and Social Contribution                 | -190,922                       | -467,568                       | -55,655                             | -465,036                       |
| 3.08.01    | Current                                            | -240,204                       | -479,801                       | -113,182                            | -520,200                       |

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## Consolidated Financial Statements / Statement of Income

(R\$ thousand)

| Code       | Description                                 | Current<br>Quarter             | YTD<br>Current<br>Year         | Same<br>Quarter<br>Previous<br>Year | YTD<br>Previous<br>Year        |
|------------|---------------------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|            |                                             | 07/01/2012<br>to<br>09/30/2012 | 01/01/2012<br>to<br>09/30/2012 | 07/01/2011<br>to<br>09/30/2011      | 01/01/2011<br>to<br>09/30/2011 |
| 3.08.02    | Deferred                                    | 49,282                         | 12,233                         | 57,527                              | 55,164                         |
| 3.09       | Net Income from Continued Operations        | 361,764                        | 1,146,488                      | 67,964                              | 730,405                        |
| 3.11       | Consolidated Net Income/Loss for the Period | 361,764                        | 1,146,488                      | 67,964                              | 730,405                        |
| 3.11.01    | Attribut the Company's Shareholders         | 361,764                        | 1,146,488                      | 67,964                              | 730,405                        |
| 3.99       | Earnings per Share - (Reais/Share)          |                                |                                |                                     |                                |
| 3.99.01    | Basic Earnings per Share                    |                                |                                |                                     |                                |
| 3.99.01.01 | Common Shares                               | 1.58783                        | 5.03208                        | 0.29830                             | 3.20584                        |
| 3.99.02    | Diluted Earnings per Share                  |                                |                                |                                     |                                |
| 3.99.02.01 | Common Shares                               | 1.58783                        | 5.03208                        | 0.29830                             | 3.20584                        |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Consolidated Financial Statements / Statement of Comprehensive Income**

**Justification for not filing out the chart:**

The Company does not record statement of comprehensive income.

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(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

### Consolidated Financial Statements / Statement of Cash Flows – Indirect Method

(R\$ thousand)

| Code       | Description                                                             | YTD Current<br>Quarter      | YTD Previous<br>Year        |
|------------|-------------------------------------------------------------------------|-----------------------------|-----------------------------|
|            |                                                                         | 01/01/2012 to<br>09/30/2012 | 01/01/2011 to<br>09/30/2011 |
| 6.01       | Net Cash from Operating Activities                                      | 1,871,393                   | 1,901,215                   |
| 6.01.01    | Cash Generated from Operations                                          | 3,383,498                   | 3,183,634                   |
| 6.01.01.01 | Net Profit Before Income Tax and Social Contribution                    | 1,614,056                   | 1,195,441                   |
| 6.01.01.02 | Provision for Contingencies                                             | 231,150                     | 220,254                     |
| 6.01.01.05 | Income in Write-off of Intangible and Fixed Assets                      | 2,138                       | 21,162                      |
| 6.01.01.06 | Depreciation and Amortization                                           | 543,838                     | 572,556                     |
| 6.01.01.07 | Interest on Loans and Financing Payable                                 | 318,650                     | 342,528                     |
| 6.01.01.08 | Monetary and Foreign Exchange Variation on Loans and Financing          | 169,399                     | -367,326                    |
| 6.01.01.09 | Expenses with Interest and Monetary Variations                          | 1,147                       | 2,197                       |
| 6.01.01.10 | Income from Interest and Monetary Variations                            | -9,919                      | -19,404                     |
| 6.01.01.11 | Allowance for Doubtful Accounts and Securities Write-off                | 304,011                     | 240,883                     |
| 6.01.01.12 | Provision for Term of Adjustment of Conduct (TAC)                       | 24,482                      | 40,561                      |
| 6.01.01.14 | Provision Sabesprev Mais                                                | -6,522                      | -7,432                      |
| 6.01.01.15 | Other Provisions/Reversals                                              | 1,186                       | 4,900                       |
| 6.01.01.16 | Transfer of Funds to São Paulo Municipal Government                     | -4,080                      | 0                           |
| 6.01.01.17 | Gross Margin over Intangible Assets Resulting from Concession Contracts | -37,607                     | -38,623                     |
| 6.01.01.18 | Social Security Obligations                                             | 161,355                     | 241,285                     |
| 6.01.01.19 | Provision for Physical Count Losses                                     | 35,087                      | 0                           |
| 6.01.01.20 | Provision for Asset Impairment                                          | 35,127                      | 0                           |
| 6.01.02    | Variation to Assets and Liabilities                                     | -752,525                    | -259,660                    |
| 6.01.02.01 | Accounts Receivable                                                     | -196,208                    | -220,227                    |
| 6.01.02.02 | Balances and Transactions with Related Parties                          | 50,582                      | 36,585                      |
| 6.01.02.03 | Inventories                                                             | 4,781                       | 205                         |
| 6.01.02.04 | Taxes Recoverable                                                       | -27,508                     | -42,484                     |
| 6.01.02.05 | Other Accounts Receivable                                               | -66,454                     | -20,577                     |
| 6.01.02.06 | Judicial Deposits                                                       | -150,326                    | 3,624                       |
| 6.01.02.08 | Contractors and Suppliers                                               | -37,625                     | 78,018                      |
| 6.01.02.09 | Salaries, Provisions and Social Security Contributions                  | 49,109                      | 22,833                      |

|            |                                           |            |            |
|------------|-------------------------------------------|------------|------------|
| 6.01.02.10 | Social Security Obligations               | -98,573    | -8,432     |
| 6.01.02.11 | Taxes and Contributions Payable           | -77,177    | -55,038    |
| 6.01.02.12 | Outside Services                          | -4,434     | -37,695    |
| 6.01.02.13 | Other Obligations                         | 84,220     | 131,828    |
| 6.01.02.14 | Provisions                                | -285,621   | -148,317   |
| 6.01.02.15 | Taxes on Revenue                          | 2,709      | 17         |
| 6.01.03    | Other                                     | -759,580   | -1,022,759 |
| 6.01.03.01 | Interest Paid                             | -471,986   | -583,666   |
| 6.01.03.02 | Income Tax and Contributions Paid         | -287,594   | -439,093   |
| 6.02       | Net Cash from Investing Activities        | -1,358,239 | -1,234,609 |
| 6.02.01    | Purchase of Property, Plant and Equipment | -39,154    | -94,006    |
| 6.02.02    | Increase in Intangible Assets             | -1,347,801 | -1,345,810 |
| 6.02.04    | Restricted Cash                           | 28,716     | 205,207    |
| 6.03       | Net Cash from Financing Activities        | -885,437   | -389,874   |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Consolidated Financial Statements / Statement of Cash Flows – Indirect Method**

(R\$ thousand)

| Code    | Description                                      | Accumulated<br>of Current<br>Year | Accumulated<br>of Previous<br>Year |
|---------|--------------------------------------------------|-----------------------------------|------------------------------------|
|         |                                                  | 01/01/2012 to<br>09/30/2012       | 01/01/2011 to<br>09/30/2011        |
| 6.03.01 | Funding - Loans                                  | 1,007,035                         | 1,625,893                          |
| 6.03.02 | Amortizations of Loans                           | -1,354,700                        | -1,592,844                         |
| 6.03.03 | Payment of Interest on Equity                    | -537,772                          | -422,923                           |
| 6.05    | Increase (Decrease) of Cash and Cash Equivalents | -372,283                          | 276,732                            |
| 6.05.01 | Opening Cash and Cash Equivalents                | 2,149,989                         | 1,989,179                          |
| 6.05.02 | Closing Cash and Cash Equivalents                | 1,777,706                         | 2,265,911                          |

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Changes in Equity – 01/01/2012 to 09/30/2012**

(R\$ thousand)

| Code    | Description                        | Paid in<br>Capital | Capital<br>Reserves,<br>Options<br>Granted<br>and<br>Treasury<br>Shares | Profit<br>Reserves | Earnings/Accumulated | Retained<br>Losses | Other<br>Comprehensive<br>Income | Equity Minus<br>Int |
|---------|------------------------------------|--------------------|-------------------------------------------------------------------------|--------------------|----------------------|--------------------|----------------------------------|---------------------|
| 5.01    | Opening Balances                   | 6,203,688          | 124,255                                                                 | 4,217,953          |                      | 0                  |                                  | 0 10,545,896        |
| 5.03    | Adjusted Opening Balances          | 6,203,688          | 124,255                                                                 | 4,217,953          |                      | 0                  |                                  | 0 10,545,896        |
| 5.04    | Capital Transactions with Partners | 0                  | 0                                                                       | -288,143           |                      | 0                  | 0                                | -288,143            |
| 5.04.08 | Approved Additional Dividends      | 0                  | 0                                                                       | -288,143           |                      | 0                  | 0                                | -288,143            |
| 5.05    | Total Comprehensive Income         | 0                  | 0                                                                       | 0                  |                      | 1,146,488          | 0                                | 1,146,488           |
| 5.05.01 | Net income for the Period          | 0                  | 0                                                                       | 0                  |                      | 1,146,488          | 0                                | 1,146,488           |
| 5.07    | Closing Balances                   | 6,203,688          | 124,255                                                                 | 3,929,810          |                      | 1,146,488          |                                  | 0 11,404,241        |



(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR – Quarterly Financial Information – September 30, 2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Parent Company Financial Statements / Statement of Changes in Equity – 01/01/2011 to 09/30/2011**

(R\$ thousand)

| Code    | Description                        | Paid in<br>Capital | Capital<br>Reserves,<br>Options<br>Granted<br>and<br>Treasury<br>Shares | Profit<br>Reserves<br>Earnings/Accumulated | Retained<br>Losses | Other<br>Comprehensive<br>Income | Equity Minus<br>Int |
|---------|------------------------------------|--------------------|-------------------------------------------------------------------------|--------------------------------------------|--------------------|----------------------------------|---------------------|
| 5.01    | Opening Balances                   | 6,203,688          | 124,255                                                                 | 3,353,857                                  | 0                  | 0                                | 9,681,800           |
| 5.03    | Adjusted Opening Balances          | 6,203,688          | 124,255                                                                 | 3,353,857                                  | 0                  | 0                                | 9,681,800           |
| 5.04    | Capital Transactions with Partners | 0                  | 0                                                                       | -68,761                                    | 0                  | 0                                | -68,761             |
| 5.04.08 | Approved Additional Dividends      | 0                  | 0                                                                       | -68,761                                    | 0                  | 0                                | -68,761             |
| 5.05    | Total Comprehensive Income         | 0                  | 0                                                                       | 0                                          | 730,405            | 0                                | 730,405             |
| 5.05.01 | Net income for the Period          | 0                  | 0                                                                       | 0                                          | 730,405            | 0                                | 730,405             |
| 5.07    | Closing Balances                   | 6,203,688          | 124,255                                                                 | 3,285,096                                  | 730,405            | 0                                | 10,343,444          |

ITR – Quarterly Information - 9/30/2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Consolidated Financial Statements / Statement of Value Added****(R\$ thousand)**

| <b>Code</b> | <b>Description</b>                                       | <b>YTD Current</b>   | <b>YTD Previous</b>  |
|-------------|----------------------------------------------------------|----------------------|----------------------|
|             |                                                          | <b>Year</b>          | <b>Year</b>          |
|             |                                                          | <b>01/01/2012 to</b> | <b>01/01/2011 to</b> |
|             |                                                          | <b>09/30/2012</b>    | <b>09/30/2011</b>    |
| 7.01        | Revenue                                                  | 8,163,802            | 7,639,425            |
| 7.01.01     | Sale of Merchandise, Products and Services               | 6,506,414            | 6,047,683            |
| 7.01.02     | Other Revenue                                            | 53,447               | 63,975               |
| 7.01.03     | Revenue from the Construction of Own Assets              | 1,749,984            | 1,621,183            |
| 7.01.04     | Provision/Reversal of Credit Losses                      | -146,043             | -93,416              |
| 7.02        | Inputs Acquired from Third Parties                       | -3,410,936           | -3,110,822           |
| 7.02.01     | Costs of Merchandise, Products and Services Sold         | -2,827,921           | -2,629,561           |
| 7.02.02     | Materials, Energy, Third Party Services and Others       | -502,332             | -461,915             |
| 7.02.03     | Provision for Asset Impairment                           | -35,127              | 0                    |
| 7.02.04     | Other                                                    | -45,556              | -19,346              |
| 7.02.04.01  | Provision for Inventory Losses                           | -35,087              | 0                    |
| 7.02.04.02  | Other                                                    | -10,469              | -19,346              |
| 7.03        | Gross Value Added                                        | 4,752,866            | 4,528,603            |
| 7.04        | Retentions                                               | -543,838             | -572,556             |
| 7.04.01     | Depreciation, Amortization and Depletion                 | -543,838             | -572,556             |
| 7.05        | Net Value Added Produced                                 | 4,209,028            | 3,956,047            |
| 7.06        | Value Added Transfer Received                            | 227,088              | 324,651              |
| 7.06.02     | Financial Income                                         | 227,088              | 324,651              |
| 7.07        | Total Value Added to Distribute                          | 4,436,116            | 4,280,698            |
| 7.08        | Distribution of Value Added                              | 4,436,116            | 4,280,698            |
| 7.08.01     | Personnel                                                | 1,151,775            | 1,279,461            |
| 7.08.01.01  | Direct Compensation                                      | 776,560              | 743,642              |
| 7.08.01.02  | Benefits                                                 | 303,040              | 453,520              |
| 7.08.01.03  | Government Severance Indemnity Fund for Employees (FGTS) | 72,175               | 82,299               |
| 7.08.02     | Taxes and Contributions                                  | 1,248,862            | 1,180,070            |
| 7.08.02.01  | Federal                                                  | 1,183,196            | 1,127,257            |
| 7.08.02.02  | State                                                    | 38,768               | 30,711               |
| 7.08.02.03  | Municipal                                                | 26,898               | 22,102               |
| 7.08.03     | Third Parties                                            | 888,991              | 1,090,762            |
| 7.08.03.01  | Interest                                                 | 842,746              | 1,063,252            |
| 7.08.03.02  | Rental                                                   | 46,245               | 27,510               |
| 7.08.04     | Retained Earnings                                        | 1,146,488            | 730,405              |
| 7.08.04.03  | Retained Profit/Loss for the Period                      | 1,146,488            | 730,405              |



ITR – Quarterly Information - 9/30/2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Comments on the Company's Performance****1. Financial highlights**

|                                                                     | <i>R\$ million</i> |         |               |        |         |         |               |        |
|---------------------------------------------------------------------|--------------------|---------|---------------|--------|---------|---------|---------------|--------|
|                                                                     | 3Q11               | 3Q12    | Chg.<br>(R\$) | %      | 9M11    | 9M12    | Chg.<br>(R\$) | %      |
| (+) Gross operating revenue                                         | 2,068.1            | 2,262.9 | 194.8         | 9.4    | 6,043.3 | 6,500.9 | 457.6         | 7.6    |
| (+) Construction revenue                                            | 672.3              | 612.3   | (60.0)        | (8.9)  | 1,621.1 | 1,741.0 | 119.9         | 7.4    |
| (-) COFINS and PASEP taxes                                          | 149.1              | 164.2   | 15.1          | 10.1   | 438.7   | 478.2   | 39.5          | 9.0    |
| (=) Net operating revenue                                           | 2,591.3            | 2,711.0 | 119.7         | 4.6    | 7,225.7 | 7,763.7 | 538.0         | 7.4    |
| (-) Costs and expenses                                              | 1,287.1            | 1,389.4 | 102.3         | 7.9    | 3,968.0 | 4,011.1 | 43.1          | 1.1    |
| (-) Construction costs                                              | 656.0              | 599.2   | (56.8)        | (8.7)  | 1,581.8 | 1,704.1 | 122.3         | 7.7    |
| (+) Equity results                                                  | (2.2)              | (0.6)   | 1.6           | (72.7) | (4.4)   | (3.6)   | 0.8           | (18.2) |
| (=) Earnings before financial expenses (EBIT*)                      | 646.0              | 721.8   | 75.8          | 11.7   | 1,671.5 | 2,044.9 | 373.4         | 22.3   |
| (+) Depreciation and amortization                                   | 168.2              | 180.2   | 12.0          | 7.1    | 572.5   | 543.7   | (28.8)        | (5.0)  |
| (=) EBITDA**                                                        | 814.2              | 902.0   | 87.8          | 10.8   | 2,244.0 | 2,588.6 | 344.6         | 15.4   |
| (%) EBITDA margin                                                   | 31.4               | 33.3    |               |        | 31.1    | 33.3    |               |        |
| Net income                                                          | 68.0               | 361.8   | 293.8         | 432.1  | 730.4   | 1,146.5 | 416.1         | 57.0   |
| Earnings per share (R\$)                                            | 0.30               | 1.59    |               |        | 3.21    | 5.03    |               |        |
| (*) Earnings before interest and taxes                              |                    |         |               |        |         |         |               |        |
| (**) Earnings before interest, taxes, depreciation and amortization |                    |         |               |        |         |         |               |        |

In 3Q12, net operating revenue reached R\$2.7 billion, a 4.6% growth compared to 3Q11. Costs and expenses, including construction costs, in the amount of R\$2.0 billion grew 2.3% over 3Q11. EBIT grew 11.7%, from R\$646.0 million in 3Q11 to R\$721.8 million in 3Q12. EBITDA increased 10.8%, from R\$814.2 million in 3Q11 to R\$902.0 million in 3Q12. The EBITDA margin was 33.3% in 3Q12 in comparison to 31.4% in the same period of the previous year. Excluding construction revenues and construction costs, the

EBITDA margin was 42.4% in 3Q12 (41.6% in 3Q11).

## **2. Gross operating revenue**

Gross operating revenue from water supply and sewage collection grew from R\$2.1 billion in 3Q11 to R\$2.3 billion in 3Q12, an increase of R\$194.8 million or 9.4%. The main factors for this result were the tariff adjustment of 6.83% in 2011 and the increase of 3.2% in total billed volume.

## **3. Construction revenue**

In 3Q12, construction revenue went from R\$672.3 million to R\$612.3 million, a decrease of R\$60.0 million or 8.9% comparing to 3Q11. This variation was mainly due to the lower expenses with construction works in 3Q12.

## **4. Billed volume**

The following tables show the billed water and sewage volume per customer category and region in 3Q11 and 3Q12.

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ITR – Quarterly Information - 9/30/2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Comments on the Company's Performance****BILLED WATER AND SEWAGE VOLUME (1) PER CUSTOMER CATEGORY - million m<sup>3</sup>**

| Category            | Water          |                |            | Sewage         |                |            | Water + Sewage |                |            |
|---------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
|                     | 3Q11           | 3Q12           | %          | 3Q11           | 3Q12           | %          | 3Q11           | 3Q12           | %          |
| Residential         | 369.1          | 380.3          | 3.0        | 304.1          | 314.6          | 3.5        | 673.2          | 694.9          | 3.2        |
| Commercial          | 41.8           | 43.6           | 4.3        | 39.0           | 40.4           | 3.6        | 80.8           | 84.0           | 4.0        |
| Industrial          | 9.7            | 9.5            | (2.1)      | 10.1           | 10.8           | 6.9        | 19.8           | 20.3           | 2.5        |
| Public              | 13.6           | 14.4           | 5.9        | 10.6           | 11.2           | 5.7        | 24.2           | 25.6           | 5.8        |
| <b>Total retail</b> | <b>434.2</b>   | <b>447.8</b>   | <b>3.1</b> | <b>363.8</b>   | <b>377.0</b>   | <b>3.6</b> | <b>798.0</b>   | <b>824.8</b>   | <b>3.4</b> |
| Wholesale           | 74.1           | 74.8           | 0.9        | 6.8            | 7.5            | 10.3       | 80.9           | 82.3           | 1.7        |
| Reused water        | 0.1            | 0.1            | -          | -              | -              | -          | 0.1            | 0.1            | -          |
| <b>Total</b>        | <b>508.4</b>   | <b>522.7</b>   | <b>2.8</b> | <b>370.6</b>   | <b>384.5</b>   | <b>3.8</b> | <b>879.0</b>   | <b>907.2</b>   | <b>3.2</b> |
|                     | 9M11           | 9M12           | %          | 9M11           | 9M12           | %          | 9M11           | 9M12           | %          |
| Residential         | 1,109.2        | 1,136.4        | 2.5        | 908.9          | 936.9          | 3.1        | 2,018.1        | 2,073.3        | 2.7        |
| Commercial          | 124.9          | 129.1          | 3.4        | 116.6          | 119.9          | 2.8        | 241.5          | 249.0          | 3.1        |
| Industrial          | 28.9           | 28.4           | (1.7)      | 30.0           | 31.7           | 5.7        | 58.9           | 60.1           | 2.0        |
| Public              | 39.6           | 41.6           | 5.1        | 31.0           | 32.3           | 4.2        | 70.6           | 73.9           | 4.7        |
| <b>Total retail</b> | <b>1,302.6</b> | <b>1,335.5</b> | <b>2.5</b> | <b>1,086.5</b> | <b>1,120.8</b> | <b>3.2</b> | <b>2,389.1</b> | <b>2,456.3</b> | <b>2.8</b> |
| Wholesale           | 222.5          | 221.8          | (0.3)      | 21.0           | 21.0           | -          | 243.5          | 242.8          | (0.3)      |
| Reused water        | 0.2            | 0.3            | 50.0       | -              | -              | -          | 0.2            | 0.3            | 50.0       |
| <b>Total</b>        | <b>1,525.3</b> | <b>1,557.6</b> | <b>2.1</b> | <b>1,107.5</b> | <b>1,141.8</b> | <b>3.1</b> | <b>2,632.8</b> | <b>2,699.4</b> | <b>2.5</b> |

**BILLED WATER AND SEWAGE VOLUME (1) PER REGION – million m<sup>3</sup>**

| Region                  | Water          |                |            | Sewage         |                |            | Water + Sewage |                |            |
|-------------------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
|                         | 3Q11           | 3Q12           | %          | 3Q11           | 3Q12           | %          | 3Q11           | 3Q12           | %          |
| Metropolitan            | 287.4          | 296.6          | 3.2        | 244.1          | 252.9          | 3.6        | 531.5          | 549.5          | 3.4        |
| Regional <sup>(2)</sup> | 146.8          | 151.2          | 3.0        | 119.7          | 124.1          | 3.7        | 266.5          | 275.3          | 3.3        |
| <b>Total retail</b>     | <b>434.2</b>   | <b>447.8</b>   | <b>3.1</b> | <b>363.8</b>   | <b>377.0</b>   | <b>3.6</b> | <b>798.0</b>   | <b>824.8</b>   | <b>3.4</b> |
| Wholesale               | 74.1           | 74.8           | 0.9        | 6.8            | 7.5            | 10.3       | 80.9           | 82.3           | 1.7        |
| Reused water            | 0.1            | 0.1            | -          | -              | -              | -          | 0.1            | 0.1            | -          |
| <b>Total</b>            | <b>508.4</b>   | <b>522.7</b>   | <b>2.8</b> | <b>370.6</b>   | <b>384.5</b>   | <b>3.8</b> | <b>879.0</b>   | <b>907.2</b>   | <b>3.2</b> |
|                         | 9M11           | 9M12           | %          | 9M11           | 9M12           | %          | 9M11           | 9M12           | %          |
| Metropolitan            | 857.6          | 880.0          | 2.6        | 727.8          | 748.9          | 2.9        | 1,585.4        | 1,628.9        | 2.7        |
| Regional <sup>(2)</sup> | 445.0          | 455.5          | 2.4        | 358.7          | 371.9          | 3.7        | 803.7          | 827.4          | 2.9        |
| <b>Total retail</b>     | <b>1,302.6</b> | <b>1,335.5</b> | <b>2.5</b> | <b>1,086.5</b> | <b>1,120.8</b> | <b>3.2</b> | <b>2,389.1</b> | <b>2,456.3</b> | <b>2.8</b> |

|              |                |                |            |                |                |            |                |                |            |
|--------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|------------|
| Wholesale    | 222.5          | 221.8          | (0.3)      | 21.0           | 21.0           | -          | 243.5          | 242.8          | (0.3)      |
| Reused water | 0.2            | 0.3            | -          | -              | -              | -          | 0.2            | 0.3            | 50.0       |
| <b>Total</b> | <b>1,525.3</b> | <b>1,557.6</b> | <b>2.1</b> | <b>1,107.5</b> | <b>1,141.8</b> | <b>3.1</b> | <b>2,632.8</b> | <b>2,699.4</b> | <b>2.5</b> |

(1) Unaudited

(2) Including coastal and countryside

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**Comments on the Company's Performance****5. Costs, administrative, selling and construction expenses**

In 3Q12, costs of products and services, administrative, selling and construction expenses grew 2.3% (R\$45.5 million). As a percentage of net revenue, cost and expenses moved from 75.0% in 3Q11 to 73.4% in 3Q12.

|                                                                 | <i>R\$ million</i> |                |             |             |                |                |              |            |
|-----------------------------------------------------------------|--------------------|----------------|-------------|-------------|----------------|----------------|--------------|------------|
|                                                                 | 3Q11               | 3Q12           | Chg. (R\$)  | %           | 9M11           | 9M12           | Chg. (R\$)   | %          |
| Payroll and benefits                                            | 427.1              | 426.7          | (0.4)       | (0.1)       | 1,395.7        | 1,276.6        | (119.1)      | (8.5)      |
| Supplies                                                        | 42.5               | 46.1           | 3.6         | 8.5         | 114.2          | 129.8          | 15.6         | 13.7       |
| Treatment supplies                                              | 37.3               | 39.1           | 1.8         | 4.8         | 118.8          | 135.1          | 16.3         | 13.7       |
| Services                                                        | 245.1              | 261.5          | 16.4        | 6.7         | 709.2          | 779.1          | 69.9         | 9.9        |
| Electric power                                                  | 143.9              | 144.8          | 0.9         | 0.6         | 436.6          | 442.8          | 6.2          | 1.4        |
| General expenses                                                | 194.2              | 209.7          | 15.5        | 8.0         | 478.6          | 501.2          | 22.6         | 4.7        |
| Tax expenses                                                    | 11.6               | 10.7           | (0.9)       | (7.8)       | 49.1           | 56.8           | 7.7          | 15.7       |
| <b>Sub-total</b>                                                | <b>1,101.7</b>     | <b>1,138.6</b> | <b>36.9</b> | <b>3.3</b>  | <b>3,302.2</b> | <b>3,321.4</b> | <b>19.2</b>  | <b>0.6</b> |
| Depreciation and amortization                                   | 168.2              | 180.2          | 12.0        | 7.1         | 572.5          | 543.7          | (28.8)       | (5.0)      |
| Credit write-offs                                               | 17.2               | 70.6           | 53.4        | 310.5       | 93.3           | 146.0          | 52.7         | 56.5       |
| <b>Sub-total</b>                                                | <b>185.4</b>       | <b>250.8</b>   | <b>65.4</b> | <b>35.3</b> | <b>665.8</b>   | <b>689.7</b>   | <b>23.9</b>  | <b>3.6</b> |
| Construction costs                                              | 656.0              | 599.2          | (56.8)      | (8.7)       | 1,581.8        | 1,704.1        | 122.3        | 7.7        |
| <b>Costs, administrative, selling and construction expenses</b> | <b>1,943.1</b>     | <b>1,988.6</b> | <b>45.5</b> | <b>2.3</b>  | <b>5,549.8</b> | <b>5,715.2</b> | <b>165.4</b> | <b>3.0</b> |
| % over net revenue                                              | 75.0               | 73.4           |             |             | 76.8           | 73.6           |              |            |

**5.1. Payroll and benefits**

In 3Q12 payroll and benefits dropped R\$0.4 million or 0.1%, from R\$427.1 million to R\$426.7 million, due to the following:

- Adjustment to the provision for severance pay in the amount of R\$15.7 million in 3Q11, due to: (i) increased adhesion of employees who applied for retirement; and (ii) approval of Law 12,506/11, changing the notice period from 30 to 90 days in case of dismissal without cause; and
- Decline in the current cost based on the actuarial calculation for 2012, related to the Defined Benefit Plan, in the amount of R\$4.1 million.

These decreases were offset by the 8.0% increase in wages since May 2011 and of 6.17% since May 2012, with an impact of approximately R\$19.4 million.

## **5.2. Supplies**

In 3Q12, expenses with supplies increased by R\$3.6 million or 8.5%, when compared to the same period of the previous year, from R\$42.5 million to R\$46.1 million, mostly due to: (i) water and sewage systems preventive and correction maintenance, in the amount of R\$2.4 million; and (ii) maintenance of water and sewage connections and networks totaling R\$1.0 million.

## **5.3. Treatment supplies**

Treatment supplies expenses in 3Q12 were R\$ 1.8 million or 4.8% higher than in 3Q11, from R\$37.3 million to R\$39.1 million. The main factor for this variation was increase in consumption and replacement of products in order to attend the demand and maintain efficiency in the treatment of water.

## **5.4. Services**

In 3Q12 this item increased R\$16.4 million or 6.7%, from R\$245.1 million to R\$261.5 million. The main factors were:

- Advertising campaigns focused on social and environmental initiatives, such as: (i) awareness-raising initiatives related to the depollution “Tietê Project”, conscious water consumption, Sabesp’s initiatives that impacted the quality of life of the population, among others, in the amount of R\$8.6 million;
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### **Comments on the Company's Performance**

- Increase R\$5.9 million related to the fleet renewal program, through leasing;
- Public and Private Partnership Agreement of the Alto Tietê Production System, with an increase of R\$4.1 million due to the start-up in September 2011, increasing the water production capacity from 10m<sup>3</sup>/s to 15m<sup>3</sup>/s;
- Software rental in the amount of R\$3.0 million, resulting from maintenance, technical support and training for use in Sabesp's central computer;
- Preventive and corrective maintenance in the water and sewage systems in the amount of R\$2.5 million; and
- Property security in the amount of R\$1.3 million, due to increased coverage of equipment and areas.

The increases mentioned above were offset by a R\$10.1million decrease resulting from social and environmental activities settled with the Municipal Government of São Paulo.

### **5.5. Electric power**

In 3Q12, this item increased R\$0.9 million, or 0.6%, from R\$143.9 million to R\$144.8 million, due to the average increase of approximately 2.05% in the tariff for free and captive markets in the period. This increase was offset by a 15% discount granted, since September 2011, at the Use of Distribution System Tariff (TUSD), in the operation directly related to sanitation.

## **5.6. General expenses**

In 3Q12 general expenses increased R\$15.5 million or 8.0%, from R\$194.2 million to R\$209.7 million, due to:

- Increase of R\$4.7 million in the provision for payment of the municipal fund pursuant to the Service Agreement with the Municipal Government of São Paulo;
- Increase in the provisions for lawsuits, amounting to R\$2.4 million;
- Increase of R\$1.7 million, due to the beginning of billing for the use of water from the Baixada Santista water basin since February 2012; and
- Increase of R\$1.2 million, related to the institutional support due to the contribution to the Instituto Criança Cidadã.

## **5.7. Depreciation and Amortization**

Depreciation and amortization increased R\$12.0 million or 7.1%, from R\$168.2 million to R\$180.2 million, due to a higher transfer of works to operating intangible assets.

## **5.8. Credit write-offs**

In 3Q12 credit write-offs increased R\$53.4 million or 310.5%, from R\$17.2 million to R\$70.6 million, chiefly due to the additional provision for overdue agreements with private clients in the amount of R\$9.6 million, municipal public entities in the amount of R\$4.9 million and the additional provision for overdue debits with public state entities in the amount of R\$26.7 million.

## **6. Other operating revenues and expenses**

### **6.1. Other operating revenues**

These revenues moved up by R\$18.5 million, mainly due to: (i) accounting reclassification related to the sale of scrap material in 3Q11, in the amount of R\$11.7 million, non-recurring for the following quarters; and (ii) transfer of funds through the Water Resource Preservation Program, for the execution of the project for the Sewage Separation System in the municipality of Itatiba and the construction of 8 sewage pumping stations, trunk sewers and pumping lines in the municipality of Piracaia, in the amount R\$3.2 million.

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**Comments on the Company's Performance****6.2. Other operating expenses**

Other operating expenses increased R\$63.6 million due to (i) indication of impairment with an additional R\$35.1 million; and (ii) provision for intangible asset losses in the amount of R\$35.1 million.

**7. Financial revenues and expenses**

|                                                           | <i>R\$ million</i> |              |              |              |
|-----------------------------------------------------------|--------------------|--------------|--------------|--------------|
|                                                           | 3Q11               | 3Q12         | Chg.         | %            |
| Financial expenses                                        |                    |              |              |              |
| Interest and charges on domestic loans and financing      | 77.8               | 75.0         | (2.8)        | (3.6)        |
| Interest and charges on international loans and financing | 23.2               | 22.5         | (0.7)        | (3.0)        |
| Other financial expenses                                  | 38.3               | 41.2         | 2.9          | 7.6          |
| <b>Total financial expenses</b>                           | <b>139.3</b>       | <b>138.7</b> | <b>(0.6)</b> | <b>(0.4)</b> |
| Financial revenues                                        | 96.1               | 54.6         | (41.5)       | (43.2)       |
| <b>Financial expenses net of revenues</b>                 | <b>43.2</b>        | <b>84.1</b>  | <b>40.9</b>  | <b>94.7</b>  |

**7.1. Financial expenses**

In 3Q12 financial expenses dropped R\$0.6 million, or 0.4%. The main factors that influenced this result were:

- Decrease in interest by R\$2.8 million on domestic loans and financing, mainly due to the amortization of the 9th debenture in October 2011; and
- Other financial expenses increased by R\$2.9 million:
  - Commitments with the municipalities for the formalization of program contracts, in the amount of R\$1.0 million; and
  - Higher interest related to lawsuits in the amount of R\$1.8 million.

## 7.2. Financial revenues

Financial revenues decreased by R\$41.5 million, due to the gradual reduction of the market interest rates obtained in financial investments and higher cash position.

## 8. Monetary variation on assets and liabilities

|                                                    | <i>R\$ million</i> |             |                |               |
|----------------------------------------------------|--------------------|-------------|----------------|---------------|
|                                                    | 3Q11               | 3Q12        | Chg.           | %             |
| Monetary variation on loans and financing          | 7.9                | 6.6         | (1.3)          | (16.5)        |
| Currency exchange variation on loans and financing | 466.3              | 23.1        | (443.2)        | (95.0)        |
| Other monetary/exchange rate variations            | 11.1               | 9.1         | (2.0)          | (18.0)        |
| <b>Variation on liabilities</b>                    | <b>485.3</b>       | <b>38.8</b> | <b>(446.5)</b> | <b>(92.0)</b> |
| Variation on assets                                | 17.8               | 13.7        | (4.1)          | (23.0)        |
| <b>Net variation</b>                               | <b>467.5</b>       | <b>25.1</b> | <b>(442.4)</b> | <b>(94.6)</b> |



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**Comments on the Company's Performance****8.1. Monetary variation on liabilities**

The effect on the monetary variation on liabilities in 3Q12 was R\$446.5 million lower than in 3Q11, specially the exchange rate variation on international loans and financing, in the amount of R\$443.2 million, due to the 0.4% depreciation of Brazilian Real versus US Dollar and of 2.8% depreciation of Brazilian Real versus the Yen in 3Q12 in comparison to a 15.8% depreciation of Brazilian Real versus US Dollar and of 19.4% depreciation of Brazilian Real versus the Yen in 3Q11.

**8.2. Monetary variation on assets**

Monetary variation on assets dropped R\$4.1 million, mainly due to the higher number of agreements with clients for the payment of bills in installments in 3Q11.

**9. Operating indicators**

In 3Q12, water loss ratio was 26%, remaining steady when compared to the previous year. With the beginning of the hiring financed by JICA, scheduled for mid-2013, a more substantial decline is expected for this indicator.

| Operating indicators*                              | 3Q11   | 3Q12   | %     |
|----------------------------------------------------|--------|--------|-------|
| Water connections <sup>(1)</sup>                   | 7,438  | 7,627  | 2.5   |
| Sewage connections <sup>(1)</sup>                  | 5,877  | 6,073  | 3.3   |
| Population directly served - water <sup>(2)</sup>  | 23.8   | 24.2   | 1.7   |
| Population directly served - sewage <sup>(2)</sup> | 20.4   | 20.9   | 2.5   |
| Number of employees                                | 15,194 | 14,666 | (3.5) |

|                                      |                                                 |       |     |
|--------------------------------------|-------------------------------------------------|-------|-----|
| Water volume produced <sup>(3)</sup> | 2,241                                           | 2,285 | 2.0 |
| Water losses (%)                     | 25.7                                            | 25.8  | 0.4 |
| (1)                                  | In thousand units                               |       |     |
| (2)                                  | In million inhabitants. Not including wholesale |       |     |
| (3)                                  | In millions of cubic meters                     |       |     |
| * Unaudited                          |                                                 |       |     |

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## Notes to the Financial Statements

*(Amounts in thousands of Brazilian reais—R\$, unless otherwise stated)*

### 1. OPERATIONS

Companhia de Saneamento Básico do Estado de São Paulo ("SABESP" or the "Company") is a mixed-capital company headquartered in São Paulo, controlled by the São Paulo State Government. The Company is engaged in the provision of basic and environmental sanitation services in the State of São Paulo and the supply of treated water on a wholesale basis.

In addition to providing basic sanitation services in the State of São Paulo, SABESP may perform these activities in other states and countries, and can operate in drainage, urban cleaning, solid waste handling and energy markets. The objective set in the new vision of SABESP is to be recognized as the company that ensured universal access to water and sewage services in its marketplace, focused on the customer, and in a sustainable and competitive manner, with excellence in environmental solutions.

As of September 30, 2012, the company operates water and sewage services in 363 municipalities of the state of São Paulo, and temporarily discontinued operations in five of these municipalities, Araçoiaba da Serra, Iperó, Cajobi, Álvares Florense and Macatuba, due to judicial orders under ongoing lawsuits. As of September 30, 2012, the carrying amount of these municipalities' intangible assets was approximately R\$22,843. Most of these municipalities operations are based on 30-year concession agreements.

As of September 30, 2012, 67 concessions had been expired and are being negotiated. From 2012 to 2032, 38 concessions will expire. These concessions with indefinite terms and expired concessions under negotiation are amortized over the useful lives of the underlying assets. By September 30, 2012, 258 program and metropolitan contracts were signed (225 contracts on December 31, 2011).

Management believes that all concessions expired and not yet renewed, the public deeds and the three municipalities that do not have a contract will result in new contracts or contract extensions, disregarding the risk of discontinuity in the provision of municipal water supply and sewage services. As of September 30, 2012, the carrying amount of intangible assets applied in 67 municipalities under negotiation totals R\$5,748 million, accounting for 26.7% of total and gross revenue from these municipalities totals R\$1,559 million in the nine-month period ended September 30, 2012, accounting for 18.89% of total.

The Company's operations are concentrated in the municipality of São Paulo, which accounts for 55.10% of gross revenue in the nine-month period ended September 30, 2012 (December 2011 – 55.11%) and 44.35% of intangible assets (December 2011 – 45.63%).

On June 23, 2010 the State of São Paulo through its Governor, the municipal government of São Paulo, represented by its mayor, SABESP and Regulatory Agency of Sanitation and Energy– ARSESP as intervening and consenting parties entered into an agreement to share the responsibility for the water supply and sewage services in the capital city of São Paulo for the next 30 years, renewable for the same period. In addition, SABESP is the sole supplier of these services and ARSESP is liable for regulation, including tariffs, control and inspection of services.

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Also, the “Water Supply and Sewage Public Utility Services Agreement” was signed on June 23, 2010. This agreement was signed between the State of São Paulo, the municipal government of São Paulo and SABESP for a 30-year period, renewable for the same period, including the following activities:

- i. protection of springs in collaboration with other state and municipal authorities;
- ii. capture, transportation and treatment of raw water;
- iii. collection, transportation, treatment and final dispose of sanitary sewage; and
- iv. adoption of other basic and environmental sanitation actions.

In the municipality of Santos, in the Baixada Santista region, which has a significant population, the Company operates supported by a public authorization deed, a similar situation in other municipalities in that region and in the Ribeira valley, where the Company started to operate after the merger of the companies that formed it. In the nine-month period ended September 30, 2012, the carrying amount of the municipality of Santos’ intangible assets was R\$381,997 and its gross revenue was R\$165,512.

Article 58 of Law 11445/07 determines that precarious and overdue concessions, as well as those effective for an undetermined period of time, including those that do not have an instrument formalizing them, will be valid until December 31, 2010. However, Article 2 of Law 12693, of July 24, 2012 allows program agreements to be executed until December 31, 2016.

The Company’s Management understands that the concession agreements not yet renewed are still valid and should be governed by Laws 8987/95 and 11445/07, which is also the situation of those municipalities served without an agreement.

Public deeds are valid and governed by the Brazilian Civil Code.

The Company’s shares have been listed on the “Novo Mercado” (New Market) segment of the BOVESPA (São Paulo Stock Exchange) since April 2002, and on the New York Stock Exchange (NYSE) as ADRs since May 2002.

Since 2008, the Company has been setting up partnerships with other companies, which resulted in the following companies: Sesamm, Águas de Andradina, Saneaqua Mairinque, Aquapolo Ambiental, Águas de Castilho and Attend Ambiental. Although SABESP has no majority interest in the capital stock of these companies, the shareholders’ agreements provide for the power of veto and casting vote in certain issues jointly with associates, indicating the shared control in the management of investees. For purposes of accounting classification in the financial statements, these companies are considered “joint ventures”, as prescribed by CPC 19.

This consolidated quarterly information was approved by the Board of Directors on November 13, 2012.



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2. PRESENTATION OF THE QUARTERLY FINANCIAL INFORMATION

(i) Presentation of the Quarterly Financial Information

The quarterly financial information as of September 30, 2012 was prepared based on CPC 21 – Interim Financial Information (parent company and consolidated) and the international standard IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board (IASB) (consolidated), applicable to the preparation of the Quarterly Financial Information – ITR, which are consistently presented with the standards issued by CVM. Therefore, this ITR considers the Circular Official Letter CVM/SNC/SEP 003 of April 28, 2011 which allows that entities report selected notes to the financial statements, in cases of redundant information already disclosed in the Annual Financial Statements. The quarterly financial information for the period ended September 30, 2012, therefore, does not include all the notes and reporting required by the CPC (“Brazilian Accounting Pronouncements Committee”) for the annual financial statements and, accordingly, must be read together with the financial statements under CPC and IFRS for the year ended December 31, 2011.

(ii) Parent Company and Consolidated Financial Information

The Parent company’s financial information has been disclosed together with the consolidated financial information and was prepared based on CPC 21 provisions applicable to the preparation of the Quarterly Financial Information – ITR and presented consistently with the standards issued by CVM and with Note 2 to the Annual Financial Statements as of December 31, 2011.

In the Parent Company’s Financial Information, prepared for statutory purposes, investments in investees are measured under the equity method, as required by Brazilian legislation. Accordingly, the Parent Company’s Financial Information does not comply with the IFRS, which require these investments to be stated at fair value or cost in the Company’s individual financial statements.

Since there is no difference between the consolidated equity and the consolidated net income, attributable to the Company’s shareholders, included in the Consolidated Financial Information prepared under the IFRS and the accounting practices adopted in Brazil, and the Company’s equity and net income included in the Parent Company’s Financial Information prepared in accordance with the accounting practices adopted in Brazil, the Company opted to present the Parent Company’s and the Consolidated Financial Statements in one single set, side by side.

The consolidated financial information includes the financial statements of the Company and its investees: Sesamm – Serviços de Saneamento de Mogi Mirim S/A, Águas de Andradina S.A., Águas de Castilho, Saneaqua Mairinque S.A., Aquapolo Ambiental and Attend Ambiental, which were proportionally consolidated according to the equity interest over its investees. The Company shares the control of its investees, which have the same fiscal year basis. The accounting policies of its investees are consistent with the accounting policies adopted by the Company. The consolidation processes of assets, liabilities and statement of income add the assets, liabilities, revenues and expenses, according to the nature, by applying the percentage of the Company’s interest held in each investee.

Although SABESP has no majority shares of its investees, the shareholders’ agreement provides for the power of veto and casting vote in certain management issues, indicating participating shared control. Therefore, the financial statements were proportionally consolidated.

These are the consolidated companies:

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Sesamm

On August 15, 2008, the Company, together with the companies OHL Medio Ambiente, Inima S.A.U. Unipersonal ("Inima"), Técnicas y Gestión Medioambiental S.A.U. ("TGM") and Estudos Técnicos e Projetos ETEP Ltda. ("ETEP") incorporated the company Serviços de Saneamento de Mogi Mirim S.A. - SESAMM ("SESAMM"), for a period of 30 years from the date the concession agreement with the municipality of Mogi Mirim for the purpose of providing complementary services to the sewage diversion system and implementing and operating sewage treatment system in the municipality of Mogi Mirim, including the disposal of solid waste.

SESAMM's capital as of September 30, 2012 totaled R\$19,532, and was represented by 19,532,409 no-par, registered common shares. SABESP holds 36% of its equity interest and Inima holds another 46% of its equity interest. The Company concluded that SABESP and Inima have joint control over SESAMM. Accordingly, SABESP records its interest over SESAMM applying the proportional consolidation method, equivalent to the 36% of SESAMM's assets and liabilities, revenues and expenses.

The operations started in June 2012.

Águas de Andradina

On September 15, 2010, the Company, together with the company Companhia de Águas do Brasil – Cab Ambiental incorporated the company Águas de Andradina S.A., with indefinite term, for the purpose of providing water supply and sewage services to the municipality of Andradina.

As of September 30, 2012, the company's capital was R\$2,908 represented by 2,908,085 no-par, registered common shares. SABESP holds 30% of its equity interest.

The operations started in October 2010.

Águas de Castilho

On October 29, 2010, the Company, together with Companhia Águas do Brasil – Cab Ambiental, incorporated the company Águas de Castilho, for the purpose of providing water and sewage services to the municipality of Castilho. The capital of Águas de Castilho totaled R\$622, and was represented by 622,160 no-par, registered shares. SABESP holds 30% of its equity interest.

The operations started in January 2011.

Saneaqua Mairinque

On June 14, 2010, the Company, together with Foz do Brasil S.A., incorporated Saneaqua Mairinque S.A., with indefinite term, for the purpose of exploring the public utility of water supply and sewage services to the municipality of Mairinque.

As of September 30, 2012, the company's capital was R\$2,000, represented by 2,000,000 non-par, registered common shares. SABESP holds 30% of its equity interest.

The operations started in October 2010.

Aquapolo Ambiental S.A.

On October 8, 2009, the Company, together with Foz do Brasil S.A., incorporated Aquapolo Ambiental S.A., for the purpose of producing, providing and trading reused water for Quattor Química S.A., Quattor Petroquímica S.A., Quattor Participações S.A. and other companies comprising the Petrochemical Complex.

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As of September 30, 2012, the company's capital was R\$36,412, represented by 42,419,045 no-par, registered common shares. SABESP holds 49% of its equity interest.

The operations started in October 2012.

Attend Ambiental

On August 23, 2010, the Company, together with Companhia Estre Ambiental S.A., incorporated Attend Ambiental S.A. for constructing and operating a pretreatment of non-domestic effluent station, mud transportation and related services in the city of São Paulo, as well as implement similar infrastructures in other areas in Brazil and abroad. The capital totaled R\$ 2,000, and it is represented by 2,000,000 no-par, registered common shares. SABESP holds 45% of its equity interest. A total of R\$11,400 was recorded under the investee's shareholders' equity as advance for future capital increase.

Attend is at a pre-operational phase and its startup is scheduled for December 2012.

Below, a summary of SABESP'S interest in the financial statements of these investees:

|                        | September 30, 2012 |                       |                                   |                         |                     |                     |
|------------------------|--------------------|-----------------------|-----------------------------------|-------------------------|---------------------|---------------------|
|                        | ÁGUAS DE<br>SESAMM | ÁGUAS DE<br>ANDRADINA | ÁGUAS DE SANEAMEN-<br>TO CASTILHO | AQUAPOL-<br>O MAIRINQUE | ATTEND<br>AMBIENTAL | ATTEND<br>AMBIENTAL |
|                        | 36%                | 30%                   | 30%                               | 30%                     | 49%                 | 45%                 |
| Current Assets         | 687                | 3,748                 | 870                               | 482                     | 4,239               | 3,899               |
| Noncurrent Assets      | 19,076             | 2,620                 | 729                               | 673                     | 192,751             | 1,094               |
| Current Liabilities    | 455                | 5,120                 | 1,100                             | 272                     | 13,051              | 404                 |
| Noncurrent Liabilities | 13,762             | 536                   | 194                               | 14                      | 172,525             | -                   |
| Shareholders' Equity   | 5,546              | 712                   | 305                               | 869                     | 11,414              | 4,589               |

|                        | December 31, 2011  |                       |                                   |                         |                     |                     |
|------------------------|--------------------|-----------------------|-----------------------------------|-------------------------|---------------------|---------------------|
|                        | ÁGUAS DE<br>SESAMM | ÁGUAS DE<br>ANDRADINA | ÁGUAS DE SANEAMEN-<br>TO CASTILHO | AQUAPOL-<br>O MAIRINQUE | ATTEND<br>AMBIENTAL | ATTEND<br>AMBIENTAL |
|                        | 36%                | 30%                   | 30%                               | 30%                     | 49%                 | 45%                 |
| Current Assets         | 2,658              | 360                   | 133                               | 561                     | 12,424              | 5,003               |
| Noncurrent Assets      | 14,447             | 1,300                 | 423                               | 164                     | 180,717             | 223                 |
| Current Liabilities    | 832                | 815                   | 256                               | 228                     | 10,262              | 127                 |
| Noncurrent Liabilities | 11,120             | 84                    | 47                                | 28                      | 167,498             | 5,130               |
| Shareholders' Equity   | 5,153              | 761                   | 253                               | 469                     | 15,381              | (31)                |



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|                                  | September 30, 2012        |                              |                                     |                              |                            |                            |
|----------------------------------|---------------------------|------------------------------|-------------------------------------|------------------------------|----------------------------|----------------------------|
|                                  | ÁGUAS DE<br>SESAMM<br>36% | ÁGUAS DE<br>ANDRADINA<br>30% | ÁGUAS DE SANEQUA<br>CASTILHO<br>30% | AQUAPOLO<br>MAIRINQUE<br>30% | ATTEND<br>AMBIENTAL<br>49% | ATTEND<br>AMBIENTAL<br>45% |
| Operating revenue                | 8,035                     | 3,227                        | 952                                 | 2,404                        | -                          | -                          |
| Operating expense                | (7,647)                   | (3,400)                      | (868)                               | (2,020)                      | (3,974)                    | (796)                      |
| Net financial income             | 72                        | 51                           | 14                                  | 16                           | 6                          | 285                        |
| Net Income (loss) for the period | 460                       | (122)                        | 98                                  | 400                          | (3,968)                    | (511)                      |

|                                  | September 30, 2011        |                              |                                     |                              |                            |                            |
|----------------------------------|---------------------------|------------------------------|-------------------------------------|------------------------------|----------------------------|----------------------------|
|                                  | ÁGUAS DE<br>SESAMM<br>36% | ÁGUAS DE<br>ANDRADINA<br>30% | ÁGUAS DE SANEQUA<br>CASTILHO<br>30% | AQUAPOLO<br>MAIRINQUE<br>30% | ATTEND<br>AMBIENTAL<br>49% | ATTEND<br>AMBIENTAL<br>45% |
| Operating revenue                | -                         | 2,247                        | 463                                 | 1,882                        | -                          | -                          |
| Operating expense                | (875)                     | (2,478)                      | (555)                               | (2,050)                      | (2,454)                    | (783)                      |
| Net financial income             | 36                        | 19                           | 2                                   | 35                           | 56                         | 37                         |
| Net Income (loss) for the period | (839)                     | (212)                        | (90)                                | (133)                        | (2,398)                    | (746)                      |

## 2.1 Accounting policies

The accounting policies used in the preparation of the quarterly financial information for the quarter ended September 30, 2012 are consistent with those used to prepare the Annual Financial Statements for the year ended December 31, 2011. These policies are disclosed in Note 3 of the Annual Financial Statements.

## 2.2 Standards, amendments and interpretations to standards that are not yet in force

There are no new CPCs/IFRS or interpretations applicable for the first time this quarter to have adverse effects on the Company. For more information, see Notes 4.1 and 4.2 of the annual financial statements of December 31, 2011.

## 3. FINANCIAL RISK MANAGEMENT

### 3.1 Financial Risk Factors

The Company's operations are affected by the Brazilian economic scenario, especially foreign exchange changes, inflation and interest rates, exposing it to market risk, such as exchange rate, interest rate, credit risk and liquidity risk. The Company's global risk management is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company has not used derivative financial instruments, although may contract forward foreign exchange operations and financing in Reais to reduce the foreign exchange risk.

(a) Market risk

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## Foreign Exchange Risk

SABESP's foreign exchange exposure implies market risks related to real currency fluctuations against the U.S. dollar and Yen. Most of SABESP's liabilities in foreign currency include loans denominated in U.S. dollars and Yen.

In case of Real depreciation against the foreign currency in which debt is denominated, SABESP will incur in monetary loss in relation to this debt.

SABESP's specific foreign exchange risks are related to exposures caused by its short and long-term foreign currency-denominated debt.

The management of SABESP's foreign exchange exposure considers several current and projected economic factors, besides market conditions.

This risk arises from the possibility that the Company may incur losses due to exchange rate fluctuations that would impact liability balances of foreign currency-denominated loans and financing raised in the market and related financial expenses. The Company does not maintain hedge or swap contracts to hedge against this risk, but conducts an active management of debt, taking advantage of opportunities to change expensive debts with "cheaper" debts, reducing the cost through early maturity.

A significant amount of the Company's financial debt is indexed to the U.S. dollar and Yen, in the total amount of R\$3,258.4 million as of September 30, 2012 (R\$2,962.7 million as of September 30, 2011). The Company's exposure to foreign exchange risk is the following:

|                                                 | <b>PARENT COMPANY AND CONSOLIDATED</b> |                  |                           |                  |
|-------------------------------------------------|----------------------------------------|------------------|---------------------------|------------------|
|                                                 | <b>September 30, 2012</b>              |                  | <b>September 30, 2011</b> |                  |
|                                                 | <b>Foreign currency</b>                | <b>R\$</b>       | <b>Foreign currency</b>   | <b>R\$</b>       |
| Loans and financing – US\$                      | 1,114,216                              | 2,262,527        | 1,074,143                 | 1,991,890        |
| Loans and financing – Yen                       | 37,445,175                             | 975,821          | 39,422,329                | 948,895          |
| Loans and financing interest and charges – US\$ |                                        | 33,284           |                           | 33,537           |
| Loans and financing interest and charges – Yen  |                                        | 2,469            |                           | 2,307            |
| <b>TOTAL</b>                                    |                                        | <b>3,274,101</b> |                           | <b>2,976,629</b> |

The chart above details the foreign currency-denominated loans and financing. The total of R\$15,684 as of September 30, 2012 (September 2011 - R\$13,925) includes funding costs.

As of September 30, 2012, if Real had appreciated or depreciated by 10% compared to the U.S. dollar and the Yen with all other variables remaining constant, the effect on income before taxes for the period would have been approximately R\$327,410 (September 2011– R\$297,663), mainly as a result of foreign currency gains or losses with the conversion of foreign currency-denominated loans.



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Scenario I below presents the effect for the next 12 months, considering the projected rates of the U.S. dollar and the Yen. Considering the other variables as remaining constant, the impacts for the next 12 months are shown in scenarios II and III with possible depreciations of 25% and 50%, respectively, in the Brazilian Real.

|                                                                             | <b>PARENT COMPANY AND CONSOLIDATED</b> |             |              |
|-----------------------------------------------------------------------------|----------------------------------------|-------------|--------------|
|                                                                             | Scenario I                             | Scenario II | Scenario III |
|                                                                             | (Probable)                             | (+25%)      | (+50%)       |
|                                                                             | (*)                                    |             |              |
| <b>Net currency exposure as of September 30, 2012 (Liabilities) in US\$</b> | 1,114,216                              | 1,114,216   | 1,114,216    |
| US\$ rate at September 30, 2012                                             | 2.0306                                 | 2.0306      | 2.0306       |
| Exchange rate estimated according to the scenario                           | 2.0000                                 | 2.5000      | 3.0000       |
| Difference between the rates                                                | 0.0306                                 | (0.4694)    | (0.9694)     |
| Effect on net financial result in R\$ - (loss) / gain                       | 34,095                                 | (523,013)   | (1,080,121)  |
| <b>Net currency exposure as of September 30, 2012 (Liabilities) in Yen</b>  | 37,445,175                             | 37,445,175  | 37,445,175   |
| Yen rate at September 30, 2012                                              | 0.02606                                | 0.02606     | 0.02606      |
| Exchange rate estimated according to the scenario                           | 0.02679                                | 0.03349     | 0.04019      |
| Difference between the rates                                                | (0.00073)                              | (0.00743)   | (0.01413)    |
| Effect on net financial result in R\$ - (loss) / gain                       | (27,335)                               | (278,124)   | (528,913)    |

(\*) The probable scenario in US\$ considered the average exchange rate for the 12-month period after September 30, 2012, according to the Focus Report issued by the Brazilian Central Bank on September 28, 2012. With respect to Yen, it was used an average rate for the next 12 months as of September 30, 2012, according to BM&FBovespa.

**Interest Rate Risk**

This risk derives from the possibility that the Company may incur in losses due to interest rate fluctuations that increase financial expenses related to loans and financing.

The Company has not entered into any derivative contract to hedge against this risk; however, it continually monitors market interest rates, so that to evaluate the need of replacing its debts.

Below, the Company's loans and financing expressed in Reais subject to variable interest rate:

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|                                             | <b>September 30, 2012</b> | <b>December 31, 2011</b> |
|---------------------------------------------|---------------------------|--------------------------|
| UPR <sup>(i)</sup>                          | 2,125,448                 | 2,364,126                |
| CDI <sup>(ii)</sup>                         | 1,303,586                 | 1,882,341                |
| TJLP <sup>(iii)</sup>                       | 848,283                   | 886,138                  |
| IPCA <sup>(iv)</sup>                        | 713,308                   | 187,697                  |
| Leasing                                     | 145,774                   | 49,609                   |
| Total loans and financing in local currency | 5,136,399                 | 5,369,911                |

(i) UPR – Reference Standard Unit

(ii) CDI – Interbank Deposit Certificate

(iii) TJLP – Long-Term Interest Rate

(iv) IPCA –Consumer Price Index

Another risk faced by the Company is the non-correlation between the monetary adjustment indexes of its debt and services revenues. Water supply and sewage treatment tariff adjustment do not necessarily follow the increases in loans and financing adjustment indexes and interest rates affecting the Company's debt.

As of September 30, 2012, if interest rates on Reais-denominated loans had changed around 1%, with all other variables held constant, the effect on income for the period before taxes would have been approximately R\$51,364 (September 2011 – R\$53,699), mainly as a result of lower or higher interest expenses in variable rate loans.

#### (b) Credit Risk

The credit risk results from cash equivalents, bank and financial institution deposits, as well as credit exposure to customers, including outstanding accounts receivable. By force of law, the Company shall invest its funds exclusively with Banco do Brasil (rating AA+(bra)). The credit risks are mitigated by sales to a widely and geographically spread customer base.

The maximum exposure to credit risk on the reporting date is the carrying amount of cash equivalents, deposits at Banks and financial institutions, trade receivables, balances with related parties and indemnities on the balance sheet date. See notes 5 to 9.

#### (c) Liquidity Risk

The Company's liquidity mainly relies on cash generated by operating activities, loans with financial institutions of the state and federal governments and financing in the local and international markets. The liquidity risk management considers the assessment of liquidity requirements to ensure that the Company has enough cash to meet its operating and capital expenditures, as well as the payment of debts.

The funds held by the Company are invested in interest-bearing current accounts, time deposits, short-term deposits and marketable securities, electing instruments with proper maturities or sufficient liquidity to provide enough margin as determined by aforementioned estimates.

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The table below analyzes the Company's financial liabilities, by maturity dates, including the amounts of principal and interest rates to be paid in accordance with contractual clauses.

|                           | October to December 2014, |           |               |              |            |
|---------------------------|---------------------------|-----------|---------------|--------------|------------|
|                           | 2012                      | 2013      | 2015 and 2016 | 2017 onwards | Total      |
| At September 30, 2012     |                           |           |               |              |            |
| Loans and financing       | 247,613                   | 1,769,174 | 3,457,993     | 6,773,859    | 12,248,639 |
| Contractors and suppliers | 257,128                   | -         | -             | -            | 257,128    |
| Services payable          | 378,682                   | -         | -             | -            | 378,682    |

|                           | 2014,     |           |               |              |            |
|---------------------------|-----------|-----------|---------------|--------------|------------|
|                           | 2012      | 2013      | 2015 and 2016 | 2017 onwards | Total      |
| At December 31, 2011      |           |           |               |              |            |
| Loans and financing       | 2,115,837 | 1,689,526 | 3,008,577     | 5,162,889    | 11,976,829 |
| Contractors and suppliers | 255,557   | -         | -             | -            | 255,557    |
| Services payable          | 383,116   | -         | -             | -            | 383,116    |

## Future interest

Future interest was calculated based on the contractual clauses for all agreements. For agreements with floating interest rates, the interest rates used correspond to rates in effect on September 30, 2012.

There are no collaterals provided by the Company to be disclosed.

## (d) Sensitivity Analysis

As follows is a chart that shows the sensitivity analysis of the financial instruments, prepared in accordance with CVM Rule 475/2008 in order to evidence the balances of main financial liabilities, calculated at a rate projected until the final settlement of each contract, converted into market value (Scenario I) with 25% appreciation (Scenario II) and 50% appreciation (Scenario III).

This sensitivity analysis has as objective to measure the impact of changes in market variables on said financial instruments of the Company, considering constant all other market indicators. These amounts, when settled, may differ from those evidenced above, due to estimates applied in its preparation process.

**September 30, 2012**

| Scenario I     | Scenario II | Scenario III |
|----------------|-------------|--------------|
| (Probable) (i) | (+ 25%)     | (+ 50%)      |

**Assets**

|                         |         |         |         |
|-------------------------|---------|---------|---------|
| CDI (*)                 | 7.58%   | 9.47%   | 11.37%  |
| Interest to be incurred | 128,364 | 160,371 | 192,547 |

**Liabilities**

|                         |           |           |           |
|-------------------------|-----------|-----------|-----------|
| TR (*)                  | 0.5107%   | 0.6384%   | 0.7660%   |
| Interest to be incurred | (194,405) | (197,326) | (200,247) |

|                         |          |          |          |
|-------------------------|----------|----------|----------|
| TJLP (*)                | 5.5%     | 6.88%    | 8.25%    |
| Interest to be incurred | (63,658) | (75,269) | (86,879) |

|                         |          |          |           |
|-------------------------|----------|----------|-----------|
| IPCA (*)                | 5.48%    | 6.85%    | 8.22%     |
| Interest to be incurred | (85,901) | (95,282) | (104,662) |

|                         |           |           |           |
|-------------------------|-----------|-----------|-----------|
| CDI (*)                 | 7.58%     | 9.47%     | 11.37%    |
| Interest to be incurred | (120,002) | (144,633) | (169,265) |

|                                   |           |           |           |
|-----------------------------------|-----------|-----------|-----------|
| LIBOR (**)                        | 0.35%     | 0.44%     | 0.53%     |
| Interest to be incurred           | (10,316)  | (10,675)  | (11,034)  |
| Total net interest to be incurred | (345,918) | (362,814) | (379,540) |

(\*) Source: Focus Report – BACEN, September 28, 2012

(\*\*) Source: Bloomberg

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(i) Refers to the scenario of interest to be incurred for the 12 months after September 30, 2012 or until the maturity of the contracts, whichever is shorter.

(e) Credit quality of the financial assets

Regarding the financial assets held with financial institutions, the credit quality of the financial assets that are not past due or are subject to provision for impairment may be assessed by reference to the external credit ratings (if any) or to the historic information on default ratio of the counterparties. For the credit quality of the counterparties which are financial institutions, such as deposits and financial investments, the Company considers the lowest rating of the counterparty disclosed by the three main international credit rating agencies (Moody's, Fitch and S&P), pursuant to in-house policy for market risk management:

|                                              | <b>PARENT COMPANY</b> |                      |
|----------------------------------------------|-----------------------|----------------------|
|                                              | September<br>30, 2012 | December 31,<br>2011 |
| Current account and short-term bank deposits |                       |                      |
| AAA(bra)                                     | 35,628                | 38,058               |
| AA+(bra)                                     | 1,727,595             | 2,102,304            |
| Other (*)                                    | 3,090                 | 1,717                |
|                                              | 1,766,313             | 2,142,079            |

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(\*) Bank accounts and investment funds at banks are included in this category, which are not rated by the three rating agencies used by the Company.

Below, a table with the rating assessment of counterparties financial institutions with which the Company conducted business during the period:

| <b><u>Counterparty</u></b>  | <b><u>Fitch</u></b> | <b><u>Moody's</u></b> | <b><u>Standard<br/>Poor's</u></b> |
|-----------------------------|---------------------|-----------------------|-----------------------------------|
| Banco do Brasil S.A.        | AA+(bra)            | Aaa.br                | brAAA                             |
| Banco Santander Brasil S.A. | AAA (bra)           | Aaa.br                | brAAA                             |
| Caixa Econômica Federal     | AA+ (bra)           | Aaa.br                | -                                 |
| Banco Bradesco S.A.         | AAA (bra)           | Aaa.br                | brAAA                             |
| Itaú Unibanco Holding S.A.  | AAA (bra)           | Aaa.br                | AAAbr                             |

For financial assets corresponding to accounts receivables, the Company's credit risk is minimized, given that the client base is diversified.

### 3.2 Capital management

The Company's objectives when managing its capital are to safeguard its capacity of continuing offering return to shareholders and benefits to the other stakeholders, in addition to maintaining an ideal capital structure to reduce this cost.

The Company monitors capital based on financial leverage ratios. This ratio corresponds to the net debt divided by total capital. The net debt, in turn, corresponds to total loans and financing less cash and cash equivalents. Total capital is calculated through the sum of shareholders' equity, as evidenced in parent company's balance sheet, with net debt.

|                                 | <b>PARENT COMPANY</b>     |                          |
|---------------------------------|---------------------------|--------------------------|
|                                 | <b>September 30, 2012</b> | <b>December 31, 2011</b> |
| Total loans and financing       | 8,394,816                 | 8,423,332                |
| Less: cash and cash equivalents | (1,766,313)               | (2,142,079)              |
| Net debt                        | 6,628,503                 | 6,281,253                |
| Total equity                    | 11,404,241                | 10,545,896               |
| Total capital                   | 18,032,744                | 16,827,149               |
| Leverage ratio                  | 37%                       | 37%                      |



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|                                 | <b>CONSOLIDATED</b>       |                          |
|---------------------------------|---------------------------|--------------------------|
|                                 | <b>September 30, 2012</b> | <b>December 31, 2011</b> |
| Total loans and financing       | 8,586,128                 | 8,596,295                |
| Less: cash and cash equivalents | (1,777,706)               | (2,149,989)              |
| Net debt                        | 6,808,422                 | 6,446,306                |
| Total equity                    | 11,404,241                | 10,545,896               |
| Total capital total             | 18,212,663                | 16,992,202               |
| Leverage ratio                  | 37%                       | 38%                      |

As of September 30, 2012, the Parent Company's leverage ratio did not change. The leverage ratio decreased from 38% to 37% in the consolidated analysis.

### 3.3 Fair value estimate

Accounts receivables and payables at carrying amount, less impairment, approximate their fair values, considering the short maturity.

### 3.4 Financial instruments

The Company operates with several financial instruments, pointing out cash and cash equivalents, including financial investments, and loans and financing as described below.

Estimated fair values of financial instruments are the following:

|                                    | <b>PARENT COMPANY</b>     |                   |                          |                   |
|------------------------------------|---------------------------|-------------------|--------------------------|-------------------|
|                                    | <b>September 30, 2012</b> |                   | <b>December 31, 2011</b> |                   |
|                                    | <b>Carrying amount</b>    | <b>Fair value</b> | <b>Carrying amount</b>   | <b>Fair value</b> |
| Financial assets                   |                           |                   |                          |                   |
| Cash and cash equivalents          | 1,766,313                 | 1,766,313         | 2,142,079                | 2,142,079         |
| Restricted cash                    | 71,013                    | 71,013            | 99,729                   | 99,729            |
| Accounts receivable, net           | 1,327,075                 | 1,327,075         | 1,405,728                | 1,405,728         |
| Balances with related parties, net | 280,498                   | 280,498           | 355,621                  | 355,621           |
| Judicial deposits                  | 48,254                    | 48,254            | 54,178                   | 54,178            |
| Financial liabilities              |                           |                   |                          |                   |
| Loans and financing                | 8,394,816                 | 8,494,926         | 8,423,332                | 8,368,632         |
| Contractors and vendors            | 255,236                   | 255,236           | 244,658                  | 244,658           |



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|                                    | <b>CONSOLIDATED</b>       |                   |                          |                   |
|------------------------------------|---------------------------|-------------------|--------------------------|-------------------|
|                                    | <b>September 30, 2012</b> |                   | <b>December 31, 2011</b> |                   |
|                                    | <b>Carrying amount</b>    | <b>Fair value</b> | <b>Carrying amount</b>   | <b>Fair value</b> |
| Financial assets                   |                           |                   |                          |                   |
| Cash and cash equivalents          | 1,777,706                 | 1,777,706         | 2,149,989                | 2,149,989         |
| Restricted cash                    | 71,013                    | 71,013            | 99,729                   | 99,729            |
| Accounts receivable, net           | 1,328,176                 | 1,328,176         | 1,406,372                | 1,406,372         |
| Balances with related parties, net | 280,498                   | 280,498           | 355,621                  | 355,621           |
| Judicial deposits                  | 48,254                    | 48,254            | 54,178                   | 54,178            |
| Financial liabilities              |                           |                   |                          |                   |
| Loans and financing                | 8,586,128                 | 8,639,658         | 8,596,295                | 8,500,515         |
| Contractors and vendors            | 257,128                   | 257,128           | 255,557                  | 255,557           |

To obtain fair value of loans and financing, the following criteria have been adopted:

- (i) The contracts with Banco do Brasil and CEF (Federal Savings Bank) were projected until final maturity at contractual rates (TR projected + spread) and discounted at present value by TR x DI, both rates were obtained from BM&F.
- (ii) Debentures were projected until final maturity date (IPCA, DI, TJLP or TR) discounted at present value at forward market of interest rates, published by ANBIMA in the secondary market on September 30, 2012 as reference date and the Company's securities traded in the domestic market.
- (iii) Financing – BNDES are instruments considered by face value adjusted until maturity date, which are indexed by TJLP, which is a specific mode not compared to any other market rate.
- (iv) Other financing in domestic currency is considered by face value adjusted until maturity date, discounted at present value using the forward market of interest rates. Forward rates were obtained at BM&FBovespa website.
- (v) The contracts with IDB, IBRD were projected until final maturity in original currency, using contractual interest rates and discounted at present value applying forward Libor rate at Bloomberg. Eurobonds were priced by quotes published by Bloomberg. All the amounts obtained were converted into Reais at the exchange rate of September 30, 2012.

(vi) The contracts with JICA were projected until final maturity in original currency, using contractual interest rates and discounted at present value, applying forward Tibor rate at Bloomberg. The amounts obtained were converted into Reais at the exchange rate of September 30, 2012.

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(vii) Leasing is an instrument considered by its face value updated until maturity date and indexed by a contractual fixed rate, which is a specific mode not be compared to any other market rate. Therefore, the Company reports as market value the amount recorded as of September 30, 2012.

#### 4. MAIN ACCOUNTING JUDGMENTS AND ESTIMATES

The estimates and judgments are continuously evaluated based on the historical experience and other factors, including the expectations of future events believed to be reasonable under the circumstances. There was no change in relation to the Annual Financial Statements on December 31, 2011, according to Note 5, except for the impairment of long-lived assets, where the Company reviewed the recoverability of its assets, as of September 30, 2012, and recorded a provision for impairment of its intangible assets amounting to R\$35,127 (see Note 11 (g)) and an estimated provision for losses of R\$35,087 related to physical count.

#### 5. CASH AND CASH EQUIVALENTS

|                  | PARENT COMPANY   |                 | CONSOLIDATED     |                 |
|------------------|------------------|-----------------|------------------|-----------------|
|                  | September<br>30, | December<br>31, | September<br>30, | December<br>31, |
|                  | 2012             | 2011            | 2012             | 2011            |
| Cash and banks   | 72,850           | 114,794         | 73,293           | 118,867         |
| Cash equivalents | 1,693,463        | 2,027,285       | 1,704,413        | 2,031,122       |
|                  | 1,766,313        | 2,142,079       | 1,777,706        | 2,149,989       |

In September, the average yield of short-term investments corresponds to 100.2% of CDI.

#### 6. RESTRICTED CASH

As of September 30, 2012, the Company recorded restricted cash, in current assets, in the amount of R\$71,013, of which R\$70,531 refer to the collection deriving from services rendered to parties related to the municipal government of São Paulo, net of taxes. These funds should be reinvested in the water and sewage systems of the city of São Paulo.

The variation occurred in the period from January to September 2012, when compared to the Financial Statements of December 31, 2011, mainly refers to the decrease in the balance of the São Paulo Municipal



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## 7. ACCOUNTS RECEIVABLE

## (a) Balances

|                                                      | PARENT COMPANY        |                      |
|------------------------------------------------------|-----------------------|----------------------|
|                                                      | September 30,<br>2012 | December 31,<br>2011 |
| Private sector:                                      |                       |                      |
| General and special customers (i) (ii)               | 870,639               | 885,203              |
| Agreements (iii)                                     | 254,601               | 249,929              |
|                                                      | 1,125,240             | 1,135,132            |
| Government entities:                                 |                       |                      |
| Municipal                                            | 607,486               | 578,463              |
| Federal                                              | 3,352                 | 2,517                |
| Agreements (iii)                                     | 181,564               | 182,381              |
|                                                      | 792,402               | 763,361              |
| Wholesale customers - Municipal Administration: (iv) |                       |                      |
| Guarulhos                                            | 561,703               | 513,218              |
| Mauá                                                 | 271,296               | 244,204              |
| Mogi das Cruzes                                      | 15,141                | 14,864               |
| Santo André                                          | 601,164               | 547,764              |
| São Caetano do Sul                                   | 3,939                 | 1,955                |
| Diadema                                              | 178,200               | 164,337              |
| Wholesale total - Municipal Governments              | 1,631,443             | 1,486,342            |
| Unbilled supply                                      | 431,780               | 457,321              |
| Subtotal                                             | 3,980,865             | 3,842,156            |
| Allowance for doubtful accounts                      | (2,653,790)           | (2,436,428)          |
| Total                                                | 1,327,075             | 1,405,728            |
| Current                                              | 1,005,395             | 1,072,015            |
| Noncurrent (v)                                       | 321,680               | 333,713              |

In the period between January and September 2012, there were no relevant changes in operations reported in the financial statements as of December 31, 2011.

The consolidated balance totals the amount of R\$1,328,176 (December 2011 - R\$1,406,372), and the difference of R\$1,101 (December 2011 - R\$644) in relation to the balance of the parent company, referring to accounts receivable from investees, Águas de Andradina, R\$424, Saneaqua Mairinque, R\$211, Águas de Castilho R\$187 and Sesamm, R\$279.

(i) General customers - residential and small and medium-sized companies.

(ii) Special customers - large consumers, commercial, industries, condominium and special billing consumers (industrial waste, wells, etc.).

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(iii) Agreements - installment payments of past-due receivables, plus monetary correction and interest.

(iv) Wholesale - municipal governments - The balance of accounts receivable at wholesale refers to the sale of treated water to the municipalities which are responsible for distribution, billing and collection with end consumers. Few municipalities contest at court the tariffs charged by SABESP and do not pay the amounts under litigation. The past due amounts that are substantially included in the allowance for doubtful accounts are classified under non-current assets.

|                                        | September 30, 2012 | December 31, 2011 |
|----------------------------------------|--------------------|-------------------|
| Balance at the beginning of the period | 1,486,342          | 1,343,445         |
| Billing for services rendered          | 291,984            | 340,068           |
| Collections – current year's services  | (109,713)          | (167,024)         |
| Collections – prior years' services    | (37,170)           | (30,147)          |
| Balance at the end of the period       | 1,631,443          | 1,486,342         |
| Current                                | 47,900             | 26,485            |
| Non-current                            | 1,583,543          | 1,459,857         |

(v) The non-current amount consists of past-due and receivables and amounts renegotiated with customers and past-due amounts related to the wholesale supply to municipal authorities and is recorded net of allowance for doubtful accounts.

(b) The aging of accounts receivable is as follows

|                 | September 30, 2012 | December 31, 2011 |
|-----------------|--------------------|-------------------|
| Current         | 1,066,785          | 1,129,337         |
| Past-due:       |                    |                   |
| Up to 30 days   | 189,248            | 184,958           |
| 31 to 60 days   | 82,586             | 79,720            |
| 61 to 90 days   | 55,308             | 50,020            |
| 91 to 120 days  | 46,897             | 39,686            |
| 121 to 180 days | 83,000             | 70,037            |
| 181 to 360 days | 136,010            | 137,039           |
| Over 360 days   | 2,321,031          | 2,151,359         |
| Total accrued   | 2,914,080          | 2,712,819         |
| Total           | 3,980,865          | 3,842,156         |



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## (c) Allowance for doubtful accounts

|                                        | 3Q12      | Jan – Sep/2012 | 3Q11      | Jan – Sep/2011 |
|----------------------------------------|-----------|----------------|-----------|----------------|
| Balance at the beginning of the period | 2,583,463 | 2,436,428      | 2,361,683 | 2,219,420      |
| Private sector/government entities     | 20,665    | 59,350         | (5,922)   | 34,557         |
| Wholesale customers                    | 49,662    | 158,012        | 45,769    | 147,553        |
| Additions for the period               | 70,327    | 217,362        | 39,847    | 182,110        |
| Balance at the end of the period       | 2,653,790 | 2,653,790      | 2,401,530 | 2,401,530      |
| Current                                | 1,218,738 | 1,218,738      | 1,141,726 | 1,141,726      |
| Non-current                            | 1,435,052 | 1,435,052      | 1,259,804 | 1,259,804      |

The Company recorded provision for probable losses in accounts receivable in the third quarter of 2012, in the amount of R\$70,612 (R\$17,222 on September 2011) under “Selling expenses” and R\$49,662 (R\$47,511 on September 2011) deducted from revenue. From January to September 2012, the losses in account receivables amounted to R\$145,999 (R\$93,329 from January to September 2011), recorded directly in the period’s operating expenses, and R\$158,012 (R\$151,047 from January to September 2011), deducted from revenue.

## 8. RELATED-PARTY BALANCES AND TRANSACTIONS

The Company has transactions with its controlling shareholder, the São Paulo State Government, and companies/entities related thereto.

## (a) Accounts receivable, interest on equity, revenues and expenses with the São Paulo State Government

|                                                                                                  | September 30, 2012 | December 31, 2011 |
|--------------------------------------------------------------------------------------------------|--------------------|-------------------|
| Accounts receivable                                                                              |                    |                   |
| Current:                                                                                         |                    |                   |
| Water and sewage services (i)                                                                    | 124,858            | 116,441           |
| GESP Agreement (iii), (iv) and (v)                                                               | 11,124             | 41,360            |
| Provision for losses (v)                                                                         | (39,074)           | (12,389)          |
| Reimbursement of supplementary retirement and pension benefits – Gesp Agreement (ii) and (vi)    | 31,887             | 31,887            |
| Reimbursement of supplementary retirement and pension benefits paid – monthly flow (ii) and (vi) | 5,330              | 8,034             |

|                                                                                                    |         |         |
|----------------------------------------------------------------------------------------------------|---------|---------|
| Total current                                                                                      | 134,125 | 185,333 |
| Non-current:                                                                                       |         |         |
| Reimbursement of supplementary retirement and pension benefits paid – GESB Agreement (ii) and (vi) | 146,373 | 170,288 |
| Total non-current                                                                                  | 146,373 | 170,288 |
| Total receivable from shareholders                                                                 | 280,498 | 355,621 |
| Water and sewage services rendered                                                                 | 96,908  | 145,412 |
| Reimbursement of supplementary pension and retirement                                              | 183,590 | 210,209 |
| Total                                                                                              | 280,498 | 355,621 |
| Interest on capital payable to related parties                                                     | -       | 153,368 |

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|                                                | 3Q12      | Jan-Sep/12 | 3Q11      | Jan-Sep/11 |
|------------------------------------------------|-----------|------------|-----------|------------|
| Gross revenue from sales and services rendered |           |            |           |            |
| Water sales                                    | 55,070    | 167,260    | 53,837    | 156,868    |
| Sewage services                                | 48,812    | 147,546    | 47,448    | 139,444    |
| Receivables from related parties               | (112,880) | (340,217)  | (114,578) | (313,857)  |
| Financial income                               | 34,126    | 133,609    | 70,541    | 202,231    |

In the period between January and September 2012, there were no relevant changes in operations reported in the financial statements as of December 31, 2011.

(i) Water and sewage services

The Company provides water supply and sewage collection services to the State Government and other Companies related thereto, under terms and conditions considered by Management as usual in the market, except as to the form of settlement of the credits that may occur under the conditions mentioned in items (iii), (iv) and (v).

(ii) Reimbursement of supplementary retirement and pension benefits paid

It refers to additional amounts of retirement and pension plan benefits provided for in the State of São Paulo's Law 4819/58 ("Benefits") paid by the Company to former employees or retirees.

Pursuant to the Agreement referred to in (iii), GESP recognizes to be liable for the charges deriving from Benefits, provided that payment criteria are observed, established by the Personnel Expense State Department – DDPE, based on legal guidance provided by Legal Consulting of the Treasury Department and the State Attorney General's Office – PGE.

As explained in item (vi) during the validation by Gesp of the amounts due to the Company related to Benefits, discrepancies were raised as to the calculation criteria and eligibility of Benefits applied by the Company.

As of September 30, 2012 and December 31, 2011, 2,469 and 2,492 retirees, respectively, received additional retirement, and from January to September 2012 and 2011, the Company paid R\$91,099 and R\$85,360, respectively. There were 11 active employees as of September 30, 2012 and December 31, 2011, who will be eligible to these benefits upon retirement. and December 31, 2011, who will be eligible to these benefits upon retirement.

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In January 2004, supplementary retirement and pension payments were transferred to the Treasury Department and would be made according to calculation criteria defined by PGE. Due to court decision, the responsibility for the payments returned to SABESP as originally established.

(iii) GESP Agreement

On December 11, 2001, the Company, GESP (through the State Department of Treasury Affairs, currently the Treasury Department) and the Department of Water and Electric Power – DAEE, and the Department of Water Resources, Sanitation and Works, currently, Department of Sanitation and Water Resources, as intervening party, entered into the Instrument of Recognition and Consolidation of Obligations, Payment Commitment and Other Covenants (“GESP Agreement”) aiming at solving pending issues between GESP and the Company related to water and sewage services, as well as Retirement Benefits.

In view of the strategic relevance of the reservoirs in Taiaçupeba, Jundiaí, Biritiba, Paraitinga and Ponte Nova (“Reservoirs”), to guarantee the maintenance of water volume of Alto Tiete, the Company agreed to receive them as part of the reimbursement referring to the Benefits. The Reservoirs would be transferred to the Company by DAEE, which in turn would subrogate under credit the same amount with GESP. However, the Public Prosecution Office of the State of São Paulo contested the legal validity of this agreement, whose main argument is the lack of specific legislative authorization for the disposal of DAEE’s assets. The Company’s legal counsels assess the risk of losses as probable, if it does not obtain said legislative authorization, which would prevent the transfer of respective reservoirs as partial amortization of balance receivable. See additional information in item (vi) below.

(iv) First Amendment to the Gesp Agreement

On March 22, 2004, the Company and the State Government amended the terms of the original Gesp Agreement, (1) consolidating and recognizing the amounts due by the State Government for water supply and sewage collection services rendered, adjusted for inflation, until February 2004; (2) formally authorizing the offset of amounts due by the State Government with interest on equity declared by the Company and any other debit with the State Government as of December 31, 2003, adjusted for inflation, until February 2004; and (3) defining the payment conditions of remaining liabilities of the State Government for the water supply and sewage collection services rendered.

(v) Second Amendment to the Gesp Agreement

On December 28, 2007, the Company and the State of São Paulo through the Treasury Department signed the second amendment to the original GESP agreement on the installment payment of remaining balance of the First Amendment, amounting R\$133,709 on November 30, 2007 to be paid in 60 equal monthly and consecutive installments, beginning on January 2, 2008. The amount of installments is adjusted for inflation according to the IPCA-IBGE variation, plus monthly interest of 0.5%.

The State Government and SABESP agreed to immediately resume the compliance with their mutual obligations under new assumptions: (a) implementation of an electronic account management system to facilitate and speed up the monitoring of payment processes and budget management procedures; (b) structuring of the Water Rational Use Program (PURA) to rationalize the consumption of water, water and sewage bills under the responsibility of the State Government; (c) establishment, by the State Government, of budget criteria so as to avoid the reallocation of amounts to a specific water and sewage account as of

2008; (d) possibility of registering state authorities and entities in a delinquency system or file; (e) possibility of interrupting water supply to state authorities and entities in the event of failure to pay water and sewage bills.

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(vi) Third Amendment to the Gesp Agreement

On November 17, 2008, Gesp, Sabesp and DAEE, entered into the Third Amendment to the GESP Agreement, and acknowledged to owe to Sabesp the amount of R\$915,251, adjusted for inflation until September, 2008 by IPCA-IBGE, corresponding to the Undisputed Amount, calculated by FIPECAFI (Institute Foundation of Accounting, Actuarial and Financial Researches). SABESP temporarily accepted the Reservoirs (see item (iii) above) as part of the payment of the Undisputed Amount and offered to temporary settlement to GESP, establishing a financial credit of R\$696,283, corresponding to the value of the Reservoirs at Alto Tietê System. The Company did not recognize the amount receivable of R\$696,283 related to the Reservoirs, as their transfer by the State Government is uncertain. The final settlement will only occur with the effective transfer of ownership at the appropriate real estate registry office. The remaining balance of R\$218,967 has been paid in 114 monthly and consecutive installments, in the amount of R\$1,920 each, annually adjusted by the IPCA/FIPE, plus monthly interest rate of 0.5%, the first installment due on November 25, 2008.

SABESP and the State Government of São Paulo are working together in order to obtain the legislative authorization so that to make feasible the transfer of Reservoirs to SABESP, thus, overcoming the legal uncertainty caused by the Public Civil action that contents the lack of specific legislation for the transfer of reservoirs ownership.

The Third Amendment also provides for the regularization of the monthly flow of benefits. While SABESP is responsible for the monthly payments, the State Government shall reimburse the Company based on criteria identical to those applied in the calculation of the Undisputed Amount. With no preventive court decision, the State Government will directly bear the monthly payment flow of the amount considered undisputed.

(vii) Controversial Amount of Benefits

As mentioned before, on November 17, 2008, the Company and the State Government signed the Third Amendment to the GESP Agreement, when controversial and undisputed amounts were quantified. Efforts were endeavored to settle the referred Controversial Amount of Benefits. According to the clause four of this instrument, the Controversial Amount is represented by the difference between the Undisputed Amount and the amount effectively paid by the Company as supplementary retirement and pension benefits provided for by Law 4819/58, of original responsibility of the State Government but paid by SABESP by due to decision.

The Third Amendment provides that PGE will re-analyze discrepancies that gave rise to the controversial amount of benefits provided for by Law 4819/58. At that time, this expectation was based on the PGE's intention to re-analyze the matter and also in the Company's right to reimbursement, inclusively based on external technical legal opinions.

However, new opinions issued by PGE and received on September 4 and 22, 2009 and January 4, 2010, denied the reimbursement of the amount previously defined as controversial amount.

Although negotiations with the State Government are still being maintained, it is no longer possible to ensure that the Company will recover, on a fully amicable basis, the credits related to the Controversial Amount.

As part of the actions intended to recover the credit the Management understands as due by the State Government related to the discrepancies about the reimbursement of supplementary retirement and pension benefits paid by the Company, SABESP: (i) addressed, on March 24, 2010, a message to the Controlling Shareholder, forwarding an official letter released by the Joint Committee, proposing arbitration action by common agreement to be sent to the Arbitration Panel of Bovespa (São Paulo Stock Exchange); (ii) in June, 2010, a settlement proposal aiming at solving these pending issues has been sent to the Treasury Department. This proposal was not successful; (iii) on November 9, 2010, a lawsuit was filed against the State Government of São Paulo pleading the full reimbursement of amounts paid as benefits provided by for by State Law 4819/58 which will allow to definitively settle referred controversial amount between the Company and GESP. Despite the lawsuit, the Company will insist to reach an agreement during the progress of the lawsuit, understanding that a reasonable agreement is better to the company and its shareholders than awaiting the conclusion of the lawsuit.

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The Company's Management opted for not recognizing these amounts, due to the uncertainty involving the reimbursement by the State Government. As of September 30, 2012 and December 31, 2011, the amounts not recorded under assets referring to the supplementary retirement and pension benefits paid totaled R\$1,333,069 and R\$1,290,663, respectively, including the amount of R\$696,283 referring to the transfer of reservoirs at Alto Tietê system. The Company also recognized the actuarial liability referring to the supplementary retirement and pension maintained with employees and pensioners of Plan G0. As of September 30, 2012 and December 31, 2011, the amounts corresponding to this actuarial liability totaled R\$1,546,887 and R\$1,512,078, respectively. For more information on the supplementary retirement and pension liabilities, see Note 16.

(b) Agreement for the use of reservoirs

In its operations, the Company uses the Guarapiranga and Billings reservoirs owned by another company controlled by the State Government (Empresa Metropolitana de Águas e Energia S.A. - EMAE), according to grants from the regulating authority for such purpose and in compliance with the laws in effect.

Should these reservoirs have not been available for use by the Company, then water would have to be caught in distant locations. The Company does not pay any fee for the use of these reservoirs, but it is liable for their maintenance and operating costs.

(c) Agreements with reduced tariffs for State and Municipal Government Entities that adhered to the Water Rational Use Program (PURA).

The Company has contracts signed with government authorities related to the State Government and municipalities operated, which are benefited with a 25% reduction in the tariff of water supply and sewage collection services, when payments are made on the due dates. The contracts provide for the implementation of water rational use program, which considers the reduction in water consumption.

(d) Sureties

The State Government grants sureties for few loans and financing of the Company and does not charge any fee related thereto.

(e) Agreement for the assignment of personnel among GESP's related entities

The Company has agreements for the assignment of employees with entities related to the State Government of São Paulo, where expenses are fully transferred and monetarily reimbursed. In the third quarter of 2012 and 2011, the expenses with employees assigned by SABESP to other state entities amounted to R\$3,030 and R\$3,076, respectively. For January and September 2012 and 2011, these expenditures totaled R\$9,149 and R\$7,634, respectively.

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(f) Services contracted from GESP's related entities

As of September 30, 2012 and December 31, 2011, SABESP had an outstanding amount of R\$1,231 and R\$12,062, respectively, payable referring to services rendered by entities related to the State Government of São Paulo.

(g) Non-operating Assets

As of September 30, 2012 and December 31, 2011, the Company had the amount of R\$969 relating to land assigned in loan for use of the Department of Water and Electricity (DAEE).

(h) SABESPREV

The Company sponsors the defined benefit plan operated and managed by Fundação Sabesp de Seguridade Social - SABESPREV. The net actuarial liability recognized up to September 30, 2012, is R\$566,592 (December 2011 – R\$538,619).

(i) Management Fees

Compensation:

The Management's compensation policy is established according to the guidelines of the State Government of São Paulo, CODEC (State Council of Capital Defense), and is based on performance, market competitiveness or other indicators related to the Company's business and is subject to the shareholders' approval at the Annual Shareholders' Meeting.

Executives' compensation is restricted to the State Governor's compensation. The compensation of the Board of Directors corresponds to 30% of the compensation of the Officers, subject to the minimum attendance to one monthly meeting.

The objective of the compensation policy is to establish a private management model, aiming at retaining its headcount and recruit skilled professionals, with experience and motivation, considering the efficiency level currently required by the Company.

In addition to the monthly compensation, the members of the Board of Directors and the Board of executive officers receive:

Bonuses:

For purposes of compensation for companies' Management in which the State Government is the controlling shareholder, as an incentive policy, provided that the company effectively records quarterly, semi-annual and annual profit and distribute mandatory dividends to shareholders, even if as interest on equity. Annual bonus cannot exceed six times the monthly compensation of management, nor 10% of interest on equity paid by the company, whichever is the lowest amount.

Annual bonus:

It corresponds to a monthly fee, calculated on a pro-rata temporis basis, in December of each year.

The purpose of this bonus is to establish a similarity with the Christmas bonus of the labor system of the Company's employees, once the Management's relationship with the Company is governed by its Bylaws.

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Benefits only paid to the Statutory Officers – meal ticket, food staple, health care plan, paid annual rest through 30-day paid leave and payment of a bonus corresponding to one third of monthly fees.

Expenses related to the compensation of members of the Board of Directors and Board of Executive Officers was R\$806 and R\$667, respectively, from July to September 2012 and 2011, and refers to short-term benefits.

An additional amount referring to the bonus program was recorded in the period between July and September 2012 of R\$285 and R\$342, respectively.

## (j) Loan agreement through credit facility

The Company holds interest in certain Special Purpose Entities (SPE), not holding the majority interest but with cast vote and power of veto in some issues. Therefore, these SPEs are considered for accounting purposes as jointly-owned subsidiaries, and are proportionally consolidated pursuant to CPC 19.

These SPEs were created to execute specific projects and will be liquidated after their completion.

The Company entered into a loan agreement through credit facility with the SPEs Águas de Andrada S.A., Águas de Castilho S.A. and Aquapolo Ambiental S.A. to finance the operations of these companies, until the loans and financing required to banks is cleared.

The contracts signed on January 19, 2012 with Águas de Andrada and Águas de Castilho were settled in July 2012, according to the agreement's provisions. On July 18, 2012, new agreements were signed with both companies, pursuant to the conditions in the table below. The agreement signed with Aquapolo Ambiental on March 30, 2012 remains with the same characteristics, according to the table below:

| SPE                | Credit limit | Principal disbursed amount | Interest balance | Interest rate      | Maturity   |
|--------------------|--------------|----------------------------|------------------|--------------------|------------|
| Águas de Andrada   | 3,467        | 1,427                      | 14               | SELIC + 3.5 % p.a. | 07/17/2013 |
| Águas de Castilho  | 675          | 403                        | 2                | SELIC + 3.5 % p.a. | 07/17/2013 |
| Aquapolo Ambiental | 5,629        | 5,629                      | 417              | CDI + 1.2% p.a.    | 04/30/2016 |
| Aquapolo Ambiental | 19,000       | 19,000                     | 709              | CDI + 1.2% p.a.    | 04/30/2015 |
| Total              | 28,771       | 26,459                     | 1,142            |                    |            |

The amount disbursed is recognized in Current Assets under "Other Receivables" and amounts to R\$27,602 as of September 30, 2012. On the same date, financial income was affected by interest on these loans, amounting to R\$1,142 (financial income in the quarter amounted to R\$500).

## 9. INDEMNIFICATIONS RECEIVABLE

Indemnifications receivable is a non-current asset representing amounts receivable from the municipality of Diadema as indemnification for the one-sided withdrawal of Company's water and sewage services concession in 1995. As of September 30, 2012 and December 31, 2011, this asset amounted to R\$60,295. On December 31, 2010, the balance of indemnification receivable was R\$146,213, representing the municipalities of Diadema and Mauá in the amounts of R\$60,295 and R\$85,918, respectively.

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The Company invested in the construction of water and sewage systems in the municipalities of Diadema and Maua to meet its concession service commitments. For the one-sided termination of concessions in Diadema and Maua, the municipalities took over the responsibility of providing water and sewage services in those areas. At that moment, the Company reclassified the fixed asset balances related to the assets used in those municipalities to non-current assets (Indemnifications receivable).

The residual amount of items of the fixed assets related to the municipality of Diadema, reclassified in December 1996, was R\$75,231 and the balance of indemnifications receivable from the municipality is R\$60,295 as of September 30, 2012.

SABESP filed lawsuits to collect amounts due by the municipalities. Regarding Diadema, a settlement was proposed between Diadema municipal government and Companhia de Saneamento de Diadema – Saned for the payment of indemnification, and a motion to stay execution was filed by Diadema municipal government. In July 2008, pledge of money was authorized in Saned's bank accounts and short-term investments (online pledge) up to 10% of the debt's adjusted amount, and the amount of R\$2,919 was blocked and withdrawn on March 3, 2009. Subsequently, the Court of Justice resolved that the pledge should be made upon weekly deposits by Saned of the amount corresponding to 20% of all amounts received in its accounts and short-term investments. Saned filed appeals against this decision, and currently interlocutory appeal filed at the Federal Supreme Court is pending judgment.

In the motion to stay execution filed by the municipality of Diadema, court decision was rendered in October, 2009, recognizing the existence and enforceability of the debt and affirming that the execution against the Municipality should be made through certificate of judgment debt of the government. SABESP and the municipal government appealed against this decision. SABESP obtained favorable decision in September, 2011 from the Special Department of the Court of Justice, affirming to be constitutional the municipal law that allowed blocking the transfers of ICMS made by the State Government to the municipality (instead of payment only through certificate of judgment debt of the government). In July 2012, Sabesp's appeal was granted partial relief and the judge sentenced the continuance of execution by blocking the transfers of ICMS made by the State of São Paulo to the municipality of Diadema.

On December 29, 2008, Saned and the municipality of Diadema jointly with the São Paulo State Government entered into a Memorandum of Intent aiming at preparing studies and conducting negotiations to instruct decisions of Diadema and SABESP, aiming at the exclusive rendering of water and sewage services in the municipality of Diadema.

The parties agree that the pursuit of a negotiated solution for the conflicts currently existing between the companies is indispensable so that water supply, sewage collection and treatment public utility have their proper development in the city of Diadema.

In January, 2009, the parties filed joint motion pleading the suspension of new pledges, for a three-month period, in order to make feasible a settlement. The suspension was accepted by the Court of Public Treasury and successively renewed, the last renewal occurred in March 2012, in view of negotiations of the agreement.

A public civil action filed by the Public Prosecution Office of the State of São Paulo against the agreement based on the execution filed against the municipality of Diadema and Saned is pending judgment and since 2004 has been waiting for engineering and accounting expert examination. After negotiations initiated with the municipality of Diadema, the Public Prosecution Office pleaded the dismissal of the public civil action,

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which was rejected and was object of an appeal by SABESP.

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Regarding Maua, a lower court decision was rendered determining that the Municipality pays the amount of R\$153.2 million as compensation for the investments made in the municipality by SABESP and for loss of profits. This award was confirmed by the Federal Supreme Court, in final and unappealable decision and SABESP has taking measures to start execution.

The residual amount of fixed assets items related to the municipality of Maua, reclassified in December, 1999 was R\$103,763 and the balance of indemnifications receivable from the municipality was R\$85,918 on December 31, 2010. Court decisions have been favorable to the Company and the receipt of amounts due by municipality will occur as certificate of judgment debt of the government, which will be recognized in the financial statements upon effective receipt, in view of uncertainties related to the settlement of amounts involved and the track record related to prioritizing payments of certificate of judgment debt of the government in the municipality of Maua. In December 2011, an accounting provision was recorded corresponding to the total amount of credit held by the Company and litigation still in progress.

Management continues affirming that the Company has legal right to receive the amounts corresponding to the indemnification and continues monitoring the status of legal proceedings.

## 10. PROPERTY, PLANT AND EQUIPMENT

## PARENT COMPANY

|                          | September 30, 2012 |                          |         | December 31, 2011 |                          |         |
|--------------------------|--------------------|--------------------------|---------|-------------------|--------------------------|---------|
|                          | Cost               | Accumulated depreciation | Net     | Cost              | Accumulated depreciation | Net     |
| Land                     | 88,707             | -                        | 88,707  | 109,303           | -                        | 109,303 |
| Buildings                | 58,963             | (32,327)                 | 26,636  | 39,574            | (30,142)                 | 9,432   |
| Equipment                | 192,444            | (121,495)                | 70,949  | 160,833           | (100,616)                | 60,217  |
| Transportation equipment | 14,764             | (8,253)                  | 6,511   | 21,023            | (19,532)                 | 1,491   |
| Furniture and fixtures   | 16,184             | (10,052)                 | 6,132   | 27,690            | (27,593)                 | 97      |
| Other                    | 1,786              | (1,067)                  | 719     | 2,758             | (1,713)                  | 1,045   |
|                          | 372,848            | (173,194)                | 199,654 | 361,181           | (179,596)                | 181,585 |

## CONSOLIDATED

|                          | September 30, 2012 |                          |        | December 31, 2011 |                          |         |
|--------------------------|--------------------|--------------------------|--------|-------------------|--------------------------|---------|
|                          | Cost               | Accumulated depreciation | Net    | Cost              | Accumulated depreciation | Net     |
| Land                     | 88,707             | -                        | 88,707 | 109,303           | -                        | 109,303 |
| Buildings                | 58,127             | (31,448)                 | 26,679 | 39,574            | (30,142)                 | 9,432   |
| Equipment                | 185,753            | (114,388)                | 71,365 | 160,915           | (100,626)                | 60,289  |
| Transportation equipment | 26,740             | (20,195)                 | 6,545  | 21,071            | (19,549)                 | 1,522   |
| Furniture and fixtures   | 34,050             | (27,808)                 | 6,242  | 27,810            | (27,601)                 | 209     |

|                          |         |           |         |         |           |         |
|--------------------------|---------|-----------|---------|---------|-----------|---------|
| Other                    | 2,551   | (1,832)   | 719     | 2,758   | (1,713)   | 1,045   |
| Construction in progress | 201,080 | -         | 201,080 | 174,668 | -         | 174,668 |
|                          | 597,008 | (195,671) | 401,337 | 536,099 | (179,631) | 356,468 |

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Changes in property, plant and equipment are as follows:

|                          | PARENT COMPANY    |                  |           |                          |              |
|--------------------------|-------------------|------------------|-----------|--------------------------|--------------|
|                          | December 31, 2011 | Reclassification | Additions | Disposals and write-offs | Depreciation |
| Land                     | 109,303           | (20,349)         | -         | (247)                    | -            |
| Buildings                | 9,432             | 18,500           | -         | -                        | (1,296)      |
| Equipment                | 60,217            | 16,694           | 7,812     | (28)                     | (13,746)     |
| Transportation equipment | 1,491             | 1,862            | 3,795     | -                        | (637)        |
| Furniture and fixtures   | 97                | 5,570            | 698       | (32)                     | (201)        |
| Other                    | 1,045             | (207)            | -         | -                        | (119)        |
|                          | 181,585           | 22,070           | 12,305    | (307)                    | (15,999)     |

|                          | CONSOLIDATED      |                  |           |                          |              |
|--------------------------|-------------------|------------------|-----------|--------------------------|--------------|
|                          | December 31, 2011 | Reclassification | Additions | Disposals and write-offs | Depreciation |
| Land                     | 109,303           | (20,349)         | -         | (247)                    | -            |
| Buildings                | 9,432             | 18,500           | 53        | -                        | (1,306)      |
| Equipment                | 60,289            | 16,694           | 8,172     | (28)                     | (13,762)     |
| Transportation equipment | 1,522             | 1,862            | 3,807     | -                        | (646)        |
| Furniture and fixtures   | 209               | 5,570            | 710       | (40)                     | (207)        |
| Other                    | 1,045             | (207)            | -         | -                        | (119)        |
| Construction in progress | 174,668           | -                | 26,412    | -                        | -            |
|                          | 356,468           | 22,070           | 39,154    | (315)                    | (16,040)     |

## (a) Depreciation

Depreciation rates are annually revised. Annual depreciation rates are the following: buildings 2%; equipment 5%; transportation equipment 10% and furniture and fixtures 6.7%. Land is not depreciated.

In the period ended September 30, 2012, there were no relevant changes related to the financial statements as of December 31, 2011. See Note 12.

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## 11. INTANGIBLE ASSETS

|                                            | PARENT COMPANY     |                          |            |                   |                          |            |
|--------------------------------------------|--------------------|--------------------------|------------|-------------------|--------------------------|------------|
|                                            | September 30, 2012 |                          |            | December 31, 2011 |                          |            |
|                                            | Cost               | Accumulated amortization | Net        | Cost              | Accumulated amortization |            |
| Intangible assets arising from:            |                    |                          |            |                   |                          |            |
| Concession contracts carrying amount (i)   | 8,079,750          | (1,459,197)              | 6,620,553  | 8,362,440         | (1,630,618)              | 6,731,822  |
| Concession contracts – economic value (ii) | 1,346,606          | (283,926)                | 1,062,680  | 1,252,422         | (247,434)                | 1,004,988  |
| Program contracts (iii)                    | 5,138,581          | (1,462,745)              | 3,675,836  | 3,914,369         | (1,169,810)              | 2,744,559  |
| Program contracts – commitments (iv)       | 627,989            | (51,480)                 | 576,509    | 473,327           | (38,341)                 | 434,986    |
| Services agreement – São Paulo (v)         | 10,431,792         | (946,606)                | 9,485,186  | 9,781,799         | (591,226)                | 9,190,573  |
| New businesses (vi)                        | 22,111             | (8,733)                  | 13,378     | 21,400            | (4,923)                  | 16,477     |
| Software license                           | 53,019             | (52,824)                 | 195        | 52,743            | (50,427)                 | 2,316      |
| Provision for asset impairment             | (35,127)           | -                        | (35,127)   | -                 | -                        | -          |
| Provision for physical count losses        | (35,087)           | -                        | (35,087)   | -                 | -                        | -          |
| Total                                      | 25,629,634         | (4,265,511)              | 21,364,123 | 23,858,500        | (3,732,779)              | 20,125,721 |

|                                            | CONSOLIDATED       |                          |            |                   |                          |            |
|--------------------------------------------|--------------------|--------------------------|------------|-------------------|--------------------------|------------|
|                                            | September 30, 2012 |                          |            | December 31, 2011 |                          |            |
|                                            | Cost               | Accumulated amortization | Net        | Cost              | Accumulated amortization |            |
| Intangible assets arising from:            |                    |                          |            |                   |                          |            |
| Concession contracts carrying amount (i)   | 8,101,937          | (1,459,328)              | 6,642,609  | 8,378,432         | (1,630,664)              | 6,747,768  |
| Concession contracts – economic value (ii) | 1,346,606          | (283,926)                | 1,062,680  | 1,252,422         | (247,434)                | 1,004,988  |
| Program contracts (iii)                    | 5,138,581          | (1,462,745)              | 3,675,836  | 3,914,369         | (1,169,810)              | 2,744,559  |
| Program contracts – commitments (iv)       | 627,989            | (51,480)                 | 576,509    | 473,327           | (38,341)                 | 434,986    |
| Services agreement – São Paulo (v)         | 10,431,792         | (946,606)                | 9,485,186  | 9,781,799         | (591,226)                | 9,190,573  |
| New businesses (vi)                        | 22,111             | (8,733)                  | 13,378     | 21,400            | (4,923)                  | 16,477     |
| Software license                           | 53,144             | (52,836)                 | 308        | 52,755            | (50,429)                 | 2,326      |
| Provision for asset impairment             | (35,127)           | -                        | (35,127)   | -                 | -                        | -          |
| Provision for physical count losses        | (35,087)           | -                        | (35,087)   | -                 | -                        | -          |
| Total                                      | 25,651,946         | (4,265,654)              | 21,386,292 | 23,874,504        | (3,732,827)              | 20,141,667 |

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Changes in intangible assets are as follows:

|                                            | PARENT COMPANY       |           |                     |                  |                          |
|--------------------------------------------|----------------------|-----------|---------------------|------------------|--------------------------|
|                                            | December<br>31, 2011 | Additions | Contract<br>Renewal | Reclassification | Write-offs and disposals |
|                                            |                      | Provision |                     |                  |                          |
| Intangible assets arising from:            |                      |           |                     |                  |                          |
| Concession contracts carrying amount (i)   | 6,731,822            | 640,423   | -(652,973)          | (22,070)         | (114)                    |
| Concession contracts – economic value (ii) | 1,004,988            | 94,184    | -                   | -                | -                        |
| Program contracts (iii)                    | 2,744,559            | 318,977   | - 652,973           | -                | (827)                    |
| Program contracts – commitments (iv)       | 434,986              | 154,662   | -                   | -                | -                        |
| Services agreement – São Paulo (v)         | 9,190,573            | 652,437   | -                   | -(1,460)         | (880)                    |
| New businesses (vi)                        | 16,477               | 711       | -                   | -                | -                        |
| Software license                           | 2,316                | 276       | -                   | -                | -                        |
| Provision for asset impairment             | -                    | -(35,127) | -                   | -                | -                        |
| Provision for physical count losses        | -                    | -(35,087) | -                   | -                | -                        |
| Total                                      | 20,125,721           | 1,861,670 | -(70,214)           | -(23,530)        | (1,821)                  |

|                                                | CONSOLIDATED         |           |                     |                  |                          |
|------------------------------------------------|----------------------|-----------|---------------------|------------------|--------------------------|
|                                                | December<br>31, 2011 | Additions | Contract<br>Renewal | Reclassification | Write-offs and disposals |
|                                                |                      | Provision |                     |                  |                          |
| Intangible assets arising from resulting from: |                      |           |                     |                  |                          |
| Concession contracts carrying amount (i)       | 6,747,768            | 646,618   | -(652,973)          | (22,070)         | (114)                    |
| Concession contracts – economic value (ii)     | 1,004,988            | 94,184    | -                   | -                | -                        |
| Program contracts (iii)                        | 2,744,559            | 318,977   | - 652,973           | -                | (827)                    |
| Program contracts – commitments (iv)           | 434,986              | 154,662   | -                   | -                | -                        |
| Services agreement – São Paulo (v)             | 9,190,573            | 652,437   | -                   | -(1,460)         | (880)                    |
| New businesses (vi)                            | 16,477               | 711       | -                   | -                | -                        |
| Software license                               | 2,326                | 389       | -                   | -                | -                        |
| Provision for asset impairment                 | -                    | -(35,127) | -                   | -                | -                        |
| Provision for physical count losses            | -                    | -(35,087) | -                   | -                | -                        |
| Total                                          | 20,141,677           | 1,867,978 | -(70,214)           | -(23,530)        | (1,821)                  |

The Company made changes in the allocation of intangible assets, without changing the total, to maintain consistency with the balances of September 30, 2012.

Below, the cost and construction revenue recognized over concession/program contracts in the period of corresponding years:

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|                            |         | CONSOLIDATED<br>September 30, 2011 |           |
|----------------------------|---------|------------------------------------|-----------|
|                            | Water   | Sewage                             | Total     |
| Construction cost incurred | 756,504 | 826,056                            | 1,582,560 |
| Construction revenue       | 773,546 | 847,637                            | 1,621,183 |

|                            |         | CONSOLIDATED<br>September 30, 2012 |           |
|----------------------------|---------|------------------------------------|-----------|
|                            | Water   | Sewage                             | Total     |
| Construction cost incurred | 716,683 | 995,694                            | 1,712,377 |
| Construction revenue       | 730,990 | 1,018,994                          | 1,749,984 |

There are no contingent assets and liabilities related to construction agreements in progress.

#### **Intangible assets arising from concession contracts**

The Company operates concession contracts including the rendering of basic and environmental sanitation, water supply and sewage collection services. These concession contracts establish rights and duties concerning the assets related to the rendering of public utilities (see Note 3.8 (a) of December 31, 2011). Contracts provide that the assets will reverse to the granting authority at the end of the concession period.

As of September 30, 2012, the Company operated in 363 municipalities in the State of São Paulo. The concession period is 30 years in most of these municipalities.

Services fee occurs in the form of tariff, regulated by the Regulatory Agency of Sanitation and Energy of the State of São Paulo (ARSESP).

Intangible assets resulting from concession contracts include:

- (i) Concession contracts – carrying amount

Concession contracts provide that the assets that will reverse to the granting authority at the end of the contract, for the residual value or market value in accordance with the terms of each contract. The amortization is calculated according to the straight-line method, which considers the useful life of assets.

- (ii) Concession contracts – economic value

In the period between 1999 and 2006, negotiations related to new concessions were conducted considering the economic and financial result of the operation, determined in a valuation report issued by independent experts.

The amount determined in the respective contract, after deal is closed with the municipal authorities, by means of subscription of the Company shares or in cash, is recorded in this item and is amortized by the respective concession period (usually 30 years). As of September 30, 2012 there were no pending amounts related to these payments to the municipalities.

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The amortization of intangible assets occurs during the effectiveness of contracts or by the useful life of concession underlying assets (whichever is shortest) by the straight-line method.

(iii) Program contracts

It refers to the renewal of contracts previously referred to as concession contracts whose objective is water supply, sewage and sanitation services. Assets acquired or built are amortized during the contractual term (30 years) or during the useful life of underlying assets, whichever is shortest.

(iv) Program contracts – Commitments

After the enactment of the regulatory framework in 2007, renewals of concessions started to be made through of program contracts. In some of these program contracts, the Company undertook the commitment to financially participate in social and environmental actions. The assets built and financial commitments assumed within the program contracts are recorded as intangible assets and are amortized by the straight-line method in accordance with the duration of the program contract (mostly, 30 years) or by the useful life of the assets, whichever is shortest.

As of September 30, 2012, amortization expenses related to the commitments of the program contracts were R\$13,138 (R\$9,287 in September 2011). In the third quarter of 2012, these expenses amounted to R\$5,076 (R\$3,060 in the third quarter of 2011).

The amounts not disbursed yet are recorded under “Program Contracts - Commitments” in current liabilities (R\$106,156 and R\$62,287 as of September 30, 2012 and December 31, 2011, respectively) and non-current liabilities (R\$151,575 and R\$130,978 as of September 30, 2012 and December 31, 2011, respectively).

(v) Service agreements – São Paulo

On November 14, 2007, the Company and the São Paulo Municipal Government (Parties) entered into an agreement to establish conditions to ensure stability in the rendering of basic and environmental sanitation public utilities in the municipality of São Paulo, whose main characteristics are:

(a) the Parties undertook the commitment of defining basic and environmental sanitation actions, complementing those of the São Paulo Municipality, investing in the implementation and continuity of programs, such as: the Clean Stream Program and the Water Rational Use Program - PURA, whose main purpose is to ensure the reduction in water consumption in public units, assuring water supply and life quality of population;

(b) after November 14, 2007, execution date of the agreement, the total amount paid by the São Paulo Municipality to SABESP, referring to direct Management bodies, independent governmental agencies and foundations, less taxes, shall be destined to basic and environmental sanitation actions in the municipality; and

(c) the municipality undertakes the commitment of restart the payment of current bills and consumption bills issued by SABESP, after November 14, 2007, execution date of this agreement.

The agreement remains effective, but collection mentioned in item (b) is no longer allocated to a specific account for the allocation of basic and environmental sanitation actions in the municipality. The outstanding balance for the amounts collected but not allocated yet as of September 30, 2012 was R\$70,531 (R\$90,984 in December 2011).

On June 23, 2010, the Company entered into an agreement with the State Government and the Municipality of São Paulo for the rendering of water supply and sewage public utilities in the municipality of São Paulo for a 30-year period, renewable for another 30 years.

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On June 23, 2010, the State Government signed an agreement with municipal government of São Paulo and the Company, as well as an agreement (“Convênio”) between the State Government and Municipal Government, and SABESP and the Regulatory Agency of Sanitation and Energy of the State of São Paulo (“ARSESP”) as intervening and consenting parties, whose main aspects are the following:

1. The State and the Municipal Government assign to SABESP the right to explore the rendering of sanitation services in the capital city of São Paulo, which includes the obligation of providing services and the right to fees through tariff revenues;
2. The State and the Municipal Government define ARSESP as liable for the regulation duties, including tariffs, control and monitoring of services;
3. The valuation model used was the discounted cash flow, which considered the economic and financial sustainability of SABESP operation in the metropolitan region of São Paulo;
4. Cash flows consider all operating costs, taxes, investments and remuneration of opportunity cost of investors and creditors of SABESP;
5. The agreement provides for investments corresponding to 13% of gross revenue obtained by services rendered in the municipality of São Paulo, net of Cofins e Pasep. Investment plans, referring to execution of Sabesp shall be compatible with activities and programs foreseen in state, municipal sanitation plans and where applicable, metropolitan. The Investment Plan is not definitive and will be revised by Managing Committee every four years, especially as to investments to be made in subsequent period;
6. The payment to the Municipal Fund of Environmental Sanitation and Infrastructure to be applied in sanitation-related actions of capital city is a charge to be recovered in tariff, according to contractual provision. This amount corresponds to seven and half percent (7.5%) of gross revenues obtained from services rendered in the municipality of São Paulo, net of Cofins and Pasep and delinquency in the period;
7. The opportunity cost of investors and creditors of SABESP was established by WACC methodology (weighted average cost of capital). This cost was applied as discount rate of cash flows; and
8. The agreement provides for the remuneration of operating net assets, preferably calculated through appraisal valuation or through monetarily restated carrying amount to be defined by ARSESP. In addition, the contract also provides for the remuneration of investments to be made by SABESP, so that there is no residual value at the expiration of the agreement.

The agreement with the municipality of São Paulo, which approximately accounts for 55.1% of the Company's total revenues, ensures legal and equity safety to SABESP, proper return to shareholders and rendering of quality services to its customers.

The Municipal Government of São Paulo and the Company did not reach an agreement to solve pending financial issues until the execution date of the agreement, related to the rendering of water supply and sewage collection services to households of the municipality, reason that the Company filed suit to collect these bills, which are accrued for losses.

(vi) New businesses



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In August 2009, the Company entered into an agreement with CASAL - Companhia de Saneamento de Alagoas, to render specialized technical services in order to implement the program to reduce losses and revenue evasion in the municipality of Maceió, for a 60-month period. Services started to be rendered in 2010.

As of September 30, 2012, the amount recorded under “New businesses” was R\$13,378 (R\$16,477 in December 2011) where the amount recorded for CASAL was R\$11,854 on September 30, 2012 (R\$15,665 in December 2011).

(a) Write-off of underlying assets of intangibles

In the period ended September 30, 2012, the Company wrote off underlying assets of intangibles in the amount of R\$1,821 (R\$11,393 in September 2011) due to obsolescence, theft, disposal and works shut down, unproductive wells and projects economically unfeasible.

(b) Capitalized interests and other financial charges

As of September 30, 2012, the Company capitalized interests and monetary variation, including exchange variation in the concession intangible assets in the amount of R\$225,270 (R\$229,305 in September 2011) during the period in which assets were reported as work in progress.

(c) Construction margin

The Company is the primary responsible for the construction and installation of infrastructure related to concession, whether with its own efforts or through outside services, and it is significantly exposed to related risks and benefits.

Therefore, the Company recognizes the construction revenue, corresponding to the construction costs plus a gross margin. Generally, concession-related constructions are outsourced by the Company. In this case, the Company's implicit margin is usually lower, in general, and refers to administration costs, as well as the assumption of primary risk. In 2012, the margin calculated was 2.3% (2.3% in 2011).

The amount of the construction margin (consolidated) for the nine-month period ended September 30, 2012 and 2011 was R\$37,607 and R\$38,623, respectively.

(d) Expropriations

Due to the execution of priority works related to the water and sewage systems, the expropriation or establishment of right-of-way in third party properties was necessary, whose owners will be refunded on amicable or on a court basis.

Assets, which are subject-matter of these expropriations, must be recorded in concession intangible assets once operation is completed. As of September 30, 2012, the total amount referring to expropriations was R\$11,179 (R\$15,679 in September 2011).

(e) Assets pledged as collateral

As of September 30, 2012, the Company held assets pledged as collateral in the amount of R\$249,034 for the Special Tax Installment Payment – Paes (Note 13) (R\$249,034 in December 2011).

(f) Public-Private Partnership - PPP

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SABESP and CAB-Sistema Produtor Alto Tietê S/A, special purpose entity formed by of Galvão Engenharia S.A. and Companhia Águas do Brasil – CAB Ambiental, signed in June 2008 the Public-Private Partnership agreements (“PPP”) of the Alto Tietê Production system.

The service agreement has a 15-year term, aiming at expanding the capacity of the Taiaçupeba Water Treatment Station, from 10 to 15,000 liters per second, whose operations started in October 2011.

As of September 30, 2012 and December 31, 2011, the carrying amount recorded in the Company’s intangible assets, related to PPP, is R\$504,685 and R\$474,818, respectively.

(g) Provisions

Impairment

As of September 30, 2012, the Company recorded a provision for impairment of its intangible assets in the amount of R\$35,127, after identifying that the recoverable amount of the assets of certain cash-generating units, calculated according to their value in use, was lower than their carrying amount. This provision was recorded in “Other operating revenues (expenses)”.

It is worth mentioning that Article 29 of Law 11445/07 determines that public basic sanitation services will have their economic-financial sustainability ensured, whenever possible, by means of payment for services provided, preferably in the form of tariffs and other public prices, which may be established for each of the services or for both.

In addition, the Regulatory Agency for Sanitation and Energy of the State of São Paulo (ARSESP) is reviewing the tariff structure, which may impact our analyses of the business units' recoverability.

Provision for physical count losses

The Company is in the process of completing the physical count and estimates a possible loss in the amount of R\$35,087, recorded in “Other operating revenues (expenses), as of September 30, 2012.

(h) Construction in progress

Construction in progress are recorded under intangible assets in the amount of R\$5.2 billion as of September 30, 2012 (R\$5.7 billion in December 31, 2011).

## ITR – Quarterly Information - 9/30/2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## 12. LOANS AND FINANCING

## Outstanding balance of borrowings and financing

|                                                       | Sep/12      |         | PARENT COMPANY |         | Dec/11      |           | Collaterals                                   | Final maturity | Annual interest rate                                                                                        | Monetary Correction |
|-------------------------------------------------------|-------------|---------|----------------|---------|-------------|-----------|-----------------------------------------------|----------------|-------------------------------------------------------------------------------------------------------------|---------------------|
|                                                       | Non-current | Total   | Non-current    | Total   | Non-current | Total     |                                               |                |                                                                                                             |                     |
| Financial institution:<br>IN<br>BRAZILIAN<br>CURRENCY |             |         |                |         |             |           |                                               |                |                                                                                                             |                     |
| Caixa Econômica Federal/Banco do Brasil               | 372,652     | 198,509 | 571,161        | 348,695 | 479,548     | 828,243   | State Government of S.Paulo and own resources | 2014           | 8.50%                                                                                                       | UPR                 |
| Debentures 10 <sup>th</sup> issue                     | 20,079      | 268,728 | 288,807        | 2,008   | 283,293     | 285,301   | own resources                                 | 2020           | TJLP+1.92% (1st and 3rd series) and 9.53% (2nd series) CDI + 1.95% (1st series) and CDI + 1.4% (2nd series) | IPCA                |
| Debentures 11 <sup>th</sup> issue                     | 472,500     | 535,252 | 1,007,752      | 202,500 | 1,005,748   | 1,208,248 | own resources                                 | 2015           | TR + 9.5%                                                                                                   |                     |
| Debentures 12 <sup>th</sup> issue                     | -499,536    | 499,536 | -              | 499,613 | 499,613     |           | own resources                                 | 2025           | CDI + 0.65%                                                                                                 |                     |
| Debentures 13 <sup>th</sup> issue                     | -           | -       | -599,411       | -       | 599,411     |           | own resources                                 | 2012           | TJLP+1.92% (1st and 3rd series) and 9.19% (2nd series) CDI + 0.99% and 6.2%                                 | IPCA                |
| Debentures 14 <sup>th</sup> issue                     | -282,989    | 282,989 | -              | 279,810 | 279,810     |           | own resources                                 | 2022           | 6.8% (weighted)                                                                                             | UPR                 |
| Debentures 15 <sup>th</sup> issue                     | -782,181    | 782,181 | -              | -       | -           |           | own resources                                 | 2019           | 3% + TJLP LIMIT 6%                                                                                          |                     |
| Federal Savings Bank (CEF)                            | 117,120     | 923,374 | 1,040,494      | 110,479 | 908,452     | 1,018,931 | own resources                                 | 2011/2032      |                                                                                                             |                     |
| Brazilian Development Bank                            | 10,384      | -       | 10,384         | 37,554  | 3,491       | 41,045    | own resources                                 | 2013           |                                                                                                             |                     |

|                                                                                                                                                                                                                                                                                                                      |        |         |         |        |         |         |                  |      |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------|---------|--------|---------|---------|------------------|------|-----------------------------|
| (BNDES)<br>Brazilian<br>Development<br>Bank<br>(BNDES)<br>Baixada<br>Santista region<br>Brazilian<br>Development<br>Bank<br>(BNDES) –<br>Growth<br>Acceleration<br>Program (<br>PAC)<br>Brazilian<br>Development<br>Bank<br>(BNDES) – Sea<br>cleaning<br>program in<br>Baixada<br>Santista region<br>(ONDA<br>LIMPA) | 16,309 | 101,933 | 118,242 | 16,309 | 114,165 | 130,474 | own<br>resources | 2019 | 2,5% + TJLP<br>LIMIT 6%     |
|                                                                                                                                                                                                                                                                                                                      | 6,428  | 82,953  | 89,381  | 6,428  | 67,489  | 73,917  | own<br>resources | 2023 | 2.15% +<br>TJLP LIMIT<br>6% |
|                                                                                                                                                                                                                                                                                                                      | 19,087 | 220,970 | 240,057 | 14,270 | 235,383 | 249,653 | own<br>resources | 2025 | 1.92% +<br>TJLP LIMIT<br>6% |

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## ITR – Quarterly Information - 9/30/2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

|                                                            | Sep/12           |                  |                  | PARENT COMPANY<br>Dec/11 |                  |                  | Collaterals        | Final maturity      | Annual interest rate | Monetary Correction         |
|------------------------------------------------------------|------------------|------------------|------------------|--------------------------|------------------|------------------|--------------------|---------------------|----------------------|-----------------------------|
|                                                            | Current          | Non-current      | Total            | Current                  | Non-current      | Total            |                    |                     |                      |                             |
| Leasing                                                    | -                | 145,774          | 145,774          | -                        | 49,609           | 49,609           |                    |                     |                      |                             |
| Other                                                      | 924              | 3,039            | 3,963            | 1,155                    | 3,503            | 4,658            | own resources      | 2011/2018/2025      | 12% / CDI / TJLP+ 6% | UPR                         |
| Interest and charges                                       | 55,678           | -                | 55,678           | 100,998                  | -                | 100,998          |                    |                     |                      |                             |
| <b>Total in Brazilian currency</b>                         | <b>1,091,161</b> | <b>4,045,238</b> | <b>5,136,399</b> | <b>1,439,807</b>         | <b>3,930,104</b> | <b>5,369,911</b> |                    |                     |                      |                             |
| FOREIGN CURRENCY                                           |                  |                  |                  |                          |                  |                  |                    |                     |                      |                             |
| Inter-American Development Bank – IDB US\$380,974 thousand | 77,475           | 744,665          | 822,140          | 71,591                   | 652,141          | 723,732          | Federal Government | 2016/2017/2025/2035 | 1.09% to 3.00%       | Currency basket chg. + US\$ |
| IBRD – US\$13,490 thousand                                 | -                | 30,239           | 30,239           | -                        | 18,928           | 18,928           | Federal Government | 2034                | 0.82%                | US\$                        |
| Eurobonds – US\$140,000 thousand                           | -                | 283,822          | 283,822          | -                        | 262,067          | 262,067          |                    | 2016                | 7.5%                 | US\$                        |
| Eurobonds – US\$350,000 thousand                           | -                | 703,339          | 703,339          | -                        | 649,024          | 649,024          |                    | 2020                | 6.25%                | US\$                        |
| JICA – Yen 20,167,525 thousand                             | 30,031           | 480,518          | 510,549          | 28,015                   | 476,266          | 504,281          | Federal Government | 2029                | 1.8% and 2.5%        | Yen                         |
| JICA – Yen 18,132,800 thousand                             | 27,002           | 431,683          | 458,685          | 25,189                   | 427,843          | 453,032          | Federal Government | 2029                | 1.8% and 2.5%        | Yen                         |
| JICA – Yen 165,229 thousand                                | -                | 6,064            | 6,064            | -                        | 1,420            | 1,420            | Federal Government | 2029                | 1.2% and 0.01%       | Yen                         |
| IDB 1983AB – US\$226,058 thousand                          | 48,617           | 359,209          | 407,826          | 44,911                   | 376,355          | 421,266          |                    | 2023                | 2.4% to 2.9%         | US\$                        |
| Interest and charges                                       | 35,753           | -                | 35,753           | 19,671                   | -                | 19,671           |                    |                     |                      |                             |
| <b>Total in Foreign</b>                                    | <b>218,878</b>   | <b>3,039,539</b> | <b>3,258,417</b> | <b>189,377</b>           | <b>2,864,044</b> | <b>3,053,421</b> |                    |                     |                      |                             |

currency

TOTAL

LOANS AND 1,310,0397,084,7778,394,8161,629,1846,794,1488,423,332

FINANCING

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## ITR – Quarterly Information - 9/30/2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## CONSOLIDATED

| Financial institution:<br>IN<br>BRAZILIAN<br>CURRENCY                | Sep/12   |               | Dec/11    |               |           | Collaterals | Final maturity                                | Annual interest rate | Monetary Correction                                                                        |      |
|----------------------------------------------------------------------|----------|---------------|-----------|---------------|-----------|-------------|-----------------------------------------------|----------------------|--------------------------------------------------------------------------------------------|------|
|                                                                      | Non-     |               | Non-      |               |           |             |                                               |                      |                                                                                            |      |
|                                                                      | Current  | current Total | Current   | current Total |           |             |                                               |                      |                                                                                            |      |
| Caixa Econômica Federal/Banco do Brasil                              | 372,652  | 198,509       | 571,161   | 348,695       | 479,548   | 828,243     | State Government of S.Paulo and own resources | 2014                 | 8.50%                                                                                      | UPR  |
| Debentures 10 <sup>th</sup> issue                                    | 20,079   | 268,728       | 288,807   | 2,008         | 283,293   | 285,301     | own resources                                 | 2020                 | TJLP+1.92% (1 <sup>st</sup> and 3 <sup>rd</sup> series) and 9.53% (2 <sup>nd</sup> series) | IPCA |
| Debentures 11 <sup>th</sup> issue                                    | 472,500  | 535,252       | 1,007,752 | 202,500       | 1,005,748 | 1,208,248   | own resources                                 | 2015                 | CDI + 1.95% (1 <sup>st</sup> series) and CDI + 1.4% (2 <sup>nd</sup> series)               |      |
| Debentures 12 <sup>th</sup> issue                                    | -499,536 | 499,536       | -         | 499,613       | 499,613   |             | own resources                                 | 2025                 | TR + 9.5%                                                                                  |      |
| Debentures 13 <sup>th</sup> issue                                    | -        | -             | -599,411  | -             | 599,411   |             | own resources                                 | 2012                 | CDI + 0.65%                                                                                |      |
| Debentures 14 <sup>th</sup> issue                                    | -282,989 | 282,989       | -         | 279,810       | 279,810   |             | own resources                                 | 2022                 | TJLP+1.92% (1 <sup>st</sup> and 3 <sup>rd</sup> series) and 9.19% (2 <sup>nd</sup> series) | IPCA |
| Debentures 15 <sup>th</sup> issue                                    | -782,181 | 782,181       | -         | -             | -         |             | own resources                                 | 2019                 | CDI + 0.99% and 6.2%                                                                       | IPCA |
| Debentures 1 <sup>st</sup> issue-Aquapolo Federal Savings Bank (CEF) | -157,833 | 157,833       | -         | 160,099       | 160,099   |             | own resources                                 | 2029                 | TR+8.75%                                                                                   |      |
|                                                                      | 117,462  | 935,694       | 1,053,156 | 110,646       | 917,574   | 1,028,220   | own resources                                 | 2011/2032            | 6.8% (weighted)                                                                            | UPR  |

|                                                                                                                           |         |         |         |        |         |         |                  |      |                             |
|---------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|--------|---------|---------|------------------|------|-----------------------------|
| Brazilian<br>Development<br>Bank (BNDES)                                                                                  | 10,384  |         | 10,384  | 37,554 | 3,491   | 41,045  | own<br>resources | 2013 | 3% + TJLP<br>LIMIT 6%       |
| Brazilian<br>Development<br>Bank (BNDES)                                                                                  | 16,309  | 101,933 | 118,242 | 16,309 | 114,165 | 130,474 | own<br>resources | 2019 | 2.5% + TJLP<br>LIMIT 6%     |
| Baixada<br>Santista region                                                                                                |         |         |         |        |         |         |                  |      |                             |
| Brazilian<br>Development<br>Bank (BNDES) –<br>Growth<br>Acceleration<br>Program ( PAC)                                    | 6,428   | 82,953  | 89,381  | 6,428  | 67,489  | 73,917  | own<br>resources | 2023 | 2.15% +<br>TJLP LIMIT<br>6% |
| Brazilian<br>Development<br>Bank (BNDES) –<br>Sea cleaning<br>program in<br>Baixada<br>Santista region<br>(ONDA<br>LIMPA) | 19,087  | 220,970 | 240,057 | 14,270 | 235,383 | 249,653 | own<br>resources | 2025 | 1.92% +<br>TJLP LIMIT<br>6% |
| Leasing                                                                                                                   | 145,774 | 145,774 |         | -      | 49,609  | 49,609  |                  |      |                             |

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## ITR – Quarterly Information - 9/30/2012 - CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

## CONSOLIDATED

|                                                            | Sep/12<br>Non-   |                  |                  | Dec/11<br>Non-   |                  |                  |                    | Final                   | Annual                                | Monetary                          |
|------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------------|---------------------------------------|-----------------------------------|
|                                                            | Current          | current          | Total            | Current          | current          | Total            | Collaterals        | maturity                | interest                              | Correction                        |
|                                                            |                  |                  |                  |                  |                  |                  | own                | 2011/2018/<br>2025      | rate<br>12% /<br>CDI /<br>TJLP+<br>6% | UPR                               |
| Other                                                      | 6,409            | 3,039            | 9,448            | 1,784            | 3,503            | 5,287            | resources          |                         |                                       |                                   |
| Interest and charges                                       | 56,316           | 14,694           | 71,010           | 101,028          | 2,916            | 103,944          |                    |                         |                                       |                                   |
| <b>Total in Brazilian currency</b>                         | <b>1,097,626</b> | <b>4,230,085</b> | <b>5,327,711</b> | <b>1,440,633</b> | <b>4,102,241</b> | <b>5,542,874</b> |                    |                         |                                       |                                   |
| <b>FOREIGN CURRENCY</b>                                    |                  |                  |                  |                  |                  |                  |                    |                         |                                       |                                   |
| Inter-American Development Bank – IDB US\$380,974 thousand | 77,475           | 744,665          | 822,140          | 71,591           | 652,141          | 723,732          | Federal Government | 2016/2017/<br>2025/2035 | 1.09%<br>to<br>3.00%                  | Currency<br>basket chg.<br>+ US\$ |
| IBRD – US\$13,490 thousand                                 | -                | 30,239           | 30,239           | -                | 18,928           | 18,928           | Federal Government | 2034                    | 0.82%                                 | US\$                              |
| Eurobonds – US\$140,000 thousand                           | -                | 283,822          | 283,822          | -                | 262,067          | 262,067          |                    | 2016                    | 7.5%                                  | US\$                              |
| Eurobonds – US\$350,000 thousand                           | -                | 703,339          | 703,339          | -                | 649,024          | 649,024          |                    | 2020                    | 6.25%                                 | US\$                              |
| JICA – Yen 20,167,525 thousand                             | 30,031           | 480,518          | 510,549          | 28,015           | 476,266          | 504,281          | Federal Government | 2029                    | 1.8%<br>and<br>2.5%                   | Yen                               |
| JICA – Yen 18,132,800 thousand                             | 27,002           | 431,683          | 458,685          | 25,189           | 427,843          | 453,032          | Federal Government | 2029                    | 1.8%<br>and<br>2.5%                   | Yen                               |
| JICA – Yen 165,229 thousand                                | -                | 6,064            | 6,064            | -                | 1,420            | 1,420            | Federal Government | 2029                    | 1.2%<br>and<br>0.01%                  | Yen                               |
| IDB 1983AB – US\$226,058 thousand                          | 48,617           | 359,209          | 407,826          | 44,911           | 376,355          | 421,266          |                    | 2023                    | 2.4% to<br>2.9%                       | US\$                              |
| Interest and charges                                       | 35,753           | -                | 35,753           | 19,671           | -                | 19,671           |                    |                         |                                       |                                   |

**Total in**

**Foreign**            **218,8783,039,5393,258,417   189,3772,864,0443,053,421**

**Currency**

**TOTAL**

**LOANS AND** **1,316,5047,269,6248,586,1281,630,0106,966,2858,596,295**

**FINANCING**

Quotes at September 30, 2012: US\$2.0306; Yen 0.026060 (US\$1.8758 and Yen 0.024310 in December 2011)

During the period ended as of September 30, 2012, the Company has not obtained loans that are due in the short-term.

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The Company reported the following changes in loans and financing for the quarter ended September 30, 2012. Other information on loans and financing is provided in Note 13 to the Annual Financial Statements as of December 31, 2011.

(i) 15<sup>th</sup> Issue of Debentures

On February 15, 2012, the Company issued the 15<sup>th</sup> issue of Non-Convertible Unsecured Debentures, in Two Series, for Public Offering with Restricted Placement Efforts, pursuant to CVM Rule 476, with the following characteristics:

Date of Issue: February 15, 2012.

Total Amount: R\$771,080, number 77,108, in two series, unit value R\$10.

| Number     | Monetary Correction | Interest rate  | Interest payment                | Amortization                 | Maturity |
|------------|---------------------|----------------|---------------------------------|------------------------------|----------|
| es 287,330 | -                   | DI+ 0.99% p.a. | Half-year (February and August) | Annual (as of February 2015) | Februa   |
| es 483,750 | IPCA                | 6.20%          | Annual (February)               | Annual (as of February 2018) | Februa   |

Early redemption: as of the 24<sup>th</sup> month

Early redemption: none

The proceeds resulting from the funding of the 15<sup>th</sup> issue of Debentures will be allocated to the settlement of financial commitments falling due up to December 31, 2012.

(ii) Redemption of the 13<sup>th</sup> issue of Debentures

On February 17, 2012, the Company redeemed the total amount of the 13<sup>th</sup> Issue of Debentures in the amount of R\$633,343.

(iii) Federal Savings Bank (CEF) – Growth Acceleration Program (PAC) 2

In July 2012, funds were raised from part of the contracts of the PAC 2 Group in the amount of R\$494.

(iv) JICA BZ-P19

In September 2012, there was a disbursement of R\$140,000 to pay for the funding costs of the loan agreement with JICA BZ-P19, totaling ¥33.6 billion. As of September 30, 2012, the balance was zero.

(v) Payment schedule of loans and financing

The total volume of debt to be paid until the end of 2012 for the parent company is R\$220,145, R\$59,857 is the amount denominated in U.S. dollar and R\$160,288 (interest and principal) denominated in Reais.



|                                                                        | PARENT COMPANIES |           |         |          |         |
|------------------------------------------------------------------------|------------------|-----------|---------|----------|---------|
|                                                                        | 2012             | 2013      | 2014    | 2015     | 2016    |
| EF)                                                                    | 90,224           | 380,631   | 100,306 | -        | -       |
| (BNDES)                                                                | 29,301           | 116,068   | 77,632  | 55,938   | 55,300  |
| (BNDES) BX SANTISTA region                                             | 2,008            | 508,734   | 349,041 | 477,134  | 211,882 |
| (BNDES) – Growth Acceleration Program (PAC)                            | 6,230            | 4,154     | -       | -        | -       |
| (BNDES) – Sea cleaning program in Baixada Santista region (ONDA LIMPA) | 4,077            | 16,309    | 16,309  | 16,309   | 16,309  |
|                                                                        | 2,079            | 8,314     | 8,314   | 8,314    | 8,314   |
|                                                                        | 4,808            | 19,230    | 19,230  | 19,230   | 19,230  |
|                                                                        | -                | -         | -       | -        | -       |
|                                                                        | 350              | 689       | 497     | 560      | 631     |
|                                                                        | 21,211           | 34,467    | -       | -        | -       |
|                                                                        | 160,288          | 1,088,596 | 571,329 | 577,485  | 311,666 |
|                                                                        | 28,302           | 77,475    | 77,475  | 77,475   | 77,475  |
|                                                                        | -                | -         | -       | -        | -       |
|                                                                        | -                | -         | -       | -283,822 | -       |
|                                                                        | -                | 57,035    | 57,035  | 57,035   | 57,035  |
|                                                                        | -                | 48,617    | 48,617  | 48,617   | 48,617  |
|                                                                        | 31,555           | 4,198     | -       | -        | -       |
|                                                                        | 59,857           | 187,325   | 183,127 | 183,127  | 466,949 |
|                                                                        | 220,145          | 1,275,921 | 754,456 | 760,612  | 778,615 |

|                                                                        | CONSOLIDATED |           |         |          |         |
|------------------------------------------------------------------------|--------------|-----------|---------|----------|---------|
|                                                                        | 2012         | 2013      | 2014    | 2015     | 2016    |
| EF)                                                                    | 90,224       | 380,631   | 100,306 | -        | -       |
| (BNDES)                                                                | 29,643       | 117,152   | 78,716  | 57,022   | 56,384  |
| (BNDES) BX SANTISTA region                                             | 2,855        | 518,899   | 359,206 | 487,299  | 222,047 |
| (BNDES) – Growth Acceleration Program (PAC)                            | 6,230        | 4,154     | -       | -        | -       |
| (BNDES) – Sea cleaning program in Baixada Santista region (ONDA LIMPA) | 4,077        | 16,309    | 16,309  | 16,309   | 16,309  |
|                                                                        | 2,079        | 8,314     | 8,314   | 8,314    | 8,314   |
|                                                                        | 4,808        | 19,230    | 19,230  | 19,230   | 19,230  |
|                                                                        | -            | -         | -       | -        | -       |
|                                                                        | 5,835        | 689       | 497     | 560      | 631     |
|                                                                        | 21,234       | 49,776    | -       | -        | -       |
|                                                                        | 166,985      | 1,115,154 | 582,578 | 588,734  | 322,915 |
|                                                                        | 28,302       | 77,475    | 77,475  | 77,475   | 77,475  |
|                                                                        | -            | -         | -       | -        | -       |
|                                                                        | -            | -         | -       | -283,822 | -       |
|                                                                        | -            | 57,035    | 57,035  | 57,035   | 57,035  |
|                                                                        | -            | 48,617    | 48,617  | 48,617   | 48,617  |
|                                                                        | 31,555       | 4,198     | -       | -        | -       |
|                                                                        | 59,857       | 187,325   | 183,127 | 183,127  | 466,949 |
|                                                                        | 226,842      | 1,302,479 | 765,705 | 771,861  | 789,864 |

(vi) Financial Commitments – “Covenants”

Certain loans and financing contracts contain covenants that require compliance with certain financial ratios on a quarter or annual basis.

**Debentures of the 11<sup>th</sup> and 12<sup>th</sup> Issues:**

Adjusted current ratio (current assets divided by current liabilities, excluded from current liabilities and the amount recorded in current debts from non-current contracted by the Company) higher than 1.0; and

Ebitda/Financial expenses equal to or higher than 1.5.

The failure to comply with clauses of covenants will result in the early maturity of the contract. The failure to comply with these obligations will only be characterized when this is verified in its quarterly financial information, for at least two consecutive quarters, or even for two non- consecutive quarters within a twelve-month period.

In the failure to comply with covenants, the fiduciary agent shall call, within 48 hours as of the date it became aware of the occurrence, a debenture holders’ general meeting in order to resolve on the declaration of early maturity of debentures.

**Brazilian Development Bank (BNDES) – Sea cleaning program in the Baixada Santista region (ONDA LIMPA) II, BNDES –PAC/São Paulo Metropolitan Region and Debentures of the 10<sup>th</sup> and 14<sup>th</sup> Issues:**

- a) EBITDA/ROL: equal to or higher than 38%;
- b) EBITDA/Adjusted Financial Expenses: equal to or higher than 2.35; and
- c) Adjusted Net Bank Debt/EBITDA: lower than or equal to 3.65.

**Federal Savings Bank– Pro-Sanitation Program:**

By means of the Performance Improvement Agreement, targets are set for financial and operating ratios (loss of invoicing, revenues evasion, availability of cash and reduction of days of account receivable) that, based on the last two years, are projected annually for the upcoming five years.

Non fulfillment of 5 out of 8 clauses of covenants shall trigger the early maturity of the contract.

**Debentures of the 15<sup>th</sup> Issue:**

- a) Adjusted Total Debt/Ebitda: lower than or equal to 3.65; and

- b) Ebitda/Paid Financial Expenses: equal to or higher than 1.5.

**BNDES Onda Limpa I and BNDES Tietê II:**

- a) Adjusted current ratio: higher than 1.0;
  - b) Ebitda/Net Operating Revenue: higher than or equal to 38%;
-

- c) Total connections (water and sewage) /own headcount: higher than or equal to 520;
- d) Ebitda /Debt service: higher than or equal to 1.5; and
- e) Shareholders' Equity/Total Liabilities: higher than or equal to 0.8.

Non-fulfillment of the clauses of covenants shall trigger the early maturity of the contract.

**Eurobonds:**

Limit obtaining new loans so that:

- a) Total adjusted debt in relation to Ebitda shall not exceed 3.65; and
- b) The Company's debt service coverage ratio, determined on the date of inclusion of this debt, is not lower than 2.35.

Non fulfillment of the clauses of covenants shall trigger the early maturity of the contract.

**Inter-American Development Bank (IDB):**

Contracts 713, 896, 1,212 and 2,202 - Tariffs shall:

- a) Produce sufficient revenue to cover system exploration, including those related to the management, operation, maintenance and depreciation;
- b) Provide a profitability over fixed assets higher than 7%; and
- c) During the execution of the project, balances of short-term loans shall not exceed 8.5% of shareholders' equity.

Non fulfillment of the clauses of covenants shall trigger the early maturity of the contract.

**AB LOAN:**

- a) The Company's ratio of debt service coverage, determined on a Consolidated Basis, must be higher than or equal to 2.35 on any date of the financial quarter; and
- b) Total adjusted debt over Ebitda, determined on a Consolidated Basis, must be lower than or equal to 3.65 on any date of the financial quarter.

As of September 30, 2012, the Company complied with requirements included in its loan and financing contracts.

**13. TAXES AND CONTRIBUTIONS**

**a) Current assets**

The balance "Recoverable taxes" in current assets includes prepayment of income tax and social contribution and amounts related to withholding income tax (IRRF) on short-term investments. The consolidated balance as of September 30, 2012 was R\$53,683 (R\$118,116 on December 31, 2011); there was a reduction of R\$64,433 in the balance as a result of offset of amounts related to outstanding balance of income tax and social contribution for the year 2011 with amounts payable of the same taxes for 2012. This reduction was partially offset by the withholding income tax (IRRF) levied on interest income on short-term investments, recognized in the period.

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## b) Liabilities

|                                    | PARENT COMPANY     |                   |                    |                   |
|------------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                    | Current            |                   | Non-current        |                   |
|                                    | September 30, 2012 | December 31, 2011 | September 30, 2012 | December 31, 2011 |
| Income tax and social contribution | 97,894             | -                 | -                  | -                 |
| Cofins and Pasep                   | 51,437             | 57,052            | -                  | -                 |
| Paes                               | 28,279             | 36,716            | -                  | 18,363            |
| INSS                               | 26,070             | 25,630            | -                  | -                 |
| IRRF                               | 1,398              | 44,168            | -                  | -                 |
| Other                              | 16,190             | 17,228            | -                  | -                 |
| Total                              | 221,268            | 180,794           | -                  | 18,363            |

|                                    | CONSOLIDATED       |                   |                    |                   |
|------------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                    | Current            |                   | Non-current        |                   |
|                                    | September 30, 2012 | December 31, 2011 | September 30, 2012 | December 31, 2011 |
| Income tax and social contribution | 97,981             | -                 | -                  | -                 |
| Cofins and Pasep                   | 51,480             | 57,073            | -                  | -                 |
| Paes                               | 28,279             | 36,716            | -                  | 18,363            |
| INSS                               | 26,083             | 25,645            | -                  | -                 |
| IRRF                               | 1,406              | 44,172            | -                  | -                 |
| Other                              | 16,207             | 17,516            | -                  | -                 |
| Total                              | 221,436            | 181,122           | -                  | 18,363            |

The increase of R\$40,314 in consolidated current liabilities mainly occurred as a result of the calculation of income tax and social contribution to be paid in September 2012, versus the withholding income tax levied on interest on equity in January 2012, and the payments of the Special Tax Installment Payment Program (Paes) in the period.

The reduction of R\$18,363 in consolidated non-current liabilities occurred as a result of payment and adequacy of the short-term and long-term balances of the Special Tax Installment Payment Program (Paes) of the parent company, according to the information below.

The company applied for the Special Tax Installment Payment Program (Paes) on July 15, 2003, pursuant Law 10684 of May 30, 2003, including in this request the debts related to Cofins and Pasep involved in lawsuit against the application of Law 9718/98 and consolidated the remaining balance of the Tax Recovery Program (Refis). The total amount included in Paes was R\$316,953, as follows:

| <b>Tax</b> | <b>Principal</b> | <b>Penalty</b> | <b>Interests</b> | <b>Total</b> |
|------------|------------------|----------------|------------------|--------------|
| COFINS     | 132,499          | 13,250         | 50,994           | 196,743      |
| PASEP      | 5,001            | 509            | 2,061            | 7,571        |
| REFIS      | 112,639          | -              | -                | 112,639      |
| Total      | 250,139          | 13,759         | 53,055           | 316,953      |

Debt is being paid in 120 months. The amounts paid from January to September 2012 and in 2011 were R\$27,947 and R\$36,091, respectively. Financial expenses were recorded in the amount of R\$284 in the third quarter of 2012 (R\$648 in the third quarter of 2011) and R\$1,147 from January to September 2012 (R\$2,197 from January to September 2011). The outstanding debt as of September 30, 2012 was R\$28,279. The assets pledged as collateral in previous Refis Program, in the amount of R\$249,034, continue to collateralize the amounts of Paes Program.

#### 14. DEFERRED TAXES AND CONTRIBUTIONS

##### (a) Balances

##### Breakdown of deferred taxes

|                                                         | <b>PARENT COMPANY</b> |                   | <b>CONSOLIDATED</b> |                   |
|---------------------------------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                                         | September 30, 2012    | December 31, 2011 | September 30, 2012  | December 31, 2011 |
| Deferred income tax asset (i)                           |                       |                   |                     |                   |
| Provisions                                              | 556,951               | 575,473           | 556,951             | 575,473           |
| Pension plan liabilities – G1                           | 189,529               | 180,018           | 189,529             | 180,018           |
| Pension plan liabilities – G0                           | 85,271                | 85,271            | 85,271              | 85,271            |
| Donations of assets related to the concession contracts | 36,025                | 38,213            | 36,025              | 38,213            |
| Allowance for loan losses                               | 154,784               | 135,223           | 154,784             | 135,223           |
| Other                                                   | 100,579               | 77,175            | 104,955             | 78,717            |
| Total deferred tax asset                                | 1,123,139             | 1,091,373         | 1,127,515           | 1,092,915         |
| Deferred tax liability (ii)                             |                       |                   |                     |                   |
| Temporary difference on intangible asset                | (660,689)             | (692,210)         | (660,689)           | (692,210)         |
| Capitalization of borrowing costs                       | (130,074)             | (101,507)         | (130,074)           | (101,507)         |
| Income on supply to public authorities                  | (79,293)              | (76,773)          | (79,293)            | (76,773)          |
| Other                                                   | (65,674)              | (42,957)          | (65,922)            | (42,962)          |
| Total deferred tax liability                            | (935,730)             | (913,447)         | (935,978)           | (913,452)         |
| Net deferred tax asset                                  | 187,409               | 177,926           | 191,537             | 179,463           |



|                               |           |           |           |           |
|-------------------------------|-----------|-----------|-----------|-----------|
| Deferred income tax asset (i) |           |           |           |           |
| recoverable within 12 months  | 220,462   | 259,784   | 220,462   | 259,784   |
| recoverable after one year    | 902,677   | 831,589   | 907,053   | 833,131   |
| Total deferred tax asset      | 1,123,139 | 1,091,373 | 1,127,515 | 1,092,915 |
| Deferred tax liability (ii)   |           |           |           |           |
| Within 12 months              | (35,483)  | (27,282)  | (35,483)  | (27,282)  |
| After one year                | (900,247) | (886,165) | (900,495) | (886,170) |
| Total deferred tax liability  | (935,730) | (913,447) | (935,978) | (913,452) |
| Deferred tax asset            | 187,409   | 177,926   | 191,537   | 179,463   |

(i) The Company's Management expects to use the deferred tax asset balance in 2013 at the same ratio as 2012, and the remaining amount to be used in the subsequent year, 2014.

(ii) Deferred tax liabilities are expected to be realized in 2013, at the same ratio as 2012, and the remaining amount to be realized in subsequent years as of 2014.

(b) Reconciliation of effective tax rate

The amounts recorded as income tax and social contribution expenses in the financial statements are reconciled with nominal rates provided for by laws, as shown below:

|                                             | Jul-Sep/12 | PARENT COMPANY |            |            |
|---------------------------------------------|------------|----------------|------------|------------|
|                                             |            | Jan-Sep/12     | Jul-Sep/11 | Jan-Sep/11 |
| Income before taxes                         | 552,946    | 1,616,586      | 122,677    | 1,194,401  |
| Nominal rate                                | 34%        | 34%            | 34%        | 34%        |
| Expected expenses at nominal rate           | (188,002)  | (549,639)      | (41,710)   | (406,096)  |
| Permanent differences                       |            |                |            |            |
| Provision Law 4819/58 (i)                   | (8,648)    | (26,175)       | (13,055)   | (80,331)   |
| Interest on equity                          | -          | 97,969         | -          | 23,379     |
| Other differences                           | 5,468      | 7,747          | 52         | (948)      |
| Income tax and social contribution          | (191,182)  | (470,098)      | (54,713)   | (463,996)  |
| Current income tax and social contribution  | (240,126)  | (479,581)      | (112,974)  | (519,992)  |
| Deferred income tax and social contribution | 48,944     | 9,483          | 58,261     | 55,996     |
| Effective tax rate                          | 35%        | 29%            | 45%        | 39%        |



|                                             |            | CONSOLIDATED |            |            |
|---------------------------------------------|------------|--------------|------------|------------|
|                                             | Jul-Sep/12 | Jan-Sep/12   | Jul-Sep/11 | Jan-Sep/11 |
| Income before taxes                         | 552,686    | 1,614,056    | 123,619    | 1,195,441  |
| Nominal rate                                | 34%        | 34%          | 34%        | 34%        |
| Expected expenses at nominal rate           | (187,913)  | (548,779)    | (42,030)   | (406,450)  |
| Permanent differences                       |            |              |            |            |
| Provision Law 4819/58 (i)                   | (8,648)    | (26,175)     | (13,055)   | (80,331)   |
| Interest on equity                          | -          | 97,969       | -          | 23,379     |
| Other differences                           | 5,639      | 9,417        | (570)      | (1,634)    |
| Income tax and social contribution          | (190,922)  | (467,568)    | (55,655)   | (465,036)  |
| Current income tax and social contribution  | (240,204)  | (479,801)    | (113,182)  | (520,200)  |
| Deferred income tax and social contribution | 49,282     | 12,233       | 57,527     | 55,164     |
| Effective tax rate                          | 35%        | 29%          | 45%        | 39%        |

(i) Permanent difference related to the provision for actuarial liability (Note 8 (vii)).

#### Transition Tax Regime – RTT

For purposes of calculating income tax and social contribution for the years 2009 and 2008, the Company and its subsidiaries adopted the RTT, which allows the legal entity to eliminate the accounting effects of Law 11638/07 and Provisional Measure 449/08, converted into Law 11.941/09, by means of records in the tax accounting ledger - LALUR and ancillary controls, without any change in the accounting books.

The Company has also adopted the same tax practices since 2008, as the RTT became mandatory and shall be effective until the enactment of Law that rules the tax effects of the new accounting methods, seeking the tax neutrality.

#### 15. PROVISIONS

The Company is party to several lawsuits resulting from its regular operations, including civil, tax, labor and environmental lawsuits. Management believes that the provisions are sufficient to cover any losses that may occur. These provisions, net of judicial deposits for which it has the legal right to offset, are stated as follows:

|               | PARENT COMPANY AND CONSOLIDATED |                   |
|---------------|---------------------------------|-------------------|
|               | September 30, 2012              | December 31, 2011 |
| Customers (i) | 601,220                         | 618,533           |

|                            |           |           |
|----------------------------|-----------|-----------|
| Suppliers (ii)             | 130,664   | 420,767   |
| Other civil lawsuits (iii) | 165,044   | 178,366   |
| Tax (iv)                   | 77,672    | 76,448    |
| Labor (v)                  | 235,468   | 156,536   |
| Environmental (vi)         | 146,184   | 121,179   |
| Total                      | 1,356,252 | 1,571,829 |
| Current                    | 644,538   | 764,070   |
| Noncurrent                 | 711,714   | 807,759   |

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Changes in provisions for the period ended September 30, 2012:

PARENT COMPANY

|                            | 12/31/2011 | Additions | Exclusions | Interest rates,<br>monetary<br>correction<br>and reversals | 9/30/2012 |
|----------------------------|------------|-----------|------------|------------------------------------------------------------|-----------|
| Customers (i)              | 727.261    | 67.128    | (85.670)   | 15.718                                                     | 724.437   |
| Suppliers (ii)             | 422,595    | 89,073    | (128,013)  | (98,651)                                                   | 285,004   |
| Other civil lawsuits (iii) | 188,546    | 25,515    | (36,330)   | (8,405)                                                    | 169,326   |
| Tax (iv)                   |            | 76,448    | 3,703      | (4,588)                                                    | 77,672    |
| Labor (v)                  |            | 156,536   | 84,592     | (32,163)                                                   | 235,468   |
| Environmental (vi)         |            | 121,179   | 30,278     | (11,104)                                                   | 146,184   |
| Subtotal                   |            | 1,692,565 | 300,289    | (297,868)                                                  | 1,638,091 |
| Judicial deposits          |            | (120,736) | (162,059)  | 6,515                                                      | (281,839) |
| Total                      |            | 1,571,829 | 138,230    | (291,353)                                                  | 1,356,252 |

The amount paid related to lawsuits from January to September of 2012 was R\$285,624 (R\$197,521 in December 2011).

Consolidated balance amounts to R\$1,356,255 (R\$1,571,829 in December 2011). The R\$3 difference when compared to parent company's balance refers to the provisions of R\$2 and R\$1 recorded by the subsidiaries Águas de Andradina and Águas de Castilho, respectively.

The main changes occurred in the period are related to the new provisions, change in estimated loss related to customers, suppliers and labor claims. In case of write-offs due to the revised estimate, and payments made and, for suppliers, relating to the settlement of the lawsuit.

(i) Customers - Approximately 1,520 lawsuits were filed by commercial customers, which claim that their tariffs should correspond to other consumer categories, and 450 lawsuits which claim a reduction in the sewage tariff due to losses in the system, consequently requesting the refund of amounts charged by the Company. The Company was granted both favorable and unfavorable final decisions at several court levels and recognized provisions when the likelihood of losses is probable.

(ii) Suppliers - Suppliers' claims include lawsuits filed by certain contractors alleging underpayment of monetary restatements, withholding of amounts related to the understated inflation rates deriving from Real economic plan, and the economic and financial imbalance of the agreements. These lawsuits are in progress at different courts and a provision is recognized when the likelihood of losses is probable.

(iii) Other civil lawsuits - refer mainly to action for damages due to property damage, pain and suffering, and loss of profits allegedly caused to third parties, filed at different court levels, duly accrued when assessed as probable losses.

(iv) Tax lawsuits - the provision for tax mainly refers to issues connected with tax collections questioned due to different interpretation of legislation by the Company's legal counsels, duly accrued when assessed as probable losses.

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(v) Labor lawsuits - the Company is a party in several labor lawsuits, involving issues such as overtime, unhealthy work premium and hazardous work premium, prior notice, change of job position, salary parity and other. Most of the amount involved is under provisional or final execution at various court levels, and thus is classified as a probable loss and accordingly a provision was recognized.

(vi) Environmental lawsuits - these refer to several administrative proceedings and lawsuits filed by government entities, including Companhia de Tecnologia de Saneamento Ambiental – Cetesb, Public Prosecution Office of the State of São Paulo and other for the imposition of fines due to environmental damages allegedly caused by the Company. The provision represent the Company's best estimate at this moment; however, they may differ from the amount to be disbursed as indemnity of alleged damages, in view of the current stage of referred lawsuits.

*Lawsuits with likelihood of possible loss*

The Company is a party to lawsuits and administrative proceedings related to environmental, tax, civil and labor claims, which are considered by its legal counsels as possible losses, and are not recorded in the accounting books. The *amount* of these lawsuits is approximately R\$2,658,300 as of September 30, 2012 (R\$2,621,800 in December 2011).

Other *information* is presented in Note 16 to the Annual Financial Statements as of December 31, 2011.

## 16. EMPLOYEE BENEFITS

### (a) Assistance Plan

Managed by Fundação Sabesp de Seguridade Social – SABESPREV, it is composed of optional health care plan, of free choice, maintained by contributions from the sponsor and the participants, which were the following:

- . From the Company: 8.3%, on average, on Gross payroll;
- . From the participants: 2.2%, on base salary and bonus, which represent an average of 1.3% on gross payroll.

### (b) Pension plan

Managed by Fundação Sabesp de Seguridade Social – SABESPREV, the defined benefit plan ("G1 Plan") receives monthly contributions from the Company and from active participants according to the actuarial study of SABESPREV, as follows:

- 0.53% of the portion of the salary of participation up to 20 salaries; and
- 4.5% of the surplus, if any, of the portion of the salary of participation over 20 salaries.

As of September 30, 2012, the Company had a net actuarial liability of R\$566,592 (R\$538,619 in December 2011) which represents the difference between the present value of the Company's liabilities related to participants who are employees, retirees and pensioners and the fair value of related assets and unrecognized actuarial gains.

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Aiming to settle the actuarial deficit presented by the Basic Benefit Plan – BD ("G1 Plan"), in July 2010 SABESP and SABESPREV launched a new Defined Contribution plan, the SABESPREV Mais - CD. The new plan was approved by the National Supplementary Pension Plan Superintendence (Previc) in June 2010. With the launch of this plan, participants, both active and assisted, were able to migrate from the BD Plan to the SABESPREV Mais plan.

The period for migrating from the BD Plan (G1 Plan) to the SABESPREV Mais plan, set forth in the regulation, which was 120 days, from July 8 to November 4, 2010, was suspended on October 20, 2010, due to the preliminary injunction granted by the 8<sup>th</sup> Tax Court of the State of São Paulo, determining the suspension of the transfer of amounts and participants of the BD Plan to the SABESPREV Mais plan and the suspension of the collection of the extraordinary contribution for payment of the actuarial deficit of the BD plan; no changes have been made to these court decisions to this date. Up to October 20, 2010, 4,023 active and assisted participants had migrated from the G1 Plan to the SABESPREV Mais plan, corresponding to 26.0% of the plan's participants.

(c) Plan G0

The Company is also jointly liable in a supplementary defined benefit pension plan. Pursuant to State Law 4,819/58, employees who served before May 1974 and retired as employees of the Company acquired the right to receive supplementary payments to their retirement benefits and pensions paid within the G0 Plan. The Company pays the supplements to these retirement benefits and pensions on behalf of the state government and is claiming the reimbursement of

these amounts, which are recorded as receivables from shareholders, limited to the amounts whose reimbursement by the state government is deemed as practically certain.

(d) Amounts recognized in the balance sheet

**Plan – G1**

|                                               |         |
|-----------------------------------------------|---------|
| Pension plan liabilities on December 31, 2011 | 538,619 |
| Expenses recognized in 2012                   | 35,515  |
| Payments made in 2012                         | (7,542) |

|                                                   |         |
|---------------------------------------------------|---------|
| Pension plan liabilities as of September 30, 2012 | 566,592 |
|---------------------------------------------------|---------|

**Plan – G0**

|                                                  |           |
|--------------------------------------------------|-----------|
| Pension plan liabilities as of December 31, 2011 | 1,512,078 |
| Expenses recognized in 2012                      | 125,840   |

|                                                   |           |
|---------------------------------------------------|-----------|
| Payments made in 2012                             | (91,031)  |
| Pension plan liabilities as of September 30, 2012 | 1,546,887 |
| Total                                             | 2,113,479 |

(e) Profit sharing

The Company recorded referring to the Profit Sharing Plan, considering the period between January and December 2012, the amount corresponding to one payroll, by setting targets. In the third quarter of 2012, the amount of R\$15,017 (R\$14,005 in third quarter of 2011) was accrued. In the period from January to September 2012 and 2011 the amounts of R\$45,050 and R\$42,409, respectively, were accrued.

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## 17. REVENUE

## (a) Gross revenue

|                                  |           | PARENT COMPANY |           |            |
|----------------------------------|-----------|----------------|-----------|------------|
|                                  | 3Q12      | Jan-Sep/12     | 3Q11      | Jan-Sep/11 |
| Metropolitan Region of São Paulo | 1.658.420 | 4.844.058      | 1.526.822 | 4.452.945  |
| Regional systems (i)             | 604.564   | 1.656.859      | 541.260   | 1.590.372  |
| Total (ii)                       | 2.262.984 | 6.500.917      | 2.068.082 | 6.043.317  |

|                                  |           | CONSOLIDATED |           |            |
|----------------------------------|-----------|--------------|-----------|------------|
|                                  | 3Q12      | Jan-Sep/12   | 3Q11      | Jan-Sep/11 |
| Metropolitan Region of São Paulo | 1.658.420 | 4.844.058    | 1.526.822 | 4.452.945  |
| Regional systems (i)             | 603.816   | 1.662.356    | 542.807   | 1.594.738  |
| Total (ii)                       | 2.262.236 | 6.506.414    | 2.069.629 | 6.047.683  |

(i) It includes the municipalities operated in the inland and coastal region of the State of São Paulo.

(ii) There was a 7.6% increase in gross revenue from January to September 2012 when compared to the same period in 2011. The billed volume increased by 2.5% from January to September and the tariff adjustment was 6.83% in September 2011, and 5.15% in September 2012.

## (b) Reconciliation of gross revenue to net revenue

|                      |           | PARENT COMPANY |           |            |
|----------------------|-----------|----------------|-----------|------------|
|                      | 3Q12      | Jan-Sep/12     | 3Q11      | Jan-Sep/11 |
| Gross revenues       | 2,262,984 | 6,500,917      | 2,068,082 | 6,043,317  |
| Construction revenue | 612,233   | 1,740,969      | 672,330   | 1,621,042  |
| Sales taxes          | (164,232) | (478,170)      | (149,150) | (438,691)  |
| Net revenues         | 2,710,985 | 7,763,716      | 2,591,262 | 7,225,668  |

  

|                                           |           | CONSOLIDATED |           |            |
|-------------------------------------------|-----------|--------------|-----------|------------|
|                                           | 3Q12      | Jan-Sep/12   | 3Q11      | Jan-Sep/11 |
| Gross revenues from sales and/or services | 2,262,236 | 6,506,414    | 2,069,629 | 6,047,683  |
| Construction revenue                      | 612,716   | 1,749,984    | 672,361   | 1,621,183  |
| Sales taxes                               | (164,279) | (479,042)    | (149,191) | (438,811)  |
| Net revenues                              | 2,710,673 | 7,777,356    | 2,592,799 | 7,230,055  |

## 18. OPERATING COSTS AND EXPENSES

| Description                                                    | 3Q12      | PARENT COMPANY |           | Jan-Sep/11 |
|----------------------------------------------------------------|-----------|----------------|-----------|------------|
|                                                                |           | Jan-Sep/12     | 3Q11      |            |
| Cost of sales and services rendered:                           |           |                |           |            |
| Payroll and charges                                            | 298,298   | 893,601        | 294,815   | 845,892    |
| Pension plan liabilities (i)                                   | 8,801     | 26,665         | 11,885    | 35,330     |
| Construction costs                                             | 599,177   | 1,704,050      | 656,029   | 1,581,757  |
| General supplies                                               | 42,928    | 120,585        | 39,288    | 105,469    |
| Treatment supplies                                             | 39,132    | 135,137        | 37,258    | 118,823    |
| Outsourced services                                            | 177,444   | 511,370        | 195,299   | 497,985    |
| Electricity                                                    | 144,507   | 441,478        | 143,447   | 435,264    |
| General expenses                                               | 107,407   | 297,616        | 95,178    | 269,927    |
| Depreciation and amortization                                  | 174,654   | 526,055        | 161,314   | 549,557    |
|                                                                | 1,592,348 | 4,656,557      | 1,634,513 | 4,440,004  |
| Selling expenses:                                              |           |                |           |            |
| Payroll and charges                                            | 48,373    | 145,452        | 50,110    | 148,359    |
| Pension plan liabilities (i)                                   | 1,496     | 4,391          | 1,886     | 5,806      |
| General supplies                                               | 2,183     | 6,105          | 2,028     | 5,679      |
| Outsourced services                                            | 45,475    | 162,347        | 24,232    | 133,521    |
| Electricity                                                    | 147       | 474            | 136       | 471        |
| General expenses                                               | 18,392    | 57,868         | 19,050    | 56,889     |
| Depreciation and amortization                                  | 2,214     | 5,546          | 1,555     | 5,703      |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | 70,612    | 145,999        | 17,222    | 93,329     |
|                                                                | 188,892   | 528,182        | 116,219   | 449,757    |
| Administrative expenses:                                       |           |                |           |            |
| Payroll and charges                                            | 41,935    | 122,742        | 40,762    | 116,022    |
| Pension plan liabilities (i)                                   | 27,802    | 83,787         | 27,587    | 244,267    |
| General supplies                                               | 968       | 3,077          | 1,168     | 3,067      |
| Outsourced services                                            | 38,597    | 105,338        | 25,595    | 77,673     |
| Electricity                                                    | 203       | 863            | 345       | 819        |
| General expenses                                               | 83,897    | 145,736        | 79,967    | 151,808    |
| Depreciation and amortization                                  | 3,325     | 12,101         | 5,322     | 17,254     |
| Tax expenses                                                   | 10,660    | 56,773         | 11,571    | 49,108     |
|                                                                | 207,387   | 530,417        | 192,317   | 660,018    |
| Costs, selling and administrative expenses:                    |           |                |           |            |
| Payroll and charges                                            | 388,606   | 1,161,795      | 385,687   | 1,110,273  |
| Pension plan liabilities (i)                                   | 38,099    | 114,843        | 41,358    | 285,403    |
| Construction costs                                             | 599,177   | 1,704,050      | 656,029   | 1,581,757  |
| General supplies                                               | 46,079    | 129,767        | 42,484    | 114,215    |
| Treatment supplies                                             | 39,132    | 135,137        | 37,258    | 118,823    |

| Description                                                    | 3Q12      | PARENT COMPANY |           | Jan-Sep/11 |
|----------------------------------------------------------------|-----------|----------------|-----------|------------|
|                                                                |           | Jan-Sep/12     | 3Q11      |            |
| Outsourced services                                            | 261,516   | 779,055        | 245,126   | 709,179    |
| Electricity                                                    | 144,857   | 442,815        | 143,928   | 436,554    |
| General expenses                                               | 209,696   | 501,220        | 194,195   | 478,624    |
| Depreciation and amortization                                  | 180,193   | 543,702        | 168,191   | 572,514    |
| Tax expenses                                                   | 10,660    | 56,773         | 11,571    | 49,108     |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | 70,612    | 145,999        | 17,222    | 93,329     |
|                                                                | 1,988,627 | 5,715,156      | 1,943,049 | 5,549,779  |

(i) The decrease in pension plan obligations is due to the increase in the actuarial liabilities referring to the retirement and pension supplementary benefits granted by the State Law 4819/58 (G0 Plan) in the amount of R\$157,527, which impacted the first quarter of 2011.

| Description                                                    | 3Q12      | CONSOLIDATED |           | Jan-Sep/11 |
|----------------------------------------------------------------|-----------|--------------|-----------|------------|
|                                                                |           | Jan-Sep/12   | 3Q11      |            |
| Cost of sales and services rendered:                           |           |              |           |            |
| Payroll and charges                                            | 298,135   | 894,293      | 294,970   | 846,338    |
| Pension plan liabilities (i)                                   | 8,801     | 26,665       | 11,885    | 35,330     |
| Construction costs                                             | 599,713   | 1,712,377    | 656,241   | 1,582,560  |
| General supplies                                               | 42,874    | 120,714      | 39,318    | 105,586    |
| Treatment supplies                                             | 39,102    | 135,198      | 37,289    | 118,910    |
| Outsourced services                                            | 177,118   | 511,822      | 195,546   | 498,567    |
| Electricity                                                    | 144,159   | 442,334      | 143,709   | 436,019    |
| General expenses                                               | 107,338   | 297,713      | 95,392    | 270,360    |
| Depreciation and amortization                                  | 174,699   | 526,144      | 161,331   | 549,581    |
|                                                                | 1,591,939 | 4,667,260    | 1,635,681 | 4,443,251  |
| Selling expenses:                                              |           |              |           |            |
| Payroll and charges                                            | 48,289    | 145,480      | 50,110    | 148,444    |
| Pension plan liabilities (i)                                   | 1,496     | 4,391        | 1,886     | 5,806      |
| General supplies                                               | 2,183     | 6,105        | 2,028     | 5,679      |
| Outsourced services                                            | 45,466    | 162,383      | 24,231    | 133,535    |
| Electricity                                                    | 147       | 474          | 136       | 471        |
| General expenses                                               | 18,365    | 57,901       | 19,053    | 56,895     |
| Depreciation and amortization                                  | 2,213     | 5,546        | 1,555     | 5,703      |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | 70,495    | 146,043      | 17,308    | 93,416     |
|                                                                | 188,654   | 528,323      | 116,307   | 449,949    |
| Administrative expenses:                                       |           |              |           |            |
| Payroll and charges                                            | 42,428    | 125,497      | 41,393    | 117,948    |
| Pension plan liabilities (i)                                   | 27,802    | 83,787       | 27,587    | 244,267    |



| Description                                                    | 3Q12      | CONSOLIDATED |           | Jan-Sep/11 |
|----------------------------------------------------------------|-----------|--------------|-----------|------------|
|                                                                |           | Jan-Sep/12   | 3Q11      |            |
| General supplies                                               | 1,061     | 3,451        | 1,203     | 3,164      |
| Outsourced services                                            | 39,024    | 107,311      | 26,111    | 79,114     |
| Electricity                                                    | 385       | 1,112        | 346       | 823        |
| General expenses                                               | 83,718    | 146,251      | 80,104    | 152,260    |
| Depreciation and amortization                                  | 3,339     | 12,148       | 5,331     | 17,272     |
| Tax expenses                                                   | 10,738    | 57,041       | 11,603    | 49,240     |
|                                                                | 208,495   | 536,598      | 193,678   | 664,088    |
| Costs, selling and administrative expenses:                    |           |              |           |            |
| Payroll and charges                                            | 388,852   | 1,165,270    | 386,473   | 1,112,730  |
| Pension plan liabilities (i)                                   | 38,099    | 114,843      | 41,358    | 285,403    |
| Construction costs                                             | 599,713   | 1,712,377    | 656,241   | 1,582,560  |
| General supplies                                               | 46,118    | 130,270      | 42,549    | 114,429    |
| Treatment supplies                                             | 39,102    | 135,198      | 37,289    | 118,910    |
| Outsourced services                                            | 261,608   | 781,516      | 245,888   | 711,216    |
| Electricity                                                    | 144,691   | 443,920      | 144,191   | 437,313    |
| General expenses                                               | 209,421   | 501,865      | 194,549   | 479,515    |
| Depreciation and amortization                                  | 180,251   | 543,838      | 168,217   | 572,556    |
| Tax expenses                                                   | 10,738    | 57,041       | 11,603    | 49,240     |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | 70,495    | 146,043      | 17,308    | 93,416     |
|                                                                | 1,989,088 | 5,732,181    | 1,945,666 | 5,557,288  |

(i) The decrease in pension plan obligations is due to the increase in the actuarial liabilities referring to the retirement and pension supplementary benefits granted by the State Law 4819/58 (G0 Plan) in the amount of R\$157,527, which impacted the first quarter of 2011

## 19. FINANCIAL INCOME AND EXPENSES

| Description                                                    | 3Q12     | PARENT COMPANY |          | Jan-Sep/11 |
|----------------------------------------------------------------|----------|----------------|----------|------------|
|                                                                |          | Jan-Sep/12     | 3Q11     |            |
| Financial expenses:                                            |          |                |          |            |
| Interest and charges on loans and financing – local currency   | (75,012) | (227,145)      | (77,800) | (273,729)  |
| Interest and charges on loans and financing – foreign currency | (22,529) | (68,276)       | (23,155) | (60,303)   |
| Other financial expenses                                       | (8,012)  | (27,120)       | (6,991)  | (24,671)   |
| Income tax on foreign remittance                               | (2,404)  | (8,162)        | (2,316)  | (6,828)    |
| Monetary variation on loans and financing                      | (6,557)  | (24,025)       | (7,862)  | (42,689)   |
| Monetary variation on deficit Sabesprev mais                   | (347)    | (1,154)        | -        |            |



| Description                                        | 3Q12      | PARENT COMPANY |           | Jan-Sep/11 |
|----------------------------------------------------|-----------|----------------|-----------|------------|
|                                                    |           | Jan-Sep/12     | 3Q11      |            |
| Other                                              | 255       | (2,917)        | 72        | (705)      |
| Provisions for financial risks, net of payments    | (39,844)  | (117,960)      | (40,155)  | (108,278)  |
| Total financial expenses                           | (154,450) | (476,759)      | (158,207) | (517,203)  |
| Financial income:                                  |           |                |           |            |
| Monetary adjustment gains                          | 13,727    | 34,814         | 17,386    | 64,784     |
| Income from short-term investments                 | 34,500    | 134,417        | 70,767    | 212,289    |
| Interest and other                                 | 20,055    | 57,518         | 25,355    | 61,957     |
| Total financial income                             | 68,282    | 226,749        | 113,508   | 339,030    |
| Financial income, net before exchange rate changes | (86,168)  | (250,010)      | (44,699)  | (178,173)  |
| Exchange rate changes, net:                        |           |                |           |            |
| Exchange rate changes on loans and financing       | (23,060)  | (145,502)      | (466,324) | (322,976)  |
| Other exchange rate changes                        | (15)      | (40)           | (61)      | (69)       |
| Foreign exchange gains                             | (50)      | (105)          | 386       | (14,564)   |
|                                                    | (23,125)  | (145,647)      | (465,999) | (337,609)  |
| Net financial income (expenses)                    | (109,293) | (395,657)      | (510,698) | (515,782)  |

| Description                                                    | 3Q12      | CONSOLIDATED |           | Jan-Sep/11 |
|----------------------------------------------------------------|-----------|--------------|-----------|------------|
|                                                                |           | Jan-Sep/12   | 3Q11      |            |
| Financial expenses:                                            |           |              |           |            |
| Interest and charges on loans and financing – local currency   | (75,212)  | (230,030)    | (77,991)  | (274,159)  |
| Interest and charges on loans and financing – foreign currency | (22,529)  | (68,276)     | (23,155)  | (60,303)   |
| Other financial expenses                                       | (8,014)   | (27,560)     | (7,066)   | (24,767)   |
| Income tax on foreign remittance                               | (2,404)   | (8,162)      | (2,316)   | (6,828)    |
| Monetary variation on loans and financing                      | (6,557)   | (24,026)     | (7,862)   | (42,689)   |
| Monetary variation on deficit re Sabesprev mais                | (347)     | (1,154)      | -         | -          |
| Other                                                          | 255       | (2,917)      | 72        | (705)      |
| Provisions for financial risks, net of payments                | (39,844)  | (117,960)    | (40,155)  | (108,278)  |
| Total financial expenses                                       | (154,652) | (480,085)    | (158,473) | (517,729)  |
| Financial income:                                              |           |              |           |            |
| Monetary adjustment gains                                      | 13,733    | 34,820       | 17,386    | 64,794     |
| Income from short-term investments                             | 34,598    | 134,791      | 70,859    | 212,438    |
| Interest and other                                             | 20,039    | 57,573       | 25,356    | 61,980     |
| Total financial income                                         | 68,370    | 227,184      | 113,601   | 339,212    |

| Description                                        | 3Q12        | CONSOLIDATED |            | Jan-Sep/11      |
|----------------------------------------------------|-------------|--------------|------------|-----------------|
|                                                    |             | Jan-Sep/12   | 3Q11       |                 |
| Financial income, net before exchange rate changes | (86,282)    | (252,901)    | (44,872)   | (178,517)       |
| Exchange rate changes, net:                        |             |              |            |                 |
| Exchange rate changes on loans and financing       | (23,060)    | (145,501)    | (466,324)  | (322,977)       |
| Other                                              | (15)        | (53)         | (61)       | (69)            |
| Exchange gains (losses)                            | <u>(51)</u> | <u>(96)</u>  | <u>386</u> | <u>(14,561)</u> |
|                                                    | (23,126)    | (145,650)    | (465,999)  | (337,607)       |
| Net financial income (expenses)                    | (109,408)   | (398,551)    | (510,871)  | (516,124)       |

## 20. OTHER OPERATING INCOME (EXPENSES), NET

|                                        | 3Q12     | PARENT COMPANY |          | Jan-Sep/11 |
|----------------------------------------|----------|----------------|----------|------------|
|                                        |          | Jan-Sep/12     | 3Q11     |            |
| Other operating income, net            | 14,528   | 48,009         | (2,131)  | 58,058     |
| Other operating expenses               | (74,061) | (80,683)       | (10,540) | (19,346)   |
| Other operating income (expenses), net | (59,533) | (32,674)       | (12,671) | 38,712     |

|                                        | 3Q12     | CONSOLIDATED |          | Jan-Sep/11 |
|----------------------------------------|----------|--------------|----------|------------|
|                                        |          | Jan-Sep/12   | 3Q11     |            |
| Other operating income, net            | 14,570   | 48,115       | (2,103)  | 58,144     |
| Other operating expenses               | (74,061) | (80,683)     | (10,540) | (19,346)   |
| Other operating income (expenses), net | (59,491) | (32,568)     | (12,643) | 38,798     |

Other operating income are composed of income from sale of fixed assets, public notices, indemnities and reimbursement of expenses, penalties and pledges, lease of properties, reuse water, Pura and Aqua log's projects and services.

Other operating expenses are composed of write-off of fixed assets due to obsolescence, discontinued works, unproductive wells, economically unfeasible projects and loss of fixed assets.

There was an increase in other operating expenses due to estimated provisions for intangible asset physical count losses and for impairment of intangible asset.

## 21. SEGMENT INFORMATION

The Company's Management defined the operating segments based on accounting balances, applied in strategic decisions.

The Company's Management considers business as water and sewage service. No operating segment was added.

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The business segment information for September 30, 2012 is the following:

|                                                       | CONSOLIDATED<br>January to September 2012<br>Reconciliation to the Balance according to<br>Water Sewage Financial Statements (a) Financial Statements |             |             |          |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|----------|
| Gross revenue from sales and services provided        | 3,593,277                                                                                                                                             | 2,913,137   | 1,749,984   | 8,256,5  |
| Deductions from gross revenue                         | (264,193)                                                                                                                                             | (214,849)   | -           | (479,0   |
| Net revenues from sales and services provided         | 3,329,084                                                                                                                                             | 2,698,288   | 1,749,984   | 7,777,5  |
| Costs, selling and administrative expenses            | (2,515,427)                                                                                                                                           | (1,504,377) | (1,712,377) | (5,732,1 |
| Operating profit before other operating expenses, net | 813,657                                                                                                                                               | 1,193,911   | 37,607      | 2,045,1  |
| Other operating expenses, net                         |                                                                                                                                                       |             |             | (32,5    |
| Financial result, net                                 |                                                                                                                                                       |             |             | (398,5   |
| Operating profit before financial result and taxes    |                                                                                                                                                       |             |             | 1,614,0  |
| Depreciation and amortization                         | 301,876                                                                                                                                               | 241,962     | -           | 543,8    |

The business segment information for September 30, 2011 is the following:

|                                                       | CONSOLIDATED<br>January to September 2011<br>Reconciliation to the Balance according to<br>Water Sewage Financial Statements (a) Financial Statements |             |             |          |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|----------|
| Gross revenue from sales and services provided        | 3,348,872                                                                                                                                             | 2,698,811   | 1,621,183   | 7,668,8  |
| Deductions from gross revenue                         | (242,967)                                                                                                                                             | (195,844)   | -           | (438,8   |
| Net revenues from sales and services provided         | 3,105,905                                                                                                                                             | 2,502,967   | 1,621,183   | 7,230,0  |
| Costs, selling and administrative expenses            | (2,475,864)                                                                                                                                           | (1,498,864) | (1,582,560) | (5,557,2 |
| Operating profit before other operating expenses, net | 630,041                                                                                                                                               | 1,004,103   | 38,623      | 1,672,7  |
| Other operating expenses, net                         |                                                                                                                                                       |             |             | 38,7     |

|                                                    |         |         |   |         |
|----------------------------------------------------|---------|---------|---|---------|
| Financial result, net                              |         |         |   | (516,1  |
| Operating profit before financial result and taxes |         |         |   | 1,195,4 |
| Depreciation and amortization                      | 307,789 | 264,767 | - | 572,5   |

---

The impacts on gross revenue from sales and services are as follows:

|                                                    | CONSOLIDATED<br>January to September |             |
|----------------------------------------------------|--------------------------------------|-------------|
|                                                    | 2012                                 | 2011        |
| (a) Gross construction revenue referring to ICPC 1 | (1,749,984)                          | (1,621,183) |

The impacts on cost, selling and administrative expenses are as follows:

|                                           | CONSOLIDATED<br>January to September |             |
|-------------------------------------------|--------------------------------------|-------------|
|                                           | 2012                                 | 2011        |
| (a) Construction cost referring to ICPC 1 | (1,712,377)                          | (1,582,560) |

(a) Construction revenue is recognized as CPC 17, "Construction Contracts (IAS 11) applying the percentage method of execution.

## 22. EQUITY

### (a) Authorized capital

The Company is authorized to increase its capital up to the limit of R\$10,000,000 (December 31, 2011 - R\$10,000,000) as approved by the Board of Directors and upon ratification of the Fiscal Council.

### (b) Subscribed and paid-in capital

The subscribed and paid-in capital consists of 227,836,623 (December 31, 2011 – 227,836,623), common, book-entry, registered shares, without par value, distributed as follows:

|                                                               | Number of<br>shares | %      |
|---------------------------------------------------------------|---------------------|--------|
| Treasury Department                                           | 114,508,086         | 50.26  |
| Brazilian Clearing and Depository Corporation                 | 56,043,834          | 24.60  |
| The Bank Of New York ADR Department (equivalent in shares)(*) | 56,659,486          | 24.87  |
| Other                                                         | 625,217             | 0.27   |
|                                                               | 227,836,623         | 100.00 |

(\*) each ADR corresponds to two shares

On June 22, 2012, the Company began to pay interest on equity related to 2011 in the amount of R\$578,705, with withholding tax. This amount corresponds to two reais and fifty-four centavos (R\$2.54) per

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share.

Further information on shareholders' equity, such as shareholders compensation, objective and purpose of reserves can be found in Note 18 of the Annual Financial Statements as of December 31, 2011.

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## 23. EARNINGS PER SHARE

## (a) Basic and diluted

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares outstanding during the year.

|                                                                          | Jan-Sep/2012 | Jan-Sep/2011 |
|--------------------------------------------------------------------------|--------------|--------------|
| Profit attributable to the Company's shareholders                        | 1,146,488    | 730,405      |
| Weighted average number of common shares issued (in thousands of shares) | 227,836      | 227,836      |
| Basic and diluted earnings per share (Reais per share)                   | 5.03208      | 3.20584      |

The Company has no potential issuable common shares outstanding. Thus, the basic and diluted earnings per share are the same.

## 24. COMMITMENTS

## (i) Operational rentals

As of September 30, 2012, operational and facilities rentals already contracted require minimum payments, as follows:

|       |         |
|-------|---------|
| 2012  | 59,398  |
| 2013  | 58,745  |
| 2014  | 36,250  |
| 2015  | 2,191   |
| 2016  | 23      |
| Total | 156,607 |

Rental expenses for the periods from July to September 2012 e 2011 were R\$14,729 and R\$8,808, respectively. Figures refer to the following accounts: property rentals, rental of machinery and equipment, rental of computer equipment, car rentals, automotive equipment rental and leasing of copying machines. The operating lease contracts expire in 2016.

## (ii) Electricity

The Company has long-term contracts for firm commitments with suppliers of electricity for own use. As of September 30, 2012, the main amounts of contracts of this type are as follows:

|      |         |
|------|---------|
| 2012 | 281,861 |
|------|---------|

|       |         |
|-------|---------|
| 2013  | 308,678 |
| 2014  | 109,675 |
| 2015  | 107,283 |
| Total | 807,497 |

---

Electricity expenses for the periods from July to September 2012 and 2011 were R\$144,857 and R\$143.928, respectively, and for the periods from January to September 2012 and 2011 these expenses were R\$442,815 and R\$436,554, respectively. The firm commitment agreements expire in 2015.

## 25. CASH FLOW STATEMENTS

### Additional Information

|                                                                                        | PARENT COMPANY<br>AND<br>CONSOLIDATED<br>September 30, 2012 |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Non-cash investments and financing transactions                                        |                                                             |
| Interest capitalized in the period                                                     | 225,270                                                     |
| Contractors                                                                            | 39,227                                                      |
| Commitments relating to program contracts recorded as an addition to intangible assets | 92,074                                                      |
| Leasing                                                                                | 96,165                                                      |
| Construction margin recorded in intangible assets                                      | 36,919                                                      |
| Other additions to intangible assets                                                   | 29,868                                                      |

## 26. SUBSEQUENT EVENTS

- *16<sup>th</sup> Issue of Debentures*

In November, the Company's Board of Directors approved the conditions applicable to the 16<sup>th</sup> issue of simple, non-convertible, unsecured debentures in a single series, for public distribution with restricted placement efforts, in the total amount of R\$500 million, the proceeds of which will be used to pay the Company's financial commitments.

- *17<sup>th</sup> Issue of Debentures*

At a meeting held on November 13, 2012, SABESP's Board of Directors approved the 17<sup>th</sup> issue of simple, non-convertible, unsecured debentures ("17<sup>th</sup> Issue"), in the amount of up to one billion reais (R\$1.0 billion), in up to three series, for public distribution, the proceeds of which will be used to pay the Company's financial commitments in 2013, including the early redemption of debentures issued thereby and/or the

payment of other debts.

- *Public-private Partnership (PPP) of the Água São Lourenço Production System*

The call for the Public-Private Partnership (PPP) of the Água São Lourenço Production was launched in the first week of November. The project should require initial investments of R\$1.8 billion, and that amount should reach R\$5 billion in 20 years.

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According to SABESP, the São Lourenço Production System is a water supply complex with capacity to provide water to around 1.5 million people in the São Paulo Metropolitan Region. The system will have an intake of 4,700 liters of water per second in the Cachoeira do França Reservoir (in the Alto do Juquiá basin), a new water treatment station in Cotia, and a delivery network for seven municipalities of the western metropolitan region.

- *Contracting of a Loan from the Caixa Econômica Federal (CEF)*

In October 2012, SABESP formalized with the Caixa Econômica Federal the contracting of a loan to complement the separation of the sanitation system of the Monte Mor municipality, in the amount of R\$18,855. The funds are originated from the Sanitation for All program of the Government Severance Indemnity Fund (FGTS), and were obtained through a selection process conducted by the City Ministry – PAC 2.

Financial charges are: interest of 6.00% p.a., risk rate of 0.30% p.a. and management fee of 1.40% p.a. The indexer is the Reference Rate (TR). The grace period is four years and the amortization period is 20 years.

- *Arsesp Resolution 373 of November-07-2012*

The Regulatory Agency for Sanitation and Energy of the State of São Paulo (Arsesp) changed the schedule of its Resolution 370 of October 8, 2012 referring to SABESP's Tariff Revision Process, through Arsesp Resolution 373 of November 7, 2012.

- *First Tariff Revision*

ARSESP, through Resolution 374, is submitting to the Basic Sanitation Public Consultation 004/12 the proposal referring to the preliminary Initial Maximum Average Tariff (P0) and Efficiency Gain Factor (X) for SABESP's Second Cycle.

## Other Information Deemed as Relevant by the Company

## 1. CHANGES IN INTEREST HELD BY CONTROLLING SHAREHOLDERS, BOARD MEMBERS AND EXECUTIVE OFFICERS

**CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT  
AND OUTSTANDING SHARES**

| Shareholder                    | Position at September 30, 2012        |              | Total Number         |              |
|--------------------------------|---------------------------------------|--------------|----------------------|--------------|
|                                | Number of<br>Common Shares<br>(units) | %            | of Shares<br>(units) | %            |
| <b>Controlling shareholder</b> |                                       |              |                      |              |
| State Finance Department       | 114,508,086                           | 50.3%        | 114,508,086          | 50.3%        |
| <b>Management</b>              |                                       |              |                      |              |
| Board of Directors             | 2,009                                 | 0            | 2,009                | 0            |
| Executive Officers             | 603                                   | 0            | 603                  | 0            |
| <b>Fiscal Council</b>          | -                                     | -            | -                    | -            |
| <b>Treasury Shares</b>         | -                                     | -            | -                    | -            |
| <b>Other Shareholders</b>      |                                       |              |                      |              |
| <b>Total</b>                   | <b>114,510,698</b>                    | <b>50.3%</b> | <b>114,510,698</b>   | <b>50.3%</b> |
| Outstanding Shares             | 113,325,925                           | 49.7%        | 113,325,925          | 49.7%        |

**CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS,  
MANAGEMENT AND OUTSTANDING SHARES**

| Shareholder                    | Position at September 30, 2011        |       | Total Number         |       |
|--------------------------------|---------------------------------------|-------|----------------------|-------|
|                                | Number of<br>Common Shares<br>(units) | %     | of Shares<br>(units) | %     |
| <b>Controlling shareholder</b> |                                       |       |                      |       |
| State Finance Department       | 114,508,086                           | 50.3% | 114,508,086          | 50.3% |

**Management**

|                    |       |   |       |   |
|--------------------|-------|---|-------|---|
| Board of Directors | 2,009 | 0 | 2,009 | 0 |
| Executive Officers | 603   | 0 | 603   | 0 |

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**Other Information Deemed as Relevant by the Company**

**CONSOLIDATED SHAREHOLDING POSITION OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND OUTSTANDING SHARES Position at September 30, 2011**

| Shareholder        | Number of<br>Common Shares<br>(units) | %            | Total Number<br>of Shares<br>(units) | %            |
|--------------------|---------------------------------------|--------------|--------------------------------------|--------------|
| Fiscal Council     | -                                     | -            | -                                    | -            |
| Treasury Shares    | -                                     | -            | -                                    | -            |
| Other Shareholders |                                       |              |                                      |              |
| <b>Total</b>       | <b>114,510,698</b>                    | <b>50.3%</b> | <b>114,510,698</b>                   | <b>50.3%</b> |
| Outstanding Shares | 113,325,925                           | 49.7%        | 113,325,925                          | 49.7%        |

**2. SHAREHOLDING POSITION**

**SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF EACH TYPE AND CLASS OF COMPANY SHARES, UP TO THE LEVEL OF INDIVIDUALS**

Company:

Position at

September 30, 2012 (shares)

**CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO**

|                          | Common shares |      | Total         |      |
|--------------------------|---------------|------|---------------|------|
| Shareholder              | No. of shares | %    | No. of shares | %    |
| State Finance Department | 114,508,086   | 50.3 | 114,508,086   | 50.3 |



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

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

To the Shareholders, Board of Directors and Management of

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

São Paulo - SP

**Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of Companhia de Saneamento Básico do Estado de São Paulo - SABESP (the “Company”), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR), for the three-month period ended September 30, 2012, which comprises the balance sheet as of September 30, 2012 and the related statements of income for the three and nine-month periods then ended and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

The Company’s Management is responsible for the preparation of the individual interim financial information in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Information and of the consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) and with international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

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

**Conclusion on the individual interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above was not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1), applicable to the preparation of the Interim Financial Information (ITR), and presented in accordance with the standards issued by the CVM.

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### **Conclusion on the consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above was not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by the CVM.

### **Other matters**

#### *Statements of value added*

We have also reviewed the individual and consolidated interim statements of value added (DVA) for the nine-month period ended September 30, 2012, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRS, which do not require the presentation of DVA. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

#### *Review of individual and consolidated interim financial information for the period ended September 30, 2011 and audit of individual and consolidated financial statements for the year ended December 31, 2011*

The information and amounts for the three and nine-month periods ended September 30, 2011, presented for comparison purposes, were previously reviewed by other independent auditors, whose report, without qualification, was issued and dated on November 10, 2011. The information and amounts for the year ended December 31, 2011, presented for comparison purposes, were previously audited by other independent auditors, whose report, without qualification, was issued and dated on March 23, 2012.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, November 13, 2012

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Délio Rocha Leite  
Engagement Partner

**Justification for Restatement**

| <b>Version</b> | <b>Description</b>                                                                     |
|----------------|----------------------------------------------------------------------------------------|
| 2              | Exclusion of a file unduly included: Comment on the Behavior of Corporate Projections. |

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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: May 1, 2013

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

By: /s/

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Name: Rui de Britto Álvares Affonso  
Title: Chief 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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