

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

December 02, 2005

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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 November 22, 2005**

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

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

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

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

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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



**FEDERAL GOVERNMENT  
SERVICE****CVM BRAZILIAN SECURITIES AND EXCHANGE COMMISSION****ITR QUARTERLY****INFORMATION****Base Date 09/30/2005****Corporate Legislation****COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

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| <b>REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.</b> |
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**01.01 - IDENTIFICATION**

|                            |   |                                |
|----------------------------|---|--------------------------------|
| 1 - CVM<br>CODE<br>01444-3 | 2 - COMPANY'S NAME<br>CIA SANEAMENTO BÁSICO ESTADO SÃO<br>PAULO | 3 - CNPJ<br>43.776.517/0001-80 |
| 4 - NIRE<br>35300016831    |   |                                |

**01.02 - HEAD-OFFICE**

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

**01.03 - INVESTOR RELATIONS OFFICER (Company's Mail Address)**

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

|                                       |  |  |  |  |
|---------------------------------------|--|--|--|--|
|                                       |  |  |  |  |
| 16 - E-MAIL<br>raffonso@sabesp.com.br |  |  |  |  |

**01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT**

| CURRENT YEAR   |            | CURRENT QUARTER |               |            | PRIOR QUARTER |  |            |
|--|------------|-----------------|---------------|------------|---------------|--|------------|
| 1 - BEGINNING  | 2 - END    | 3 - NUMBER      | 4 - BEGINNING | 5 - END    | 6 - NUMBER    | 7 - BEGINNING  | 8 - END    |
| 01/01/2005   | 12/31/2005 | 3               | 07/01/2005    | 09/30/2005 | 2             | 04/01/2005   | 06/30/2005 |
| 9 INDEPENDENT ACCOUNTANT<br>Deloitte Touche Tohmatsu Auditores Independentes |            |                 |               |            |               | 10 - CVM CODE<br>00385-9   |            |
| 11 PARTNER RESPONSIBLE<br>Marco Antonio Brandão Simurro                      |            |                 |               |            |               | 12 INDIVIDUAL TAXPAYERS REGISTRATION NUMBER OF PARTNER RESPONSIBLE<br>755.400.708-44 |            |

**01.05 - CAPITAL COMPOSITION**

| NUMBER OF SHARES<br>(thousand) | 1 - CURRENT QUARTER<br>09/30/2005 | 2 - PRIOR QUARTER<br>06/30/2005 | 3 - SAME QUARTER<br>PRIOR YEAR<br>09/30/2004 |
|--------------------------------|-----------------------------------|---------------------------------|--|
| <b>Paid-up Capital</b>         |                                   |                                 |  |
| 1 - Common                     | 28,479,577                        | 28,479,577                      | 28,479,577                                   |
| 2 - Preferred                  | 0                                 | 0                               | 0  |
| 3 Total                        | 28,479,577                        | 28,479,577                      | 28,479,577                                   |
| <b>Treasury Stock</b>          |                                   |                                 |  |
| 4 - Common                     | 0                                 | 0                               | 0  |
| 5 - Preferred                  | 0                                 | 0                               | 0  |
| 6 Total                        | 0                                 | 0                               | 0  |

**01.06 CHARACTERISTICS OF THE COMPANY**

|   |
|---|
| 1 - TYPE OF COMPANY<br>Commercial, Industrial and Other Companies |
| 2 - SITUATION<br>Operating  |
| 3 - NATURE OF OWNERSHIP<br>State-owned                            |
| 4 - ACTIVITY CODE<br>116 Sanitation, Water and Gas Services       |

|   |
|---|
| 5 - MAIN ACTIVITY<br>Water catchment, treatment and distribution; Sewage collection and treatment |
| 6 - TYPE OF CONSOLIDATION<br>Not Submitted  |
| 7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT<br>Unqualified                                   |

**01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS**

|               |               |               |
|---------------|---------------|---------------|
| <b>1</b> ITEM | <b>2</b> CNPJ | <b>3</b> NAME |
|---------------|---------------|---------------|

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

| 1 - ITEM | 2 - EVENT | 3 DATE APPROVED | 4 AMOUNT               | 5 PAYMENT BEGINNING | 6 TYPE OF SHARE | 7 - AMOUNT PER SHARE |
|----------|-----------|-----------------|------------------------|---------------------|-----------------|----------------------|
| 01       | RCA       | 02/26/2004      | Interest on net equity | 06/28/2005          | ON              | 0.0013800000         |
| 02       | RCA       | 12/16/2004      | Interest on net equity | 06/28/2005          | ON              | 0.0030000000         |
| 03       | RCA       | 01/13/2005      | Interest on net equity | 06/28/2005          | ON              | 0.0009900000         |
| 04       | RCA       | 04/28/2005      | Interest on net equity |                     | ON              | 0.0013413120         |
| 05       | RCA       | 06/23/2005      | Interest on net equity |                     | ON              | 0.0023500000         |
| 06       | RCA       | 10/20/2005      | Interest on net equity |                     | ON              | 0.0029900000         |

**01.09 - SUBSCRIBED CAPITAL AND CHANGES IN THE CURRENT YEAR**

| 1 - ITEM | 2 DATE OF CHANGE | 3 - CAPITAL STOCK AMOUNT<br>(In thousand reais) | 4 - AMOUNT OF THE CHANGE<br>(In thousand reais) | 5 NATUR OF THE CHANGE | 6 - NUMBER OF SHARES ISSUED<br>(Thousand) | 7 - SHARE PRICE ON ISSUE DATE<br>(Reais) |
|----------|------------------|---|---|-----------------------|---|--|
|----------|------------------|---|---|-----------------------|---|--|

**01.10 - INVESTOR RELATIONS OFFICER**

|                               |                    |
|-------------------------------|--------------------|
| <b>1 - DATE</b><br>11/11/2005 | <b>2 SIGNATURE</b> |
|-------------------------------|--------------------|

**02.01 BALANCE SHEET - ASSETS (In Thousand Reais)**

| 1 Code        | 2 Description                                | 3 09/30/2005 | 4 06/30/2005 |
|---------------|--|--------------|--------------|
| 1             | Total assets                                 | 17,256,691   | 17,797,010   |
| 1.01          | Current assets                               | 1,683,012    | 2,271,423    |
| 1.01.01       | Cash   | 228,641      | 877,949      |
| 1.01.01.01    | Cash and cash equivalents                    | 228,485      | 198,970      |
| 1.01.01.02    | Foreign exchange advance                     | 0            | 678,678      |
| 1.01.01.03    | Other cash equivalents                       | 156          | 301          |
| 1.01.02       | Credits                                      | 1,150,486    | 1,115,441    |
| 1.01.02.01    | Customers, net                               | 1,150,486    | 1,115,441    |
| 1.01.03       | Inventories                                  | 26,031       | 25,040       |
| 1.01.03.01    | Operating storeroom                          | 26,031       | 25,040       |
| 1.01.04       | Other  | 277,854      | 252,993      |
| 1.01.04.01    | Accounts receivable from shareholders        | 196,696      | 174,742      |
| 1.01.04.02    | Recoverable taxes and contributions          | 442          | 442          |
| 1.01.04.03    | Taxes and contributions                      | 26,477       | 30,421       |
| 1.01.04.04    | Other accounts receivable                    | 54,239       | 47,388       |
| 1.02          | Long term assets                             | 1,540,108    | 1,503,960    |
| 1.02.01       | Sundry credits                               | 1,540,108    | 1,503,960    |
| 1.02.01.01    | Customers, net                               | 267,179      | 278,687      |
| 1.02.01.02    | Compensation for concession termination      | 148,794      | 148,794      |
| 1.02.01.03    | Judicial deposits                            | 19,871       | 15,395       |
| 1.02.01.04    | Accounts receivable from shareholders        | 783,004      | 757,727      |
| 1.02.01.05    | Taxes and contributions                      | 288,828      | 272,293      |
| 1.02.01.06    | Other accounts receivable                    | 32,432       | 31,064       |
| 1.02.02       | Receivables from related companies           | 0            | 0            |
| 1.02.02.01    | From associated companies                    | 0            | 0            |
| 1.02.02.02    | From controlled companies                    | 0            | 0            |
| 1.02.02.03    | From other related companies                 | 0            | 0            |
| 1.02.03       | Other  | 0            | 0            |
| 1.03          | Permanent assets                             | 14,033,571   | 14,021,627   |
| 1.03.01       | Investments                                  | 5,100        | 5,100        |
| 1.03.01.01    | Interest in associated companies             | 0            | 0            |
| 1.03.01.02    | Interest in controlled companies             | 0            | 0            |
| 1.03.01.03    | Other investments                            | 5,100        | 5,100        |
| 1.03.01.03.01 | Shares in other companies                    | 669          | 669          |
| 1.03.01.03.02 | Shares in other companies with tax incentive | 4,409        | 4,409        |
| 1.03.01.03.03 | Compulsory deposits - Eletrobrás             | 22           | 22           |
| 1.03.02       | Fixed assets                                 | 13,996,216   | 13,981,250   |
| 1.03.02.01    | Property, plant and equipment                | 12,039,235   | 12,142,986   |
| 1.03.02.02    | Work in progress                             | 1,956,981    | 1,838,264    |
| 1.03.03       | Deferred assets                              | 32,255       | 35,277       |
| 1.03.03.01    | Organization and reorganization expenses     | 32,255       | 35,277       |

**02.02 BALANCE SHEET - LIABILITIES (In Thousand Reais)**

| 1 Code     | 2 Description                   | 3 09/30/2005 | 4 06/30/2005 |
|------------|---------------------------------|--------------|--------------|
| 2          | Total liabilities               | 17,256,691   | 17,797,010   |
| 2.01       | Current liabilities             | 1,599,034    | 2,136,018    |
| 2.01.01    | Loans and financing             | 438,257      | 1,082,150    |
| 2.01.02    | Debentures                      | 316,774      | 338,026      |
| 2.01.02.01 | 4th issue debentures            | 100,001      | 100,001      |
| 2.01.02.02 | 5th issue debentures            | 148,481      | 149,155      |
| 2.01.02.03 | Interest on debentures          | 68,292       | 88,870       |
| 2.01.03    | Suppliers                       | 58,345       | 46,553       |
| 2.01.04    | Taxes, fees and contributions   | 138,354      | 129,115      |
| 2.01.04.01 | Paes Program                    | 38,629       | 37,856       |
| 2.01.04.02 | Cofins and Pasep                | 33,984       | 30,438       |
| 2.01.04.03 | Corporate Income Tax            | 31,621       | 31,662       |
| 2.01.04.04 | Social contribution             | 8,351        | 8,294        |
| 2.01.04.05 | I.N.S.S. (Social Security)      | 16,143       | 17,241       |
| 2.01.04.06 | Other                           | 9,626        | 3,624        |
| 2.01.05    | Dividends payable               | 0            | 0            |
| 2.01.06    | Provisions                      | 37,742       | 30,979       |
| 2.01.06.01 | Finsocial                       | 7,872        | 7,872        |
| 2.01.06.02 | For Civil contingencies         | 0            | 976          |
| 2.01.06.03 | For Suppliers contingencies     | 13,270       | 10,763       |
| 2.01.06.04 | For Customers contingencies     | 16,600       | 11,368       |
| 2.01.07    | Debt with related companies     | 0            | 0            |
| 2.01.08    | Other                           | 609,562      | 509,195      |
| 2.01.08.01 | Salaries and payroll charges    | 181,218      | 169,579      |
| 2.01.08.02 | Services                        | 79,623       | 71,880       |
| 2.01.08.03 | Interest on net equity payable  | 262,851      | 183,526      |
| 2.01.08.04 | Taxes and contributions         | 71,371       | 69,980       |
| 2.01.08.05 | Amounts refundable              | 10,687       | 10,360       |
| 2.01.08.06 | Other liabilities               | 3,812        | 3,870        |
| 2.02       | Long-term liabilities           | 7,206,948    | 7,319,760    |
| 2.02.01    | Loans and financing             | 4,101,024    | 4,226,698    |
| 2.02.02    | Debentures                      | 1,776,967    | 1,815,267    |
| 2.02.02.01 | 4th issue debentures            | 24,998       | 49,998       |
| 2.02.02.02 | 5th issue debentures            | 148,481      | 149,155      |
| 2.02.02.03 | 6th issue debentures            | 610,692      | 616,509      |
| 2.02.02.04 | 7th issue debentures            | 299,546      | 301,085      |
| 2.02.02.05 | 8th issue debentures            | 693,250      | 698,520      |
| 2.02.03    | Provisions                      | 564,071      | 528,084      |
| 2.02.03.01 | Provision for labor indemnities | 29,517       | 27,731       |
| 2.02.03.02 | Civil                           | 58,709       | 48,792       |
| 2.02.03.03 | Social security charges         | 7,463        | 7,590        |

**02.02 BALANCE SHEET - LIABILITIES (In Thousand Reais)**

| 1 Code        | 2 Description                         | 3-09/30/2005 | 4 06/30/2005 |
|---------------|---------------------------------------|--------------|--------------|
| 2.02.03.04    | Suppliers                             | 181,315      | 182,269      |
| 2.02.03.05    | Customers                             | 261,145      | 235,275      |
| 2.02.03.06    | Environmental                         | 22,227       | 22,731       |
| 2.02.03.07    | Other                                 | 3,695        | 3,696        |
| 2.02.04       | Debts with related companies          | 0            | 0            |
| 2.02.05       | Others                                | 764,886      | 749,711      |
| 2.02.05.01    | Taxes and contributions               | 136,104      | 131,615      |
| 2.02.05.02    | Paes Program                          | 260,749      | 264,998      |
| 2.02.05.03    | Social security liabilities           | 263,305      | 249,736      |
| 2.02.05.04    | Amounts refundable                    | 72,557       | 72,557       |
| 2.02.05.05    | Other accounts payable                | 32,171       | 30,805       |
| 2.03          | Deferred income                       | 0            | 0            |
| 2.05          | Shareholders equity                   | 8,450,709    | 8,341,232    |
| 2.05.01       | Paid-in capital                       | 3,403,688    | 3,403,688    |
| 2.05.02       | Capital reserves                      | 76,306       | 72,824       |
| 2.05.02.01    | Support for projects reserve          | 60,526       | 57,044       |
| 2.05.02.02    | Incentive reserves                    | 15,780       | 15,780       |
| 2.05.03       | Revaluation reserves                  | 2,552,189    | 2,574,594    |
| 2.05.03.01    | Own assets                            | 2,552,189    | 2,574,594    |
| 2.05.03.02    | Controlled/associated companies       | 0            | 0            |
| 2.05.04       | Profit reserves                       | 1,863,389    | 1,863,389    |
| 2.05.04.01    | Legal                                 | 171,991      | 171,991      |
| 2.05.04.02    | Statutory                             | 0            | 0            |
| 2.05.04.03    | For contingencies                     | 0            | 0            |
| 2.05.04.04    | Unrealized profits                    | 0            | 0            |
| 2.05.04.05    | Retained earnings                     | 0            | 0            |
| 2.05.04.06    | Special for undistributed dividends   | 0            | 0            |
| 2.05.04.07    | Other profit reserves                 | 1,691,398    | 1,691,398    |
| 2.05.04.07.01 | Reserve for investments               | 1,691,398    | 1,691,398    |
| 2.05.05       | Retained earnings/accumulated deficit | 555,137      | 426,737      |

### 03.01 INCOME STATEMENT (In Thousand Reais)

| 1 Code  | 2 Description                        | 3 07/01/2005 to<br>09/30/2005 | 4 01/01/2005 to<br>09/30/2005 | 5 - 07/01/2004 to<br>09/30/2004 | 6 - 01/01/2004 to<br>09/30/2004 |
|---------|--------------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| 3.01    | Gross sales and/or services revenues | 1,323,016                     | 3,905,260                     | 1,148,349                       | 3,365,812                       |
| 3.01.01 | Water supply retail                  | 681,714                       | 2,018,926                     | 594,114                         | 1,734,575                       |
| 3.01.02 | Water supply wholesale               | 60,435                        | 176,598                       | 54,266                          | 160,291                         |
| 3.01.03 | Sewage collection and treatment      | 559,666                       | 1,644,803                     | 478,922                         | 1,403,605                       |
| 3.01.04 | Other services rendered              | 21,201                        | 64,933                        | 21,047                          | 67,341                          |
| 3.02    | Gross revenue deductions             | (100,431)                     | (292,661)                     | (61,514)                        | (152,651)                       |



|               |                                    |           |             |           |             |
|---------------|------------------------------------|-----------|-------------|-----------|-------------|
| 3.02.01       | Cofins                             | (82,516)  | (240,241)   | (50,549)  | (123,876)   |
| 3.02.02       | Pasep                              | (17,915)  | (52,420)    | (10,965)  | (28,775)    |
| 3.03          | Net sales and/or services revenues | 1,222,585 | 3,612,599   | 1,086,835 | 3,213,161   |
| 3.04          | Cost of sales and/or services      | (600,934) | (1,753,032) | (554,247) | (1,637,196) |
| 3.05          | Gross profit                       | 621,651   | 1,859,567   | 532,588   | 1,575,965   |
| 3.06          | Operating expenses/income          | (341,746) | (853,939)   | (158,505) | (1,097,164) |
| 3.06.01       | Selling                            | (136,886) | (381,447)   | (111,295) | (342,546)   |
| 3.06.02       | General and administrative         | (84,106)  | (253,022)   | (69,754)  | (208,578)   |
| 3.06.03       | Financial                          | (120,754) | (219,470)   | 22,544    | (546,040)   |
| 3.06.03.01    | Financial income                   | 20,668    | 70,183      | 27,059    | 79,934      |
| 3.06.03.01.01 | Financial income                   | 20,668    | 70,183      | 27,462    | 83,035      |
| 3.06.03.01.02 | Cofins/Pasep                       | 0         | 0           | (403)     | (3,101)     |
| 3.06.03.02    | Financial expenses                 | (141,422) | (289,653)   | (4,515)   | (625,974)   |
| 3.06.03.02.01 | Financial expenses                 | (141,422) | (289,653)   | (4,515)   | (625,974)   |
| 3.06.04       | Other operating income             | 0         | 0           | 0         | 0           |
| 3.06.05       | Other operating expenses           | 0         | 0           | 0         | 0           |
| 3.06.06       | Equity in the earnings             | 0         | 0           | 0         | 0           |
| 3.07          | Operating income                   | 279,905   | 1,005,628   | 374,083   | 478,801     |

**03.01 INCOME STATEMENT (In Thousand Reais)**

| 1 Code     | 2 Description                                    | 3 07/01/2005 to 09/30/2005 | 4 01/01/2005 to 09/30/2005 | 5 - 07/01/2004 to 09/30/2004 | 6 - 01/01/2004 to 09/30/2004 |
|------------|--|----------------------------|----------------------------|------------------------------|------------------------------|
| 3.08       | Non-operating income                             | (10,745)                   | (9,835)                    | 517                          | (10,967)                     |
| 3.08.01    | Revenues   | 1,623                      | 5,264                      | 2,838                        | 7,583                        |
| 3.08.01.01 | Revenues   | 2,015                      | 6,343                      | 3,113                        | 8,363                        |
| 3.08.01.02 | Cofins / Pasep                                   | (392)                      | (1,079)                    | (275)                        | (780)                        |
| 3.08.02    | Expenses   | (12,368)                   | (15,099)                   | (2,321)                      | (18,550)                     |
| 3.08.02.01 | Loss on disposal of fixed assets                 | (10,337)                   | (12,669)                   | (1,305)                      | (17,581)                     |
| 3.08.02.02 | Other  | (2,031)                    | (2,430)                    | (1,016)                      | (969)                        |
| 3.09       | Income before taxes/profit share                 | 269,160                    | 995,793                    | 374,600                      | 467,834                      |
| 3.10       | Provision for income tax and social contribution | (76,124)                   | (309,857)                  | (132,754)                    | (170,864)                    |
| 3.10.01    | Provision for income tax                         | (60,315)                   | (246,100)                  | (105,316)                    | (135,622)                    |
| 3.10.02    | Provision for social contribution                | (15,809)                   | (63,757)                   | (27,438)                     | (35,242)                     |
| 3.11       | Deferred income tax                              | 6,893                      | 18,665                     | 2,469                        | 7,057                        |
| 3.11.01    | Deferred income tax                              | 10,050                     | 34,925                     | 9,394                        | 15,006                       |
| 3.11.02    | Deferred social contribution                     | (3,157)                    | (16,260)                   | (6,925)                      | (7,949)                      |
| 3.11.03    | Reversal of deferred income tax                  | 0                          | 0                          | 0                            | 0                            |
| 3.12       |  | (8,780)                    | (26,341)                   | (8,780)                      | (26,341)                     |

|            |                                      |            |            |            |            |
|------------|--------------------------------------|------------|------------|------------|------------|
|            | Statutory profit share/contribution  |            |            |            |            |
| 3.12.01    | Profit share                         | 0          | 0          | 0          | 0          |
| 3.12.02    | Contribution                         | (8,780)    | (26,341)   | (8,780)    | (26,341)   |
| 3.12.02.01 | Extraordinary item                   | (8,780)    | (26,341)   | (8,780)    | (26,341)   |
| 3.13       | Reversal of interest on net equity   | 0          | 0          | 0          | 0          |
| 3.15       | Profit/loss for the period           | 191,149    | 678,260    | 235,535    | 277,686    |
|            | NUMBER OF SHARES, EX-TREASURY SHARES |            |            |            |            |
|            | (Thou)                               | 28,479,577 | 28,479,577 | 28,479,577 | 28,479,577 |
|            | PROFIT PER SHARE                     | 0.00671    | 0.02382    | 0.00827    | 0.00975    |
|            | LOSS PER SHARE                       |            |            |            |            |

**01444-3 CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO 43.776.517/0001-80**

**04.01 EXPLANATORY NOTES**

Amounts in thousand reais

**1. OPERATIONS**

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

SABESP provides water and sewage services in 368 municipalities in the State of São Paulo, nearly all of which are through concessions granted by the municipalities. Most of these concessions have 30-year terms, 12 of which expire in 2005, 132 in 2006, 30 in 2007, 21 in 2008, 32 in 2009, 46 in 2010 and the remainder between 2011 and 2034. Each of these concessions is automatically renewable for a period equal to its initial term, unless the municipality or SABESP exercises the right to terminate the concession, through notification by either party, at least six months prior to its expiration date.

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

## 2. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with accounting practices adopted in Brazil and with the Brazilian Securities Commission (CVM) regulations.

## 3. SIGNIFICANT ACCOUNTING PRACTICES

### (a) Determination of results of operations

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

Revenue for water and sewer services is recognized as water is consumed or as services are provided. Revenue from water and sewer services rendered but not billed until the end of the periods is recorded as unbilled customer accounts receivable based on monthly estimates in order to match such revenue with costs incurred.

#### (ii) Financial income and expenses

Financial income and expense are primarily comprised of interest and monetary and exchange variations on loans and financing, and financial investments, calculated and reported on the accrual basis of accounting.

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

Income tax and social contribution are recorded on an accrual basis. The provisions for income tax and deferred income tax on tax losses and on temporary differences are recorded at the base rate of 15% plus an additional 10%. The provisions for social contribution on net income and deferred social contribution on tax losses and on temporary differences are recorded at the rate of 9%.

#### (iv) Other income and expenses

Other income and expenses are reported on an accrual basis.

### (b) Financial investments

Financial investments are comprised mainly by Financial Investment Funds (FIF) and are stated at cost plus accrued interest (*pro rata temporis*) until the end of the period, up to the limit of the market value.

### (c) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts for receivable balances in excess of R\$ 5 and overdue for more than 360 days and for those in excess of R\$ 30 and overdue for more than 360 days, which are under judicial collection proceedings. The amount is deemed by the Management to be sufficient to cover probable losses, based on an aging analysis of receipts, taking into consideration the expected recovery in the different categories of customers. For accounts receivable balances under R\$ 5 and overdue more than 180 days, such balances are written off through a direct charge to income.

### (d) Inventories

Inventories of materials used in operations and in the maintenance of the Company's water and sewage systems are stated at the lower of average acquisition cost or realization value, and are classified in current assets.

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

(e) Other current assets and long-term receivables

Other current assets and long-term receivables are stated at the lower of acquisition cost or realization value, plus accrued interest, when applicable.

(f) Permanent assets

These are stated at adjusted cost up to December 31, 1995, and take the following into consideration:

Depreciation of property, plant and equipment - is recorded using the straight-line method at the annual rates mentioned in Note 6.a.

Revaluation of property, plant and equipment items - carried out in two separate stages in 1990 and 1991, was based on an appraisal report issued by independent experts. The referred revaluation was stated with a corresponding entry to the revaluation reserve account, in the shareholders equity, and is realized through depreciation, sale, and disposal of the respective assets, with a corresponding entry to retained earnings .

Interest charges on financings raised with third parties for construction in progress are capitalized as part of the cost of assets.

Deferred charges are amortized on the straight-line basis over five years as from the date when benefits start to be generated.

(g) Loans and financings

Loans and financing are adjusted by indexation charges and foreign exchange variations and include accruals for related interest expenses.

(h) Provision for vacation pay

The provision for vacation pay and respective payroll charges is accrued as earned.

(i) Provision for contingencies

Provisions for contingencies are recorded to cover eventual losses related to labor, tax, civil, commercial and other lawsuits, at administrative and court levels, which are considered by legal counsel to be probable and able to be estimated at September 30, 2005.

(j) Environmental expenditures

Expenditures relating to ongoing environmental programs are recorded in income as incurred. Ongoing programs are designed and performed with a view to minimize the environmental impact of the operations and to manage the environmental risks inherent to the activities. Provisions with respect to such costs are recorded at the time they are considered to be probable and able to be reasonably estimated.

(k) Actuarial liability

The Company sponsors a private defined benefit pension plan. CVM Deliberation 371 of December 13, 2000 determines the recognition of actuarial liabilities exceeding the fair value of the assets of the pension plans. Liabilities ascertained at December 31, 2001 have been recognized over a period of 5 years, as from fiscal year 2002.

(l) Other current liabilities and long-term liabilities

These are stated at their known or estimated amounts, including accrued charges and monetary and foreign exchange variations, when applicable.

(m) Interest on shareholder's equity

This interest has been recorded in accordance with Law 9249/95, for tax deductibility purposes, being limited to the daily pro-rata variation of the Long-term Interest Rate (TJLP) and recorded in conformity with CVM Deliberation 207/96.

(n) Profit per thousand shares

Profit per thousand shares is calculated based on the number of shares outstanding at the balance sheet date.

(o) Use of estimates

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

4. CUSTOMERS ACCOUNTS RECEIVABLE

(a) Balance sheet balances

|   | Sep/05  | Jun/05  |
|---|---------|---------|
| Private customers                               | 944,384 | 926,029 |
| Government entities                             | 439,219 | 414,524 |
| Wholesale customers – municipal authorities (i) |         |         |
| - Guarulhos                                     | 282,871 | 284,688 |
| - Santo André                                   | 247,075 | 239,006 |
| - Mauá  | 88,110  | 83,304  |
| - Diadema                                       | 71,326  | 70,945  |
| - Mogi das Cruzes                               | 3,905   | 3,818   |
| - São Caetano do Sul                            | 2,709   | 2,661   |
|   | 695,996 | 684,422 |
| Unbilled amounts                                | 208,795 | 200,983 |

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Subtotal                        | 2,288,394 | 2,225,958 |
| Allowance for doubtful accounts | (870,729) | (831,830) |
| Total customers                 | 1,417,665 | 1,394,128 |
| Current assets                  | 1,150,486 | 1,115,441 |
| Long term assets (ii)           | 267,179   | 278,687   |
|                                 | 1,417,665 | 1,394,128 |

(i) Wholesale customers – municipal authorities – Accounts receivable from wholesale customers relate to the wholesale of treated water to certain municipalities, which are responsible for distribution, billing and collection with the final customers. Water services provided to wholesale customers are as follows:

|                                     | 3Q05     | 2Q05     |
|-------------------------------------|----------|----------|
| Balance at beginning of period      | 684,422  | 657,579  |
| Billings for services provided      | 60,435   | 58,434   |
| Collections – current year services | (31,840) | (31,591) |
| Collections – prior year services   | (17,021) | -        |
| Balance at end of period            | 695,996  | 684,422  |
| Current portion                     | 12,171   | 10,098   |
| Long term portion                   | 683,825  | 674,324  |

(ii) Long-term receivables - Past-due and renegotiated balances with customers and past-due receivables related to the wholesale of water to municipal authorities. It is stated net of the allowance for doubtful accounts in the amount of R\$ 481,949 on September 30, 2005 (Jun/2005 – R\$ 454,175).

(b) Customer accounts receivable aging summary

|                        | Sep/05    | Jun/05    |
|------------------------|-----------|-----------|
| Amounts currently due  | 666,807   | 634,072   |
| Past due:              |           |           |
| Up to 30 days          | 173,919   | 175,554   |
| From 31 to 60 days     | 66,511    | 67,586    |
| From 61 to 90 days     | 60,032    | 57,591    |
| From 91 to 120 days    | 56,989    | 46,717    |
| From 121 to 180 days   | 96,257    | 96,776    |
| From 181 to 360 days   | 203,747   | 212,023   |
| For more than 360 days | 964,132   | 935,639   |
| Total                  | 2,288,394 | 2,225,958 |

## (c) Allowance for doubtful accounts

(i) Changes in the allowance for doubtful accounts are as follows:

|  | 3Q05    | 2Q05    |
|--|---------|---------|
| Prior balance                                | 831,830 | 794,475 |
| Private-sector customers/government entities | 11,125  | 1,949   |
| Wholesale customers                          | 27,774  | 35,406  |
| Additions in the period, net                 | 38,899  | 37,355  |
| Current balance                              | 870,729 | 831,830 |
| Current                                      | 388,780 | 377,655 |
| Long term                                    | 481,949 | 454,175 |

## (ii) In the income

The Company recorded direct charges for probable losses in accounts receivable incurred in the third quarter of 2005, in the amount of R\$ 64,541 (net of recoveries, of R\$ 25,642 up to R\$ 5 and R\$ 38,899 over R\$ 5), directly to the income for the period, recorded as a reduction of selling expenses. These losses amounted to R\$ 46,209 in the third quarter of 2004.

|   | 3Q/05    | 3Q/04    |
|---|----------|----------|
| Provisions (over R\$ 5)                   | (38,899) | (25,803) |
| Written-off (less than or equal to R\$ 5) | (25,642) | (20,406) |
| Expenses                                  | (64,541) | (46,209) |

## 5. RELATED PARTY TRANSACTIONS

The Company is a party to a number of transactions with its majority shareholder, the State Government, and its related agencies.

## (a) Receivables from the State Government

|                               | Set/05  | Jun/05  |
|-------------------------------|---------|---------|
| Current receivables:          |         |         |
| Water and sewage services (i) | 149,161 | 126,072 |

|   |          |          |
|---|----------|----------|
| Gesp Agreement                                  | 47,535   | 48,670   |
| Total current receivables                       | 196,696  | 174,742  |
| Long term receivables:                          |          |          |
| Gesp Agreement                                  | 140,444  | 137,898  |
| Reimbursement for pension benefits paid (ii)    | 642,560  | 619,829  |
| Gross long-term receivable from the shareholder | 783,004  | 757,727  |
|   | 979,700  | 932,469  |
| Water and sewage services rendered              | 337,140  | 312,640  |
| Reimbursement for pension benefits              | 642,560  | 619,829  |
|   | 979,700  | 932,469  |
| Gross revenue from sales and services           | 3Q05     | 3Q04     |
| Water sale                                      | 40,509   | 35,583   |
| Sewage services                                 | 34,538   | 24,726   |
| Amounts received                                | (51,957) | (40,289) |

The Company does not record an allowance for doubtful accounts for any amounts due from the State Government or entities controlled by the State Government, since it does not expect losses on such receivables.

(i) Water and sewage services

The Company provides water and sewage services to the State Government and its related agencies under terms and conditions that Management believes are equal to those with third parties, except for the settlement of amounts outstanding, as described further below.

(ii) Reimbursement for pensions and benefits paid

Reimbursement for pension and benefits paid represents supplementary pension and leave benefit paid by the Company on behalf of the State Government to former employees of State Government-owned companies, which merged to form SABESP. These amounts should be reimbursed to the Company by the State Government, as the primary obligor, and do not bear interests. The budget proposal of the State of São Paulo Government, as approved by the State House of Representatives, includes funds referring to such obligation.

(iii) GESP Agreement

On December 11, 2001, the Company entered into an agreement with the State Government ( GESP Agreement ), under which the State Government acknowledged a debt, among others, for services rendered by the Company of water supply and sewage collection, totaling R\$ 358,207 on that date, representing services rendered until December 01, 2001, having further agreed to pay the amounts due. Additionally, the State Government acknowledged and agreed to pay amounts owed to the Company in connection with supplemental retirement and pension benefits paid by the Company, on its behalf, in the amount of R\$ 320,623 on that date.

The GESP Agreement sets forth that the Water and Electric Power Department ( DAEE ) will transfer, as partial payment to the Company, the title to the Taiacupeba, Jundiá, Biritiba, Paraitinga and Ponte Nova reservoirs, which



make up the Alto Tietê System, and the amount of such assets will reduce the amounts owed to the Company. The asset value of these reservoirs was ascertained based on the arithmetic average of independent evaluations carried out by CPOS Companhia de Obras e Serviços (a state-owned building company selected by the State Government) and by ENGEVAL Engenharia de Avaliação (an independent appraisal company selected by the Company). The payment of the amounts owed in excess to the fair market value of the reservoirs, as agreed upon between the parties, shall be effected by the State of São Paulo Government in 114 monthly successive installments, monthly adjusted by the IGP-M index, added by interests of 6% per annum, beginning from the maturity date of the first installment. Under the terms of the Agreement, the first original payment should have been effected in July 2002, however it was postponed because the parties did not reach an agreement as for the fair value of the reservoirs and the audit and specific analysis of the amounts due ascertained by the experts appointed by the State Government were not concluded. The evaluation work of the reservoirs have been concluded and approved by the Company's Board of Directors with the arithmetic average in the amount of R\$ 300,880 (base date June 2002), as substantiated in the respective reports.

Additionally, pursuant to the memorandum of understanding and the GESP Agreement, the State Government may authorize the Company to use dividends, including interests on net equity stated by the Company and any other obligation payable to the State Government, for offsetting against accounts receivable for services of water supply and sewage collection rendered to the State Government.

Based on official letter no. 53/2005, the Council for Defense of the State Capitals CODEC, dated March 21, 2005, renegotiations between the Company and the State Government have been resumed with a view to obtain the settlement of the debt relating to the supplementary retirement and pension benefits, under the terms set forth in the GESP agreement, including amounts overdue after November 2001. These renegotiations must be restated in a second amendment to the Agreement between the State Government and Sabesp. The Company retained FIPECAFI to calculate the amounts actually reimbursable by the State Government, taking into consideration the legal advice provided by the State Attorneys Office.

Once the debt amount is calculated and the monetary adjustment criterion is determined, Sabesp will be entitled to take the applicable actions with the DAEE in order to obtain the ownership rights over the Alto Tietê System reservoirs, since no court hindrance exists, having in regard that the State has timely filed an appeal against the judgment rendered in the civil public action and was granted suspension of the effects thereof.

The referred second addendum must provide for the criteria for monthly recovery of future amounts to be disbursed by Sabesp.

Since these negotiations are at their initial stage, it is not possible to ascertain the net effects over the balance sheet arising from such negotiation. The Management does not estimate that it will incur significant net losses relating to the differences ascertained between the amounts deemed to be reimbursable by the State Government and the amounts actually paid by Sabesp.

The balances for water and sewage services were included in the 1<sup>st</sup> amendment as described below (iv).

(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, thereby (1) consolidating and acknowledging amounts due from the State Government for water and sewage services through February 2004, monetarily adjusted through February 2004; (2) formally providing for the offset of amounts due from the State Government against interest on shareholders' equity declared by the Company and any other debt owed to the State Government at December 31, 2003, which were monetarily adjusted through February 2004; and (3) defining the payment terms of the remaining obligations of the State Government for water and sewage services.

Under the terms of the Amendment, the State Government acknowledged amounts due to the Company for water and sewage services provided through February 2004, of R\$ 581,779, and the Company acknowledged amounts due to the State Government with respect to interests on shareholder's equity in the amount of R\$ 518,732.

The Company and the State Government have agreed to the reciprocal offset of R\$ 404,889 (monetarily adjusted through February 2004), which were settled up to April 30, 2005. The remaining obligation, of R\$ 187,979 at September 30, 2005 is subject to monthly monetary adjustment at the Expanded Consumer Price Index - IPCA/IBGE, plus interests of 0.5%, of which R\$ 140,444 are recorded in long term assets and R\$ 47,535 in current assets.

Management believes that the amounts due from the State Government are collectible and does not expect to incur losses on these accounts receivable.

#### (b) Cash

The Company's balance of cash and financial investments accounts with financial institutions controlled by the State Government was R\$ 195,818 at September 30, 2005 (R\$ 169,434 at June 30, 2005). The financial income from such investments was R\$ 24,582 and R\$ 17,830, in the periods ended on September 30, 2005 and 2004, respectively.

#### (c) Agreement for use of reservoirs

The Company uses the Guarapiranga and Billings reservoirs and a portion of some of the reservoirs of the Alto Tietê System, which are owned by another company controlled by the State of São Paulo Government. The Company does not pay any fees with respect to the use of these reservoirs, but is responsible for maintaining and funding their operating costs.

The Company has the right to draw water and exploit the reservoirs for a period of 30 years, counted as from 1997.

## 6. PROPERTY, PLANT AND EQUIPMENT

|               |           | Sep/05                                      |           | Jun/05    |
|---------------|-----------|---|-----------|-----------|
|               | Cost      | Accumulated<br>Depreciation<br>Amortization | Net       | Net       |
| In use        |           |   |           |           |
| Water system  |           |   |           |           |
| Land          | 935,221   | -   | 935,221   | 934,924   |
| Buildings     | 2,641,702 | (1,285,487)                                 | 1,356,215 | 1,375,497 |
| Connections   | 799,604   | (312,523)                                   | 487,081   | 488,940   |
| Water meters  | 269,284   | (134,832)                                   | 134,452   | 132,937   |
| Networks      | 3,231,245 | (919,337)                                   | 2,311,908 | 2,332,962 |
| Equipment     | 254,376   | (154,499)                                   | 99,877    | 99,994    |
| Others        | 481,496   | (200,966)                                   | 280,530   | 289,366   |
| Subtotal      | 8,612,928 | (3,007,644)                                 | 5,605,284 | 5,654,620 |
| Sewage system |           |   |           |           |
| Land          | 352,021   | -   | 352,021   | 351,913   |
| Buildings     | 1,447,741 | (500,244)                                   | 947,497   | 959,897   |
| Connections   | 842,588   | (312,221)                                   | 530,367   | 531,754   |

|                                   |            |             |            |            |
|-----------------------------------|------------|-------------|------------|------------|
| Networks                          | 4,621,544  | (1,010,019) | 3,611,525  | 3,623,462  |
| Equipment                         | 499,291    | (340,170)   | 159,121    | 169,463    |
| Others                            | 14,793     | (803)       | 13,990     | 12,536     |
| Subtotal                          | 7,777,978  | (2,163,457) | 5,614,521  | 5,649,025  |
| General use                       |            |             |            |            |
| Land                              | 102,952    | -           | 102,952    | 102,953    |
| Buildings                         | 120,825    | (63,781)    | 57,044     | 58,036     |
| Transportation equipment          | 132,164    | (120,974)   | 11,190     | 12,820     |
| Furniture, fixtures and equipment | 286,025    | (175,010)   | 111,015    | 124,602    |
| Free lease land                   | 25,312     | -           | 25,312     | 25,312     |
| Free lease assets                 | 9,618      | (3,027)     | 6,591      | 6,591      |
| Subtotal                          | 676,896    | (362,792)   | 314,104    | 330,314    |
| Subtotal in use                   | 17,067,802 | (5,533,893) | 11,533,909 | 11,633,959 |
| Construction in progress          |            |             |            |            |
| Water system                      | 614,499    | -           | 614,499    | 555,964    |
| Sewage system                     | 1,323,218  | -           | 1,323,218  | 1,263,358  |
| Others                            | 19,264     | -           | 19,264     | 18,942     |
| Subtotal construction in progress | 1,956,981  | -           | 1,956,981  | 1,838,264  |
| Intangible assets                 | 580,861    | (75,535)    | 505,326    | 509,027    |
| Total                             | 19,605,644 | (5,609,428) | 13,996,216 | 13,981,250 |

## a) Depreciation:

Depreciation is calculated at the following annual rates: buildings - 4%; networks 2%; equipment 10%; water meters 10%; transportation equipment 20%; computer equipment 20%; building connections 5%, and furniture, fixtures and equipment 10%.

Amortization of intangible assets is effected during the term of the concession agreements entered into with the municipalities served by the Company.

## b) Construction in progress

The estimated disbursement as from October 2005, up to 2011, relating to the works already contracted, is approximately R\$ 1,050,000 (not reviewed by the independent auditors).

c) Disposals of property, plant and equipment

For the third quarter of 2005, the Company wrote-off property, plant and equipment in the amount of R\$ 10,337 (2004 R\$ 1,305), of which R\$ 1,165 (2004 R\$ 1,305) are related to the group of properties in use due to obsolescence, theft or disposal and R\$ 9,172 are related to works in progress, related to deactivated works, unproductive wells and unfeasible projects.

d) Expropriations

As a result of the implementation of priority projects related to the water and sewage systems, the Company was forced to expropriate or establish rights of way over third-party properties, in conformity with the relevant legislation. The owners of these properties will be compensated either through negotiated settlements or judicial arbitration. Disbursements to be effected as from the third quarter of 2005, without a date set for the actual disbursement, are estimated to be approximately R\$ 280,200 (not reviewed by the independent auditors), which will be paid out of Company funds. The assets to be received as a result of these negotiations will be recorded as property, plant, and equipment after the transaction is completed. The amount referring to expropriations in the third quarter of 2005 was R\$ 2,464 (2004 R\$ 1,054).

e) Tax effects on assets revaluation

Property, plant and equipment were revaluated in 1990 and 1991 and have been depreciated at annual rates which take into consideration the estimated remaining economic useful lives of the assets as determined in the respective valuation reports that generally do not exceed the original depreciable lives.

As permitted by CVM Instruction 197/93, the Company did not post a provision for the tax effects (deferred taxes) on the revaluation surplus of property, plant and equipment carried out in 1990 and 1991. Had this effect been accounted for, the amount unrealized up to September 30, 2005 would be R\$ 468,696 (Sep/2004 R\$ 499,832). In the period from January to September 2005, the realized revaluation reserve was R\$ 67,031 (January to September 2004 R\$ 79,937).

f) Intangible assets

As from 1998, negotiations relating to new concessions were carried out based on the economic-financial results of the relevant business, as established on appraisal reports issued by independent experts.

The amount provided for in the respective contract, after the transaction is closed with the municipal government and carried out either through subscription of shares in the Company or in cash, is posted to the intangible assets account and amortized over the related concession period.

7. LOANS AND FINANCING

(i) Outstanding loans and financing

| Sep/05     |           |       | Jun/05     |           |       | Final Maturity | Annual Interest Rate | Monet. Adjust. | Guarantees |
|------------|-----------|-------|------------|-----------|-------|----------------|----------------------|----------------|------------|
| Short Term | Long Term | Total | Short Term | Long Term | Total |                |                      |                |            |
|            |           |       |            |           |       |                |                      |                |            |

Domestic

| Fed.<br>Government<br>/ Banco do<br>Brasil | 188,964         | 2,065,507   | 2,254,471        | 183,406          | 2,096,020     | 2,279,426         | 2014                | 8.5%                           | UPR   | Government | State |
|--|-----------------|-------------|------------------|------------------|---------------|-------------------|---------------------|--------------------------------|-------|------------|-------|
| Debtures<br>4 <sup>th</sup><br>Issue       | 100,001         | 24,998      | 124,999          | 100,001          | 49,998        | 149,999           | 2006                | CDI+1.2%                       | -     | -          |       |
| Debtures<br>5 <sup>th</sup><br>Issue       | 148,481         | 148,481     | 296,962          | 149,155          | 149,155       | 298,310           | 2007                | CDI+1.1%<br>and<br>10.65%      | IGP-M | -          |       |
| Debtures<br>6 <sup>th</sup><br>Issue       | -               | 610,692     | 610,692          | -                | 616,509       | 616,509           | 2007 to<br>2010     | 11%                            | IGP-M | -          |       |
| Debtures<br>7 <sup>th</sup><br>Issue       | -               | 299,546     | 299,546          | -                | 301,085       | 301,085           | 2009<br>and<br>2010 | CDI+1.5%<br>and 10.8%          | IGP-M | -          |       |
| Debtures<br>8 <sup>th</sup><br>Issue       | -               | 693,250     | 693,250          | -                | 698,520       | 698,520           | 2009<br>and<br>2011 | CDI+1.5%<br>and<br>10.75%      | IGP-M | -          |       |
| CEF  | 41,667          | 446,516     | 488,183          | 40,232           | 451,554       | 491,786           | 2007 to<br>2020     | 5 % to<br>9.5%                 | UPR   | Own funds  |       |
| BNDES                                      | 21,039          | 175,223     | 196,262          | 16,273           | 164,730       | 181,003           | 2013                | 3% +<br>TJLP<br>12% / CDI<br>/ | -     | Own funds  |       |
| Others<br>Interests and<br>charges         | 2,466<br>90,120 | 24,656<br>- | 27,122<br>90,120 | 2,386<br>111,442 | 24,645<br>-   | 27,031<br>111,442 | 2008 to<br>2011     | TJLP+6%                        | UPR   | -          |       |
| Domestic<br>Total                          | 592,738         | 4,488,869   | 5,081,607        | 602,895          | 4,<br>552,216 | 5,155,111         |                     |                                |       |            |       |

Foreign

| IRDB<br>US\$ 8,717<br>thou | 9,685 | 9,685 | 19,370 | 10,365 | 10,365 | 20,730 | 2007 | 4.11% | US\$ | Fed. Gov. | Currency<br>basket<br>var. + |
|----------------------------|-------|-------|--------|--------|--------|--------|------|-------|------|-----------|------------------------------|

|   |         |           |           |           |           |           |                 |                |                                     |           |
|---|---------|-----------|-----------|-----------|-----------|-----------|-----------------|----------------|-------------------------------------|-----------|
| Soc.Générale<br>EUR 1,489<br>thou<br>BID  | 2,579   | 1,399     | 3,978     | 2,747     | 1,490     | 4,237     | 2006            | 4.9%           | EUR<br>Currency<br>basket<br>var. + | Fed. Gov. |
| US\$ 437,733<br>thou<br>Euro Bonus<br>US\$ 225.000<br>thou<br>Deutsche<br>Bank<br>Luxembourg<br>US\$ 10,000<br>thou<br>Interests and<br>charges | 94,687  | 878,043   | 972,730   | 94,333    | 949,054   | 1,043,387 | 2007 to<br>2025 | 3 % to<br>7.7% | US\$                                | Fed. Gov. |
|   | -       | 499,995   | 499,995   | 646,360   | 528,840   | 1,175,200 | 2008            | 12%            | US\$                                | -         |
|   | 22,222  | -         | 22,222    | 23,504    | -         | 23,504    | 2005            | 11.125%        | US\$                                | -         |
|   | 33,120  | -         | 33,120    | 39,972    | -         | 39,972    |                 |                |                                     |           |
| Foreign total   | 162,293 | 1,389,122 | 1,551,415 | 817,281   | 489,749   | 2,307,030 |                 |                |                                     |           |
| Total   | 755,031 | 5,877,991 | 6,633,022 | 1,420,176 | 6,041,965 | 7,462,141 |                 |                |                                     |           |

At September 30, 2005 the Company did not record any balances for short-term loans and financing.  
Exchange rate on September 30, 2005: US\$ 2.2222; EUR  
2.67175

UPR: Standard Reference Unit

TJLP : Long Term Interest Rate

CURRENCY BASKET VARIATION:: Amount referring to IDB  
and IRDB account unit

EUR: Euro

CDI: Interbank Deposit Certificate

IGP-M: General Market Prices Index

#### (ii) Eurobonus

On July 28, the Eurobonuses were fully settled in the amount of US\$ 275 million as well as the interest on the last installment equal to the total value of R\$ 699,093.

#### (iii) Settlement schedule of loans and financing

The total amount of debts payable up to the end of the year is R\$ 225,185, of which the North-American Dollar- and Euro-indexed amount of R\$ 84,630 and the amount of R\$ 140,555 refer to outstanding interests and principal of loans in Brazilian reais.

| INSTITUTION | Oct-Dec<br>2005 | 2006 | 2007 | 2008 | 2009 | 2010 | As from<br>2011 | TOTAL |
|-------------|-----------------|------|------|------|------|------|-----------------|-------|
|-------------|-----------------|------|------|------|------|------|-----------------|-------|

## DOMESTIC

|                             |         |         |         |         |           |         |           |           |
|-----------------------------|---------|---------|---------|---------|-----------|---------|-----------|-----------|
| Fed. Gov./Banco do Brasil   | 45,753  | 193,020 | 210,089 | 228,668 | 248,890   | 270,901 | 1,057,150 | 2,254,471 |
| Caixa Econômica Federal CEF | 10,100  | 42,511  | 46,043  | 49,610  | 52,638    | 56,520  | 230,761   | 488,183   |
| Debentures                  | 25,000  | 248,480 | 380,294 | -       | 743,734   | 284,691 | 343,250   | 2,025,449 |
| BNDES                       | 3,962   | 21,501  | 29,107  | 29,107  | 29,107    | 29,106  | 54,372    | 196,262   |
| Others                      | 558     | 2,940   | 5,051   | 4,988   | 4,768     | 4,600   | 4,217     | 27,122    |
| Interests and Charges       | 55,182  | 34,938  | -       | -       | -         | -       | -         | 90,120    |
| Domestic Total              | 140,555 | 543,390 | 670,584 | 312,373 | 1,079,137 | 645,818 | 1,689,750 | 5,081,607 |

## FOREIGN

|                          |         |         |         |         |           |         |           |           |
|--------------------------|---------|---------|---------|---------|-----------|---------|-----------|-----------|
| IRDB                     | 4,842   | 9,685   | 4,843   | -       | -         | -       | -         | 19,370    |
| Société Générale         | 1,254   | 2,724   | -       | -       | -         | -       | -         | 3,978     |
| IDB                      | 26,892  | 95,149  | 95,149  | 66,223  | 66,223    | 66,223  | 556,871   | 972,730   |
| Euro Bonus               | -       | -       | -       | 499,995 | -         | -       | -         | 499,995   |
| Deutsche Bank Luxembourg | 22,222  | -       | -       | -       | -         | -       | -         | 22,222    |
| Interests and Charges    | 29,420  | 3,700   | -       | -       | -         | -       | -         | 33,120    |
| Foreign Total            | 84,630  | 111,258 | 99,992  | 566,218 | 66,223    | 66,223  | 556,871   | 1,551,415 |
| Total                    | 225,185 | 654,648 | 770,576 | 878,591 | 1,145,360 | 712,041 | 2,246,621 | 6,633,022 |

## (iv) Short-term debt structuring

One of the Company's main goals is to reduce its foreign currency debt exposure, seeking to minimize costs and volatility over its income.

## 8. TAXES AND CONTRIBUTIONS

## (a) Balance sheet accounts

|                              | Sep/05  | Jun/05  |
|------------------------------|---------|---------|
| In current assets (i)        |         |         |
| Deferred income tax          | 7,468   | 5,777   |
| Deferred social contribution | 19,009  | 24,644  |
|                              | 26,477  | 30,421  |
| In long term assets (ii)     |         |         |
| Deferred income tax          | 211,387 | 198,838 |
| Deferred social contribution | 77,441  | 73,455  |
|                              | 288,828 | 272,293 |

|                               |  |  |         |         |
|-------------------------------|--|--|---------|---------|
| In current liabilities (iii)  |  |  |         |         |
| Income tax                    |  |  | 31,621  | 31,662  |
| Social Contribution           |  |  | 8,351   | 8,294   |
| Deferred PASEP                |  |  | 22,094  | 21,876  |
| Deferred COFINS               |  |  | 49,277  | 48,104  |
|                               |  |  | 111,343 | 109,936 |
| In long term liabilities (iv) |  |  |         |         |
| Deferred income tax           |  |  | 66,484  | 65,620  |
| Deferred social contribution  |  |  | 19,424  | 19,114  |
| Deferred PASEP                |  |  | 14,406  | 13,815  |
| Deferred COFINS               |  |  | 35,790  | 33,066  |
|                               |  |  | 136,104 | 131,615 |

|                              | 3Q/05    | Jan-Sep/05 | 3Q/04     | Jan-Sep/04 |
|------------------------------|----------|------------|-----------|------------|
| For the period               |          |            |           |            |
| Income tax                   | (60,315) | (246,100)  | (105,316) | (135,622)  |
| Deferred income tax          | 10,050   | 34,925     | 9,394     | 15,006     |
|                              | (50,265) | (211,175)  | (95,922)  | (120,616)  |
| For the period               |          |            |           |            |
| Social contribution          | (15,809) | (63,757)   | (27,438)  | (35,242)   |
| Deferred social contribution | (3,157)  | (16,260)   | (6,925)   | (7,949)    |
|                              | (18,966) | (80,017)   | (34,363)  | (43,191)   |

## (b) Deferred taxes

## (i) In current assets

Mainly calculated on temporary differences in the amount of R\$ 29,870 (Jun/2005 R\$ 23,107). The negative tax basis of the accrued social contribution at September 30, 2005 is R\$ 181,347 (Jun/2005 R\$ 250,719), which will be realized with taxable income until yearend 2006.

## (ii) In long-term receivables

Mainly calculated on temporary differences in the amount of R\$ 845,550 (Jun/2005 R\$ 795,353) for income tax and R\$ 860,453 (Jun/2005 R\$ 810,257) for social contribution, which will be realized as these differences become deductible for the purposes of income tax.

The negative tax basis of the social contribution was fully realized by September 30, 2005; on June 30, 2005, the balance was R\$ 5,906.



## (iii) In current liabilities

Substantially calculated on sales to public agencies, with taxes being deducted upon receipt of the invoices.

## (iv) In long-term liabilities

## - Income tax and social contribution

Mainly calculated on temporary differences in the amount of R\$ 265,934 (Jun/2005 R\$ 262,481) for income tax and R\$ 215,828 (Jun/2005 R\$ 212,374) for social contribution.

## - PASEP AND CONFINS

Substantially calculated on sales to public agencies, with taxes being deducted upon receipt of the invoices.

## (c) Reconciliation of the effective tax rate

The amount recorded as income tax and social contribution expense in the financial statements is reconciled from the nominal rates provided by Law, as shown below:

|  | 3Q/05    | Jan-Sep/05 | 3Q/04     | Jan-Sep/04 |
|--|----------|------------|-----------|------------|
| Profit (loss) before taxes                 | 269,160  | 995,793    | 374,600   | 467,834    |
| Nominal rate                               | 34%      | 34%        | 34%       | 34%        |
| Expense at nominal rate                    | (91,514) | (338,570)  | (127,364) | (159,064)  |
| Permanent differences:                     |          |            |           |            |
| Revaluation reserve realization            | (7,618)  | (22,790)   | (7,668)   | (27,179)   |
| Interest on own capital                    | 28,952   | 64,652     | -         | 13,365     |
| Other differences                          | 949      | 5,516      | 4,747     | 9,071      |
| Income tax and social contribution         | (69,231) | (291,192)  | (130,285) | (163,807)  |
| Current income tax and social contribution | 76,124   | 309,857    | 132,754   | 170,864    |
| Deferred                                   | (6,893)  | (18,665)   | (2,469)   | (7,057)    |
|  | (69,231) | (291,192)  | (130,285) | (163,807)  |
| Actual rate                                | 28%      | 31%        | 35%       | 37%        |

## 9. PAES Special Payment into Installments

The Company filed a Request for Special Payment into Installments PAES, on July 15, 2003, as provided for by Law no. 10.684, of May 30, 2003, which request includes COFINS and PASEP debts involved in a lawsuit brought against the enforcement of Law no. 9718/98 as well as the outstanding balance of the Tax Recovery Program REFIS, in the amount of R\$ 316,953. The debt shall be paid in 120 months, added by interests at the TJLP rate, the amount thereof being subject to homologation by the Federal Revenue Service.

The amount paid since the request for the PAES program was filed, from July 2003 up to September 2005, was R\$ 79,317, with provisions for payment of charges having been booked in the amount of R\$ 61,742.

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

## 10. PROVISIONS FOR CONTINGENCIES

### (a) In current liabilities

The Company has booked the amount of R\$ 37,742 (Jun/2005 R\$ 30,979) in the current liabilities, under the item Provisions, referring to lawsuits in progress, for which a judgment has been rendered and is currently executed.

(i) Customers these refer to claims filed by customers seeking tariff parity.

(ii) FINSOCIAL In July 1991 an Ordinary Annulment and Declaratory Action was filed by SABESP, through proceedings no. 91.0663460 -5, requesting FINSOCIAL debts to be declared null and void and the Company's obligation to contribute to FINSOCIAL to be declared extinguished.

Deposits were effected in court, with application of a 2% rate, for the period from April 1991 up to April 1992. On August 30, 1994, authorization was granted for releasing 75% of such deposits, and the remaining 25% thereof, to which a 0.5% rate was applied, remained as court deposit and a provision was booked for such purpose.

Upon the acknowledgement, by the STF Federal Supreme Court, of the constitutionality of assessment of FINSOCIAL on the gross revenue of exclusively service providers, which judgment, in the understanding of our legal counsels, has its effects over the discussion on the merits by SABESP, the Company, on July 26, 2002, discharged the amount of R\$ 57,016, corresponding to 1.5% of the total amount due, and requested the conversion into income of the court deposit on the Federal Revenue Service's behalf, thus dismissing the lawsuit referring to proceedings no. 91.0663460 -5, currently under formalization.

### (b) In long-term liabilities

The Company, based on an analysis with its legal advisors, recorded a provision for contingencies in the amount of R\$ 564,071 (Jun/2005 R\$ 528,084), considered sufficient to meet probable losses on legal actions.

(i) Civil claims These refer to claims for material damages, pain and suffering and loss of profits caused to third parties, being currently processed in lower and/or appellate courts, with provisions having been duly booked for those classified as probable loss.

(ii) Contractors these refer to actions filed by construction companies alleging underpayment of monetary adjustments, withholding of amounts related to disregard of effects of the Real Plan and economic-financial unbalance of the contract. These actions are currently processed at lower and/or appellate courts, with provisions having been duly booked for those classified as probable loss.

(iii) Customers these refer to actions filed by commercial customers claiming tariff parity, and consequently, refund of amounts collected by the Company. Decisions to date have been both favorable and unfavorable to the Company in lower and/or appellate courts, with provisions having been duly booked for those classified as probable loss.

(iv) Environmental claims these refer to several administrative proceedings brought by public agencies, including Companhia de Tecnologia de Saneamento Ambiental CETESB, seeking the imposition of fine for environmental damages purportedly caused by the Company.

(v) Labor claims the Company is defending several labor claims, referring to overtime, health hazard and risk, prior dismissal notice, job diversion, salary parity and others, most of the amounts involved being under provisional or definite execution, at lower and/or appellate courts, thus being classified as of probable loss and, consequently, duly

provisioned.

(c) Lawsuits classified as possible loss

The Company is a defendant in lawsuits and administrative proceedings relating to environmental, tax, civil and labor issues, which are deemed by our legal advisors to be possible losses and which are not provisioned in the Company's accounts. The aggregate amount referring to such proceedings is of approximately R\$ 1,439,471 at September 30, 2005 (Jun/2005 R\$ 1,363,750).

## 11. PENSION AND HEALTH BENEFIT PLANS

The Company is the sponsor of Fundação Sabesp de Seguridade Social - SABESPREV, an entity organized in August 1990 with the main purpose of managing Sabesp's employees complementary pension and health benefit plans.

The monthly contributions to the defined benefit pension plan amount to 2.10% by the Company and 2.19% by participants.

The contributions made by participants, as mentioned above, represent an average amount, once the deduction from the payroll depends on salary levels, between 1% and 8.5% .

The health benefit program, made up by optional health plans of free choice, is also funded by contributions by the sponsor and participating employees, which in the year were as follows:

- . Company: 6.21% on average of the payroll;
- . Participating employees: 3.21% of base salary and bonus, corresponding to 2.25% of the gross payroll, on average.

## 12. BENEFITS TO EMPLOYEES

In order to meet the provisions in CVM Deliberation no. 371 of December 13, 2000, the amounts of the pension and retirement benefits granted or to be granted, to which employees are entitled after retirement, are presented below.

At December 31, 2004, based on an independent actuary report, SABESP had a net actuarial liability of R\$ 328,605, representing the difference between the present value of the Company's liability to the participating employees, retired employees, and pensioners, and the fair value of the plan assets.

The Company chose to recognize the liability over a five-year period as from 2002. The Actuarial Liabilities at September 30, 2005, in the amount of R\$ 263,305 (Jun/2005 R\$ 249,736), is recorded in Long-Term Liabilities.

In 2005 the estimated expense is R\$ 65,705. Expenses were recorded from January to September 2005, as shown below:

|                              | 3Q/05  | Jan to Sep/05 | 3Q/04  | Jan to Sep/04 |
|------------------------------|--------|---------------|--------|---------------|
| Repassed to Sabesprev        | 3,491  | 10,186        | 3,007  | 9,457         |
| Actuarial liability recorded | 13,569 | 41,129        | 19,341 | 57,705        |
| Total recorded               | 17,060 | 51,315        | 22,348 | 67,162        |

The amount referring to past service cost is recorded as extraordinary item, net of the related taxes.

## 13. PROFIT SHARING

As a result of negotiations held by the Company with entities representing the employees, a Profit Sharing Program was implemented for the period from July 2005 to June 2006, with the payment of an amount corresponding to up to one month's payroll, depending on achievement of targets.

A provision in the amount of R\$ 13,543 was established and is recorded under current liabilities.

In August 2005, the payment in the amount of R\$ 24,384 was made in relation to the second installment of the profit sharing for the July 2004 to June 2005 period as provided for in the collective bargaining agreement.

## 14. FINANCIAL INSTRUMENTS

## (a) Market value of financial instruments

The calculation to determine the market value of these financial instruments is made annually by the Company's Management.

## (b) Concentration of credit risk

A significant portion of sales is made to a broad customer base. Credit risk is mitigated due to the large portfolio and the control procedures, which monitor this risk.

The allowance for possible loan losses is sufficient to cover realization losses.

## (c) Foreign currency

Transactions in foreign currency consist of borrowings for specific works of improvement and expansion of the Company's water supply and sewage collection and treatment services.

## 15. OPERATING COSTS AND EXPENSES

|                               | Jul-Sep/05 | Jan-Sep/05 | Jul-Sep/04 | Jan-Sep/04 |
|-------------------------------|------------|------------|------------|------------|
| 1. Cost of sales and services |            |            |            |            |
| Salaries and payroll charges  | 220,296    | 630,024    | 203,017    | 601,476    |
| General supplies              | 26,996     | 74,300     | 20,234     | 56,952     |
| Treatment supplies            | 21,451     | 78,562     | 19,720     | 69,673     |
| Outsourced services           | 73,041     | 203,587    | 63,484     | 177,373    |
| Electric power                | 107,998    | 313,948    | 93,604     | 280,308    |
| General expenses              | 9,062      | 25,273     | 6,986      | 22,413     |
| Depreciation and amortization | 142,090    | 427,338    | 147,202    | 429,001    |
|                               | 600,934    | 1,753,032  | 554,247    | 1,637,196  |
| 2. Selling Expenses           |            |            |            |            |
| Salaries and payroll charges  | 37,185     | 106,109    | 35,490     | 104,091    |
| General supplies              | 1,750      | 4,938      | 1,230      | 4,043      |
| Outsourced services           | 20,693     | 61,272     | 15,417     | 45,238     |
| Electric power                | 239        | 713        | 198        | 595        |
| General expenses              | 11,617     | 35,043     | 11,767     | 33,808     |
| Depreciation and amortization | 861        | 2,574      | 984        | 2,245      |

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Write-off of receivables   | 64,541     | 170,798    | 46,209     | 152,526    |
|  | 136,886    | 381,447    | 111,295    | 342,546    |
| <b>3. General and Administrative Expenses</b>                        |            |            |            |            |
| Salaries and payroll charges   | 29,492     | 82,867     | 27,301     | 83,472     |
| General supplies   | 898        | 2,862      | 958        | 2,517      |
| Outsourced services  | 18,189     | 65,637     | 23,864     | 67,741     |
| Electric power   | 310        | 995        | 232        | 638        |
| General expenses   | 22,068     | 66,007     | 7,198      | 22,330     |
| Depreciation and amortization  | 4,338      | 12,376     | 4,081      | 13,766     |
| Tax expenses   | 8,811      | 22,278     | 6,120      | 18,114     |
|  | 84,106     | 253,022    | 69,754     | 208,578    |
|  | Jul-Sep/05 | Jan-Sep/05 | Jul-Sep/04 | Jan-Sep/04 |
| <b>4. Cost, Selling, General and Administrative Expenses (1+2+3)</b> |            |            |            |            |
| Salaries and payroll charges   | 286,973    | 819,000    | 265,808    | 789,039    |
| General supplies   | 29,644     | 82,100     | 22,422     | 63,512     |
| Treatment supplies   | 21,451     | 78,562     | 19,720     | 69,673     |
| Outsourced services  | 111,923    | 330,496    | 102,765    | 290,352    |
| Electric power   | 108,547    | 315,656    | 94,034     | 281,541    |
| General expenses   | 42,747     | 126,323    | 25,951     | 78,551     |
| Depreciation and amortization  | 147,289    | 442,288    | 152,267    | 445,012    |
| Tax expenses   | 8,811      | 22,278     | 6,120      | 18,114     |
| Write-off of receivables   | 64,541     | 170,798    | 46,209     | 152,526    |
|  | 821,926    | 2,387,501  | 735,296    | 2,188,320  |
| <b>5. Financial Expenses</b>   |            |            |            |            |
| Interests on Domestic Loans and Financing                            | 145,635    | 388,426    | 118,031    | 337,300    |
| Interests on Foreign Loans and Financing                             | 30,242     | 117,236    | 54,447     | 172,382    |
| Interest on net equity   | 85,154     | 190,154    | -          | 39,302     |
| Interest on net equity (reversal)                                    | (85,154)   | (190,154)  | -          | (39,302)   |
| Other financing expenses   | 4          | 1,821      | 82         | 246        |
| Income Tax on Remittances Abroad                                     | 2,263      | 7,215      | 5,852      | 18,733     |
| Other Financial Expenses   | 7,713      | 25,504     | 11,249     | 31,430     |
| Monetary variations on loans and financing                           | 9,720      | 54,515     | 25,902     | 56,206     |
| Foreign exchange variations on loans and financing                   | (80,912)   | (370,252)  | (227,519)  | (35,166)   |
| Other monetary/foreign exchange variations                           | 918        | 1,525      | 3,968      | 6,986      |
| Provisions   | 25,839     | 63,663     | 12,503     | 37,857     |
|  | 141,422    | 289,653    | 4,515      | 625,974    |
| <b>6. Financial Income</b>   |            |            |            |            |
| Monetary variations  | 6,204      | 22,115     | 7,890      | 39,009     |
| Financial investment income  | 9,115      | 24,582     | 6,142      | 17,830     |
| Interests  | 5,349      | 23,486     | 13,430     | 26,195     |
| Other  | -          | -          | -          | 1          |

|                            |         |         |          |         |
|----------------------------|---------|---------|----------|---------|
| Total financial income     | 20,668  | 70,183  | 27,462   | 83,035  |
| COFINS/PASEP               | -       | -       | (534)    | (5,259) |
| COFINS/PASEP Credit        | -       | -       | 131      | 2,158   |
|                            | -       | -       | (403)    | (3,101) |
| Total Net Financial Income | 20,668  | 70,183  | 27,059   | 79,934  |
| Net Financial Expenses     | 120,754 | 219,470 | (22,544) | 546,040 |

## 16. COMPENSATION FOR CONCESSION TERMINATION

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

In December 1996, SABESP filed claims to seek payment of amounts owed by the municipality of Diadema. The lower court judge rendered an unfavorable decision to SABESP, against which an appeal was filed in November 2000. No decision had been rendered for the appeal up to now. This claim was followed by several other related legal procedures, which are currently pending decision.

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

SABESP executed a memorandum of intent with the municipality of Mauá when the concession was terminated; through which Mauá agreed to pay the amounts owed to the Company for the reversal of the water and sewage systems. However, the Mauá City Hall has never paid any amount whatsoever. SABESP filed a collection proceeding in December 1996 against Mauá. By way of indemnity, the judgment rendered in 2004 sentenced Mauá City Hall and SAMA to pay the amount of R\$ 153.2 million, duly adjusted in accordance with the practical table of the São Paulo State Justice Court, as from March 2000, added by interests since the service of process, legal costs and expenses and 20% attorneys' fees. This award was converted into judgment, subject to double jurisdiction. An appeal was filed by Mauá City Hall and SAMA and SABESP has recently filed its counterarguments against the appeal. This appeal is currently pending decision before the São Paulo court of Justice.

The residual value of property, plant and equipment relating to the Municipality of Mauá, written off in fiscal year 1999, amounted to R\$ 103,763, and the claim balance, in the amount of R\$ 85,918, is recorded in long term assets, under Compensation for concession termination.

Both claims are pending court decision (Mauá and Diadema), and the legal advisor conducting the litigation considers that a favorable outcome for the Company is probable.

## 17. SHAREHOLDERS' EQUITY

(a) Authorized capital

The Company is authorized to increase its capital up to a maximum of R\$ 4,100,000, corresponding to 40,000,000,000 book-entry common shares with no par value.

(b) Subscribed and paid-up capital

The subscribed and paid-up capital comprises 28,479,577,827 common registered shares, with no par value, distributed as follows:

| <u>Shareholders</u>                    | Sep/05         |           | Jun/05         |           |
|--|----------------|-----------|----------------|-----------|
|  | Number         | %         | Number         | %         |
| State Department of Finance            | 14,313,511,871 | 50.258862 | 14,313,511,871 | 50.258862 |
| Shares in Custody with Stock Exchanges | 14,138,559,966 | 49.644556 | 14,138,832,685 | 49.645514 |
| Others                                 | 27,505,990     | 0.096582  | 27,233,271     | 0.095624  |
|  | 28,479,577,827 | 100       | 28,479,577,827 | 100       |

(c) Remuneration of shareholders

Shareholders are entitled to a minimum mandatory dividend of 25% of the net profit, calculated in conformity with Brazilian Corporate Law.

The interests stated in 2004, in the net amount of R\$ 144,042, started to be paid on June 28, 2005.

The interests stated on April 28, 2005, June 23, 2005 and October 20, 2005 in the amount of R\$ 190,154, will be paid within 60 days after the 2006 AGO (Annual Meeting of Shareholders), net of IRRF (Withheld Income Tax).

(d) Capital reserve

This comprises tax incentives and donations from government agencies.

(e) Revaluation reserve

As permitted by CVM Instruction 197/93, the Company chose not to record the income tax and social contribution on the revaluation reserve of property, plant and equipment recorded up to 1991.

The revaluation reserve is charged against Retained earnings in proportion to the depreciation and writing-off of the respective assets.

(f) Changes in retained earnings

|                                    | Sep/05   | Jun/05   |
|------------------------------------|----------|----------|
| Prior balance                      | 426,737  | 135,476  |
| Realization of revaluation reserve | 22,405   | 22,320   |
| Net income for the period          | 191,149  | 335,741  |
| Interest on own capital            | (85,154) | (66,800) |

|                 |         |         |
|-----------------|---------|---------|
| Current balance | 555,137 | 426,737 |
|-----------------|---------|---------|

## 18. CASH FLOW

In order to provide improved information to the market, and abiding by the New Market regulation, the Company is also presenting statements of cash flow, prepared in accordance with IBRACON NPC-20 Standard.

| Description   | Jul-Sep/05 | Jan-Sep/05 | Jul-Sep/04 | Jan-Sep/04 |
|---|------------|------------|------------|------------|
| Cash flow from operating activities                               |            |            |            |            |
| Profit for the period   | 191,149    | 678,260    | 235,535    | 277,686    |
| Adjustments to reconcile net income:                              |            |            |            |            |
| Deferred taxes and contributions                                  | (6,711)    | (22,301)   | 907        | 1,094      |
| Provisions for contingencies                                      | 43,194     | 111,209    | 25,330     | 60,316     |
| Social security contributions                                     | 17,060     | 51,315     | 22,348     | 67,162     |
| Property, plant & equipment received as donation (Private Sector) | -          | -          | (2,012)    | (4,599)    |
| Loss on disposal of property, plant and equipment                 | 10,337     | 12,669     | 1,306      | 17,581     |
| Loss in the write off of deferred goods                           | 1,089      | 1,089      | -          | -          |
| Depreciation  | 140,430    | 421,768    | 143,991    | 418,058    |
| Amortization  | 6,859      | 20,520     | 8,276      | 26,954     |
| Interests on loans and financing payable                          | 178,156    | 512,919    | 184,834    | 534,964    |
| Foreign exchange and indexation charges on loans and financing    | (50,776)   | (314,828)  | (201,617)  | 21,040     |
| Monetary variation on interest on net equity                      | -          | 715        | 3,018      | 9,511      |
| Interests and monetary variations in liabilities                  | 6,116      | 18,928     | 6,888      | 21,432     |
| <br>  |            |            |            |            |
| Description   | Jul-Sep/05 | Jan-Sep/05 | Jul-Sep/04 | Jan-Sep/04 |
| Interests and monetary variations in assets                       | 1,411      | (1,068)    | -          | -          |
| Allowance for doubtful accounts                                   | 64,541     | 170,798    | 46,209     | 152,526    |
|   | 602,855    | 1,661,993  | 475,013    | 1,603,725  |
| (Increase) decrease in assets:                                    |            |            |            |            |
| Accounts receivable from customers                                | (59,240)   | (271,537)  | (97,026)   | (135,497)  |
| Accounts receivable from shareholders                             | (16,206)   | (111,361)  | (96,532)   | (203,387)  |
| Inventories   | (991)      | 3,573      | 1,161      | 3,122      |
| Other accounts receivable   | (6,851)    | (21,393)   | 17,319     | (30,088)   |
| Accounts receivable from customers long term                      | (28,842)   | (89,075)   | (18,138)   | (68,508)   |
| Accounts receivable from shareholder long term                    | (32,435)   | (46,043)   | (8,482)    | (57,828)   |
| Court deposits  | (4,476)    | (3,682)    | (356)      | 415        |
| Other long-term accounts receivable                               | (1,368)    | (4,456)    | (722)      | 819        |



|  |            |             |            |             |
|--|------------|-------------|------------|-------------|
|  | (150,409)  | (543,974)   | (202,776)  | (490,952)   |
| Increase(decrease) in liabilities:         |            |             |            |             |
| Accounts payable to suppliers              | 11,792     | 6,767       | 12,055     | (15,615)    |
| Salaries and payroll charges payable       | 11,639     | 73,990      | 10,873     | 32,880      |
| Taxes and contributions payable            | (1,125)    | (7,282)     | 47,655     | 13,367      |
| Other accounts payable                     | 8,013      | 10,321      | 2,304      | 7,769       |
| Pension fund                               | (3,491)    | (10,186)    | (3,007)    | (9,457)     |
| Provisions for contingencies               | (444)      | -           | (7,701)    | (4,417)     |
| Other long-term accounts payable           | 1,366      | 12,040      | 2,189      | 10,416      |
|  | 27,750     | 85,650      | 64,368     | 34,943      |
| Net cash provided by operating activities  | 480,196    | 1,203,669   | 336,605    | 1,147,716   |
| Cash flow from investment activities:      |            |             |            |             |
| Purchases of property, plant and equipment | (171,988)  | (412,651)   | (141,067)  | (458,758)   |
| Sales of property, plant and equipment     | -          | -           | -          | 176         |
| Increase in deferred assets                | (26)       | (79)        | (174)      | (298)       |
| Net cash used in investment activities     | (172,014)  | (412,730)   | (141,241)  | (458,880)   |
| Cash from financing activities:            |            |             |            |             |
| Loans and financing short term:            |            |             |            |             |
| Issuances                                  | -          | -           | 130,000    | 130,000     |
| Repayments                                 | -          | -           | (133,787)  | (133,787)   |
| Loans and financing long term:             |            |             |            |             |
| Issuances                                  | 23,462     | 1,084,876   | 637,237    | 740,439     |
| Repayments                                 | (975,123)  | (1,681,350) | (633,261)  | (1,281,199) |
| Interests on net equity:                   |            |             |            |             |
| Interests on net equity paid               | (5,829)    | (71,381)    | -          | (126,844)   |
| Net cash used in financing activities      | (957,490)  | (667,855)   | 189        | (671,391)   |
| Description                                | Jul-Sep/05 | Jan-Sep/05  | Jul-Sep/04 | Jan-Sep/04  |

|  |           |          |          |         |
|--|-----------|----------|----------|---------|
| Increase(reduction) in cash and cash equivalents                       | (649,308) | 123,084  | 195,553  | 17,445  |
| Cash and cash equivalents in the beginning of the period               | 877,949   | 105,557  | 102,905  | 281,013 |
| Cash and cash equivalents in the end of the period                     | 228,641   | 228,641  | 298,458  | 298,458 |
| Supplementary information:   |           |          |          |         |
| Interests and charges paid on loans and financing                      | 213,067   | 533,489  | 176,215  | 543,904 |
| Capitalization of interests and financial charges                      | (4,837)   | (19,248) | (11,642) | 14,496  |
| Income tax and social contribution paid                                | 73,818    | 257,223  | 24,408   | 92,118  |
| Property, plant & equipment received as donation and/or paid in shares | 3,483     | 11,016   | 914      | 2,031   |
| COFINS and PASEP paid  | 92,531    | 276,661  | 41,326   | 130,308 |
| Settlement of accounts   | -         | (715)    | 58,086   | 126,531 |

#### 05.01 - COMMENTS ON COMPANY S PERFORMANCE IN THE QUARTER PERIOD

1. SABESP reports growth of 12.5% in the net revenue, and 8.8% in the EBITDA

|  | (R\$ million) |         |        |
|--|---------------|---------|--------|
| Financial Highlights                       | 3Q04          | 3Q05    | Change |
| Net Operating Revenue                      | 1,086.8       | 1,222.6 | 12.5%  |
| EBIT (Earnings Before Interests and Taxes) | 351.5         | 400.7   | 14.0%  |
| EBITDA (*)                                 | 503.8         | 547.9   | 8.8%   |
| EBITDA Margin                              | 46.4%         | 44.8%   |        |
| Net Income                                 | 235.5         | 191.1   | (18.9) |

(\*) Earnings before interests, income tax and social contribution taxes, depreciation and amortization

SABESP recorded net operating revenue of R\$ 1,222.6 million, with EBITDA of R\$ 547.9 million in the 3Q05. The final result for the period, a profit of R\$ 191.1 million, reflects part of the rate readjustment of 9.0% on August 30, 2005. The slower pace of appreciation of the real of 5.5% during the quarter (8.0% in 3Q04) reflects lower income for the quarter.

## 2. Gross operating revenue 12.5% growth

The net operating revenue recorded an increase of R\$ 135.8 million, or 12.5%, which is a result of the 9.0% tariff adjustment impact as from August 30, 2005, of the 3.5% increase in billed water and sewage services, migration of consumers to consumption levels with higher tariff, and end of the reasonable use of water program. However, such increase was minimized by the increase of R\$ 38.9 million resulting from the changes occurred in the COFINS-PASEP legislation.

The charts below show volumes of water and sewage services billed to the retail and wholesale market broken down by user category and region in the third quarters of 2004 and 2005:

| VOLUME OF WATER AND SEWAGE SERVICES BILLED** TO RETAIL AND WHOLESALE MARKET - million m3 |       |       |          |        |       |          |                |       |          |
|--|-------|-------|----------|--------|-------|----------|----------------|-------|----------|
| Category   | Water |       | Change % | Sewage |       | Change % | Water + Sewage |       | Change % |
|  | 3Q04  | 3Q05  |          | 3Q04   | 3Q05  |          | 3Q04           | 3Q05  |          |
| Residential  | 305.2 | 315.1 | 3.2      | 237.6  | 247.0 | 4.0      | 542.8          | 562.1 | 3.6      |
| Commercial   | 35.6  | 36.2  | 1.7      | 32.0   | 33.1  | 3.4      | 67.6           | 69.3  | 2.5      |
| Industrial   | 8.1   | 8.3   | 2.5      | 7.8    | 8.0   | 2.6      | 15.9           | 16.3  | 2.5      |
| Public   | 11.1  | 11.6  | 4.5      | 8.8    | 9.3   | 5.7      | 19.9           | 20.9  | 5.0      |
| Total retail   | 360.0 | 371.2 | 3.1      | 286.2  | 297.4 | 3.9      | 646.2          | 668.6 | 3.5      |
| Wholesale  | 62.5  | 64.9  | 3.8      |        |       |          | 62.5           | 64.9  | 3.8      |
| General Total  | 422.5 | 436.1 | 3.2      | 286.2  | 297.4 | 3.9      | 708.7          | 733.5 | 3.5      |

| VOLUME OF WATER AND SEWAGE SERVICES BILLED** TO RETAIL AND WHOLESALE MARKET million m3 |       |       |          |        |       |          |                |       |          |
|--|-------|-------|----------|--------|-------|----------|----------------|-------|----------|
| By Region  | Water |       | Change % | Sewage |       | Change % | Water + Sewage |       | Change % |
|  | 3Q04  | 3Q05  |          | 3Q04   | 3Q05  |          | 3Q04           | 3Q05  |          |
| Metropolitan   | 239.6 | 249.0 | 3.9      | 194.1  | 203.0 | 4.6      | 433.7          | 452.0 | 4.2      |
| Regional Systems (*)   | 120.4 | 122.2 | 1.5      | 92.1   | 94.4  | 2.5      | 212.5          | 216.6 | 1.9      |
| Total retail   | 360.0 | 371.2 | 3.1      | 286.2  | 297.4 | 3.9      | 646.2          | 668.6 | 3.5      |
| Total wholesale  | 62.5  | 64.9  | 3.8      |        |       |          | 62.5           | 64.9  | 3.8      |
| General Total  | 422.5 | 436.1 | 3.2      | 286.2  | 297.4 | 3.9      | 708.7          | 733.5 | 3.5      |

(\*) Comprising Coastal and Interior regions

(\*\*) Information not reviewed by the independent auditors

## 3. Costs, Administrative and Selling Expenses

Costs, administrative and selling expenses increased by R\$ 86.6 million or 11.8% .

Following are the main changes:

|                              | (R\$ million) |       |            |     |
|------------------------------|---------------|-------|------------|-----|
|                              | 3Q04          | 3Q05  | Difference | %   |
| Salaries and Payroll Charges | 265.8         | 287.0 | 21.2       | 8.0 |

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| General Supplies  | 22.4  | 29.6  | 7.2   | 32.1  |
| Treatment Supplies  | 19.7  | 21.5  | 1.8   | 9.1   |
| Outsourced Services   | 102.8 | 111.9 | 9.1   | 8.9   |
| Electric Power  | 94.0  | 108.5 | 14.5  | 15.4  |
| General Expenses  | 26.0  | 42.8  | 16.8  | 64.6  |
| Credits Write-off   | 46.2  | 64.5  | 18.3  | 39.6  |
| Tax Expenses  | 6.1   | 8.8   | 2.7   | 44.3  |
| Costs, Administrative and Selling Expenses before Depreciation and Amortization | 583.0 | 674.6 | 91.6  | 15.7  |
| Depreciation and Amortization   | 152.3 | 147.3 | (5.0) | (3.3) |
| Costs, Administrative and Selling Expenses                                      | 735.3 | 821.9 | 86.6  | 11.8  |

### 3.1. Salaries and Payroll Charges

These reported an 8.0% increase of R\$ 21.2 million. Such increase is mainly due to the 7.94% salary, benefits and charges increase, as from May 2005.

### 3.2. General Supplies

These reported a R\$ 7.2 million or 32.1% increase, mainly due to maintenance of operating systems, maintenance of residential water connections and networks, and fuels and lubricating oils for the Company's vehicles and conservation of premises and installations.

### 3.3. Treatment Supplies

These posted a R\$ 1.8 million or 9.1% increase, caused by variation in the following materials: aluminum sulphate in the amount of R\$ 1.0 million and lye in the amount of R\$ 0.7 million. There was a mix in the increased consumption of some products and decrease in the consumption of others coupled with the price fluctuations.

### 3.4. Services

These recorded a R\$ 9.1 million or 8.9% increase, due to mainly Global Sourcing Program, substantially affecting the service expenses in maintenance of residential water connections, in the amount of R\$ 5.6 million and maintenance of the networks, in the amount of R\$ 3.9 million.

### 3.5. Electric Power

This recorded a R\$ 14.5 million or 15.4% increase, caused by the average growth of 12.5% in electric power tariffs and the estimated increase in electrical power expenses owed to the increase volumes of water produces and sewage treated during the quarter compared to 1.2%.

### 3.6. General Expenses

These increased by R\$ 16.8 million or 64.6%, a result, mainly, of: indemnities for damages to third parties in the amount of R\$ 1.7 million and provisions for civil and labor contingencies, in the amount of R\$ 12.9 million.

### 3.7. Depreciation and Amortization

This recorded a R\$ 5.0 million or 3.3% reduction, mainly owed to the decrease in transfers of works in progress of the property, plant and equipment in operation in 3T05 of R\$ 175 million compared to 584 million during the same quarter last year.

### 3.8. Credit Write-off

These recorded a R\$ 18.3 million or 39.6% increase, owed mainly to the greater volume in the settlement of collection suits of wholesale supply clients offset in part by the growth in debt recovery.

### 3.9. Tax expenses

These recorded a R\$ 2.7 million or 44.3% increase, owed mainly to the CPMF tax arising from the advanced purchase of dollars for the payment of the Euro Bonus in the amount of US\$ 275 million.

## 4. Financial Expenses and Inflation and Exchange Losses on Monetary Items

4.1 Financial Expenses These recorded a R\$ 9.5 million reduction, as a result of:

- Interest on loans and internal financing and the increase of R\$ 27.6 million related to new Debenture issues 6, 7 and 8 (September 2004, March 2005 and June 2005, respectively) offset by the closing of the third issue (September 2004) and by the decrease in the IGPM which took place in the third quarter of 2005, compared to the third quarter 2004;
- Provisions referring to financial contingencies with R\$ 13.3 million increase, the nature of which is related to interests and updating of estimates of lawsuits in course;
- Interests on foreign loans and financing, with R\$ 24,2 million decrease, related to the lower US dollar quotation and payment of the Euro Bonus (US\$ 275 million) which took place in July, 2005, impacting the interest provided on the respective balances;
- Income tax on foreign remittances, (a R\$ 3.6 million decrease) as a result of payment of interest which occurred in the 3Q04, greater than 3Q05;
- Other Financial Expenses, with R\$ 3.6 million decrease.

### 4.2 Inflation and Exchange Losses on Monetary Items

Inflation and exchange losses on monetary items recorded a variation of R\$ 127.4 million, mainly due to the 5.5% appreciation of reais in relation to the North-American Dollar in 3Q05, against the 8.0% devaluation occurred in 3Q04.

## 5. Operating Highlights

As shown in the chart below, the Company has continued to expand its services.

| Operating Highlights                    | 3Q04  | 3Q05  | Var. (%) |
|---|-------|-------|----------|
| Water connections (1)                   | 6,323 | 6,467 | 2.3      |
| Sewage connections (1)                  | 4,708 | 4,851 | 3.0      |
| Population served with water supply (2) | 22.3  | 22.5  | 0.9      |

|  |        |        |       |
|--|--------|--------|-------|
| Population connected to sewage collection networks (2) | 17.9   | 18.2   | 1.7   |
| Water volumes billed to the wholesale market (3)       | 62.5   | 64.9   | 3.8   |
| Water volumes billed to the retail market (3)          | 360.0  | 371.2  | 3.1   |
| Sewage service billings (3)                            | 286.2  | 297.4  | 3.9   |
| Number of employees                                    | 17,775 | 17,489 | (1.6) |
| Operational productivity (4)                           | 620    | 647    | 4.4   |

- (1) In 1,000 units at the end of the period  
(2) In million inhabitants at the end of the period (does not include wholesale supply).  
(3) In million m<sup>3</sup>  
(4) Number of water and sewage connections per employee

#### 10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES

|                                      |                      |
|--------------------------------------|----------------------|
| 1 - ITEM                             | 01                   |
| 2 ORDER NUMBER                       | 4                    |
| 3 - CVM REGISTRATION NUMBER          | CVM/SRE/DEB/2001-022 |
| 4 DATE OF REGISTRATION WITH CVM      | 06/04/2001           |
| 5 ISSUED SERIES                      | UN                   |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 NATURE OF ISSUE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 04/01/2001           |
| 9 - DUE DATE                         | 12/15/2006           |
| 10 TYPE OF DEBENTURE                 | WITHOUT PREFERENCE   |
| 11 REMUNERATION CONDITIONS           |                      |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL VALUE (reais)           | 4,201.24             |
| 14 AMOUNT ISSUED (Thousand of reais) | 126,037              |
| 15 - DEBENTURES ISSUED (Units)       | 30,000               |
| 16 - OUTSTANDING SECURITIES (Units)  | 30,000               |
| 17 TREASURY DEBENTURES (Units)       | 0                    |
| 18 - SURRENDERED DEBENTURES (Units)  | 0                    |
| 19 - CONVERTED DEBENTURES (Number)   | 0                    |
| 20 DEBENTURES TO PLACE (Number)      | 0                    |
| 21 DATE OF LAST NEGOTIATION          |                      |
| 22 DATE OF NEXT EVENT                | 12/15/2005           |

#### 10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES

|                                 |                      |
|---------------------------------|----------------------|
| 1 - ITEM                        | 02                   |
| 2 ORDER NUMBER                  | 5                    |
| 3 - CVM REGISTRATION NUMBER     | CVM/SRE/DEB/2002-013 |
| 4 DATE OF REGISTRATION WITH CVM | 05/14/2002           |

|    |                                   |                    |
|----|-----------------------------------|--------------------|
| 5  | ISSUED SERIES                     | 1                  |
| 6  | TYPE OF ISSUE                     | SIMPLE             |
| 7  | NATURE OF ISSUE                   | PUBLIC             |
| 8  | ISSUE DATE                        | 04/01/2002         |
| 9  | DUE DATE                          | 03/01/2007         |
| 10 | TYPE OF DEBENTURE                 | WITHOUT PREFERENCE |
| 11 | REMUNERATION CONDITIONS           |                    |
| 12 | PREMIUM/DISCOUNT                  |                    |
| 13 | NOMINAL VALUE (reais)             | 6,996.81           |
| 14 | AMOUNT ISSUED (Thousand of reais) | 219,503            |
| 15 | DEBENTURES ISSUED (Units)         | 31,372             |
| 16 | OUTSTANDING SECURITIES (Units)    | 31,372             |
| 17 | TREASURY DEBENTURES (Units)       | 0                  |
| 18 | SURRENDERED DEBENTURES (Units)    | 0                  |
| 19 | CONVERTED DEBENTURES (Number)     | 0                  |
| 20 | DEBENTURES TO PLACE (Number)      | 0                  |
| 21 | DATE OF LAST NEGOTIATION          |                    |
| 22 | DATE OF NEXT EVENT                | 01/01/2006         |

#### 10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES

|    |                                   |                      |
|----|-----------------------------------|----------------------|
| 1  | ITEM                              | 03                   |
| 2  | ORDER NUMBER                      | 5                    |
| 3  | CVM REGISTRATION NUMBER           | CVM/SRE/DEB/2002-014 |
| 4  | DATE OF REGISTRATION WITH CVM     | 05/14/2002           |
| 5  | ISSUED SERIES                     | 2                    |
| 6  | TYPE OF ISSUE                     | SIMPLE               |
| 7  | NATURE OF ISSUE                   | PUBLIC               |
| 8  | ISSUE DATE                        | 04/01/2002           |
| 9  | DUE DATE                          | 03/01/2007           |
| 10 | TYPE OF DEBENTURE                 | WITHOUT PREFERENCE   |
| 11 | REMUNERATION CONDITIONS           |                      |
| 12 | PREMIUM/DISCOUNT                  |                      |
| 13 | NOMINAL VALUE (reais)             | 10,711.97            |
| 14 | AMOUNT ISSUED (Thousand of reais) | 92,422               |
| 15 | DEBENTURES ISSUED (Units)         | 8,628                |
| 16 | OUTSTANDING SECURITIES (Units)    | 8,628                |
| 17 | TREASURY DEBENTURES (Units)       | 0                    |
| 18 | SURRENDERED DEBENTURES (Units)    | 0                    |
| 19 | CONVERTED DEBENTURES (Number)     | 0                    |
| 20 | DEBENTURES TO PLACE (Number)      | 0                    |
| 21 | DATE OF LAST NEGOTIATION          | 04/01/2005           |

|                       |            |
|-----------------------|------------|
| 22 DATE OF NEXT EVENT | 04/01/2006 |
|-----------------------|------------|

**10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1 - ITEM                             | 04                   |
| 2 ORDER NUMBER                       | 6                    |
| 3 - CVM REGISTRATION NUMBER          | CVM/SRE/DEB/2004/031 |
| 4 DATE OF REGISTRATION WITH CVM      | 09/17/2004           |
| 5 ISSUED SERIES                      | 1                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 NATURE OF ISSUE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 09/01/2004           |
| 9 - DUE DATE                         | 09/01/2007           |
| 10 TYPE OF DEBENTURE                 | WITHOUT PREFERENCE   |
| 11 REMUNERATION CONDITIONS           |                      |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL VALUE (reais)           | 1,015.67             |
| 14 AMOUNT ISSUED (Thousand of reais) | 235,445              |
| 15 - DEBENTURES ISSUED (Units)       | 231,813              |
| 16 - OUTSTANDING SECURITIES (Units)  | 231,813              |
| 17 TREASURY DEBENTURES (Units)       | 0                    |
| 18 - SURRENDERED DEBENTURES (Units)  | 0                    |
| 19 - CONVERTED DEBENTURES (Number)   | 0                    |
| 20 DEBENTURES TO PLACE (Number)      | 0                    |
| 21 DATE OF LAST NEGOTIATION          |                      |
| 22 DATE OF NEXT EVENT                | 03/01/2006           |

**10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES**

|                                 |                      |
|---------------------------------|----------------------|
| 1 - ITEM                        | 05                   |
| 2 ORDER NUMBER                  | 6                    |
| 3 - CVM REGISTRATION NUMBER     | CVM/SRE/DEB/2004/032 |
| 4 DATE OF REGISTRATION WITH CVM | 09/17/2004           |
| 5 ISSUED SERIES                 | 2                    |
| 6 - TYPE OF ISSUE               | SIMPLE               |
| 7 NATURE OF ISSUE               | PUBLIC               |
| 8 - ISSUE DATE                  | 09/01/2004           |
| 9 - DUE DATE                    | 09/01/2009           |
| 10 TYPE OF DEBENTURE            | WITHOUT PREFERENCE   |
| 11 REMUNERATION CONDITIONS      |                      |
| 12 - PREMIUM/DISCOUNT           |                      |
| 13 - NOMINAL VALUE (reais)      | 1,037.59             |



|    |                                   |            |
|----|-----------------------------------|------------|
| 14 | AMOUNT ISSUED (Thousand of reais) | 195,343    |
| 15 | DEBENTURES ISSUED (Units)         | 188,267    |
| 16 | OUTSTANDING SECURITIES (Units)    | 188,267    |
| 17 | TREASURY DEBENTURES (Units)       | 0          |
| 18 | SURRENDERED DEBENTURES (Units)    | 0          |
| 19 | CONVERTED DEBENTURES (Number)     | 0          |
| 20 | DEBENTURES TO PLACE (Number)      | 0          |
| 21 | DATE OF LAST NEGOTIATION          |            |
| 22 | DATE OF NEXT EVENT                | 09/01/2006 |

**10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES**

|    |                                   |                      |
|----|-----------------------------------|----------------------|
| 1  | ITEM                              | 06                   |
| 2  | ORDER NUMBER                      | 6                    |
| 3  | CVM REGISTRATION NUMBER           | CVM/SRE/DEB/2004/033 |
| 4  | DATE OF REGISTRATION WITH CVM     | 09/17/2004           |
| 5  | ISSUED SERIES                     | 3                    |
| 6  | TYPE OF ISSUE                     | SIMPLE               |
| 7  | NATURE OF ISSUE                   | PUBLIC               |
| 8  | ISSUE DATE                        | 09/01/2004           |
| 9  | DUE DATE                          | 09/01/2010           |
| 10 | TYPE OF DEBENTURE                 | WITHOUT PREFERENCE   |
| 11 | REMUNERATION CONDITIONS           |                      |
| 12 | PREMIUM/DISCOUNT                  |                      |
| 13 | NOMINAL VALUE (reais)             | 1,037.59             |
| 14 | AMOUNT ISSUED (Thousand of reais) | 186,683              |
| 15 | DEBENTURES ISSUED (Units)         | 179,920              |
| 16 | OUTSTANDING SECURITIES (Units)    | 179,920              |
| 17 | TREASURY DEBENTURES (Units)       | 0                    |
| 18 | SURRENDERED DEBENTURES (Units)    | 0                    |
| 19 | CONVERTED DEBENTURES (Number)     | 0                    |
| 20 | DEBENTURES TO PLACE (Number)      | 0                    |
| 21 | DATE OF LAST NEGOTIATION          |                      |
| 22 | DATE OF NEXT EVENT                | 09/01/2006           |

**10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES**

|   |                               |                      |
|---|-------------------------------|----------------------|
| 1 | ITEM                          | 07                   |
| 2 | ORDER NUMBER                  | 7                    |
| 3 | CVM REGISTRATION NUMBER       | CVM/SRE/DEB/2005/006 |
| 4 | DATE OF REGISTRATION WITH CVM | 03/10/2005           |

|    |                                   |                    |
|----|-----------------------------------|--------------------|
| 5  | ISSUED SERIES                     | 1                  |
| 6  | TYPE OF ISSUE                     | SIMPLE             |
| 7  | NATURE OF ISSUE                   | PUBLIC             |
| 8  | ISSUE DATE                        | 03/01/2005         |
| 9  | DUE DATE                          | 03/01/2009         |
| 10 | TYPE OF DEBENTURE                 | WITHOUT PREFERENCE |
| 11 | REMUNERATION CONDITIONS           |                    |
| 12 | PREMIUM/DISCOUNT                  |                    |
| 13 | NOMINAL VALUE (reais)             | 1,015.47           |
| 14 | AMOUNT ISSUED (Thousand of reais) | 203,094            |
| 15 | DEBENTURES ISSUED (Units)         | 200,000            |
| 16 | OUTSTANDING SECURITIES (Units)    | 200,000            |
| 17 | TREASURY DEBENTURES (Units)       | 0                  |
| 18 | SURRENDERED DEBENTURES (Units)    | 0                  |
| 19 | CONVERTED DEBENTURES (Number)     | 0                  |
| 20 | DEBENTURES TO PLACE (Number)      | 0                  |
| 21 | DATE OF LAST NEGOTIATION          |                    |

**10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES**

|    |                                   |                      |
|----|-----------------------------------|----------------------|
| 1  | ITEM                              | 08                   |
| 2  | ORDER NUMBER                      | 7                    |
| 3  | CVM REGISTRATION NUMBER           | CVM/SRE/DEB/2005/007 |
| 4  | DATE OF REGISTRATION WITH CVM     | 03/10/2005           |
| 5  | ISSUED SERIES                     | 2                    |
| 6  | TYPE OF ISSUE                     | SIMPLE               |
| 7  | NATURE OF ISSUE                   | PUBLIC               |
| 8  | ISSUE DATE                        | 03/01/2005           |
| 9  | DUE DATE                          | 03/01/2010           |
| 10 | TYPE OF DEBENTURE                 | WITHOUT PREFERENCE   |
| 11 | REMUNERATION CONDITIONS           |                      |
| 12 | PREMIUM/DISCOUNT                  |                      |
| 13 | NOMINAL VALUE (reais)             | 1,057.69             |
| 14 | AMOUNT ISSUED (Thousand of reais) | 105,769              |
| 15 | DEBENTURES ISSUED (Units)         | 100,000              |
| 16 | OUTSTANDING SECURITIES (Units)    | 100,000              |
| 17 | TREASURY DEBENTURES (Units)       | 0                    |
| 18 | SURRENDERED DEBENTURES (Units)    | 0                    |
| 19 | CONVERTED DEBENTURES (Number)     | 0                    |
| 20 | DEBENTURES TO PLACE (Number)      | 0                    |
| 21 | DATE OF LAST NEGOTIATION          |                      |
| 22 | DATE OF NEXT EVENT                | 03/01/2006           |

**10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1 - ITEM                             | 09                   |
| 2 ORDER NUMBER                       | 8                    |
| 3 - CVM REGISTRATION NUMBER          | CVM/SRE/DEB/2005/032 |
| 4 DATE OF REGISTRATION WITH CVM      | 06/22/2005           |
| 5 ISSUED SERIES                      | 1                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 NATURE OF ISSUE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 06/01/2005           |
| 9 - DUE DATE                         | 06/01/2009           |
| 10 TYPE OF DEBENTURE                 | WITHOUT PREFERENCE   |
| 11 REMUNERATION CONDITIONS           |                      |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL VALUE (reais)           | 1,068.60             |
| 14 AMOUNT ISSUED (Thousand of reais) | 374,010              |
| 15 - DEBENTURES ISSUED (Units)       | 350,000              |
| 16 - OUTSTANDING SECURITIES (Units)  | 350,000              |
| 17 TREASURY DEBENTURES (Units)       | 0                    |
| 18 - SURRENDERED DEBENTURES (Units)  | 0                    |
| 19 - CONVERTED DEBENTURES (Number)   | 0                    |
| 20 DEBENTURES TO PLACE (Number)      | 0                    |
| 21 DATE OF LAST NEGOTIATION          |                      |
| 22 DATE OF NEXT EVENT                | 12/01/2005           |

**10.01 CHARACTERISTICS OF PUBLIC OR PRIVATE DEBENTURE ISSUES**

|                                      |                      |
|--------------------------------------|----------------------|
| 1 - ITEM                             | 10                   |
| 2 ORDER NUMBER                       | 8                    |
| 3 - CVM REGISTRATION NUMBER          | CVM/SRE/DEB/2005/033 |
| 4 DATE OF REGISTRATION WITH CVM      | 06/22/2005           |
| 5 ISSUED SERIES                      | 2                    |
| 6 - TYPE OF ISSUE                    | SIMPLE               |
| 7 NATURE OF ISSUE                    | PUBLIC               |
| 8 - ISSUE DATE                       | 06/01/2005           |
| 9 - DUE DATE                         | 06/01/2011           |
| 10 TYPE OF DEBENTURE                 | WITHOUT PREFERENCE   |
| 11 REMUNERATION CONDITIONS           |                      |
| 12 - PREMIUM/DISCOUNT                |                      |
| 13 - NOMINAL VALUE (reais)           | 1,015.48             |
| 14 AMOUNT ISSUED (Thousand of reais) | 355,418              |

|                                     |            |
|-------------------------------------|------------|
| 15 - DEBENTURES ISSUED (Units)      | 350,000    |
| 16 - OUTSTANDING SECURITIES (Units) | 350,000    |
| 17 TREASURY DEBENTURES (Units)      | 0          |
| 18 - SURRENDERED DEBENTURES (Units) | 0          |
| 19 - CONVERTED DEBENTURES (Number)  | 0          |
| 20 DEBENTURES TO PLACE (Number)     | 0          |
| 21 DATE OF LAST NEGOTIATION         |            |
| 22 DATE OF NEXT EVENT               | 06/01/2006 |

## 16.01 OTHER INFORMATION DEEMED BY THE COMPANY TO BE RELEVANT

### Supplementary Information

In order to improve the information provided to the market, the Company is presenting, as supplementary information, the financial statements in a constant purchasing power currency.

#### 1. SUPPLEMENTARY INFORMATION IN CONSTANT PURCHASING POWER CURRENCY

##### (a) Monetary indexation

The monetary indexation of the operations relating to the permanent assets, shareholders' equity, income statement accounts and ascertainment of profits and losses in monetary items was measured based on the variation of the Accounting Monetary Unit - UMC, taking for basis the variation of the General Market Prices Index - IGP-M in the 3<sup>rd</sup> quarter, of -1.51% and year-to-date, of 0.21% .

##### (b) Balance sheet accounts

Amounts related to monetary assets and liabilities presented in constant purchasing power currency are identical to those presented in accordance with the corporate legislation, except for accounts receivable from customers, accounts payable to suppliers and contractors, deferred income tax and social contribution in long-term liabilities, which are adjusted to reflect the purchasing power or currency realization at September 30, 2005, taking for basis the rate determined by the National Association of Investment Banks - ANBID.

Permanent assets and shareholders' equity were adjusted based on the monthly variation of the UMC, updated by the IGP-M up to September 30, 2005.

##### (c) Income statement accounts

All the income statement accounts were indexed for inflation based on the variation of the UMC, as from the month when they were booked, adjusted in accordance with inflation gains and losses ascertained on the balances at the beginning and end of every month for monetary assets and liabilities, and which generated financial or nominal inflationary expenses and income, which were considered to reduce the respective income statement accounts to which they were attached.

##### (d) Deferred taxes and contributions

Deferred income tax and social contribution were calculated based on the rates of 15% plus additional 10% and 9%, respectively, on the surplus value of the properties and rights in the permanent assets generated by the result of their monetary adjustment, in conformity with the instructions of the CVM, as provided for in Communication no. 99/006 issued by the IBRACON – Brazilian Institute of Independent Accountants.

The amounts below are shown in constant purchasing power currency at September 30, 2005.

| Balance Sheet                 | Nominal<br>Currency | <i>In thousand</i><br><i>R\$</i><br>Constant<br>purchasing<br>power<br>currency |
|-------------------------------|---------------------|---|
|                               |                     |   |
| Total assets                  | 17,256,691          | 34,382,215  |
| Current assets                | 1,683,012           | 1,679,733   |
| Long-term assets              | 1,540,108           | 1,540,108   |
| Permanent assets              | 14,033,571          | 31,162,374  |
| Investments                   | 5,100               | 6,268   |
| Property, plant and equipment | 13,996,216          | 31,094,421  |
| Deferred assets               | 32,255              | 61,685  |
| Total liabilities             | 17,256,691          | 34,382,215  |
| Current liabilities           | 1,599,034           | 1,598,593   |
| Long-term liabilities         | 7,206,948           | 12,238,821  |
| Shareholders' equity          | 8,450,709           | 20,544,801  |
| Paid-up capital stock         | 3,403,688           | 9,035,222   |
| Capital reserves              | 76,306              | 129,728   |
| Revaluation reserves          | 2,552,189           | 6,834,274   |
| Profit reserves               | 1,863,389           | 4,325,525   |
| Retained earnings             | 555,137             | 220,052   |

*In thousand R\$*  
January to September 2005

| Income Statement | Nominal<br>Currency | Constant<br>purchasing<br>power<br>currency |
|------------------|---------------------|---|
|                  |                     |   |

|  |             |             |
|--|-------------|-------------|
| Net revenue from sales and services rendered                 | 3,612,599   | 3,547,087   |
| Cost of products sold and services rendered                  | (1,753,032) | (2,371,304) |
| Gross income   | 1,859,567   | 1,175,783   |
| Selling expenses   | (381,447)   | (381,161)   |
| Administrative expenses                                      | (253,022)   | (270,755)   |
| Income before net financial expenses                         | 1,225,098   | 523,867     |
| Net financial expenses                                       | (219,470)   | (176,114)   |
| Operating income   | 1,005,628   | 347,753     |
| Non-operating income   | (9,835)     | (30,555)    |
| Income before taxes and profit sharing                       | 995,793     | 317,198     |
| Provision for income tax and social contribution             | (309,857)   | (306,168)   |
| Deferred income tax and social contribution                  | 18,665      | 197,340     |
| Extraordinary item net of income tax and social contribution | (26,341)    | (26,074)    |
| Net Income for the period                                    | 678,260     | 182,296     |
| Profit per share   | 0.02382     | 0.00640     |

## Conciliation of the income for the period and shareholders equity

| Description                           | Net Income for the period | <i>In thousand R\$</i> |
|---------------------------------------|---------------------------|------------------------|
|                                       |                           | Shareholders equity    |
| Corporate legislation                 | 678,260                   | 8,450,709              |
| Monetary indexation                   |                           |                        |
| Of permanent assets                   | (619,063)                 | 17,128,803             |
| Of shareholders equity                | (55,027)                  | -                      |
| Adjustment to present value net       | (654)                     | (2,838)                |
| Reversal (provision) for taxes        |                           |                        |
| Income tax                            | 131,456                   | (3,699,907)            |
| Social contribution                   | 47,324                    | (1,331,966)            |
| In constant purchasing power currency | 182,296                   | 20,544,801             |

## 2. EVOLUTION OF SHAREHOLDING BY THE CONTROLLING SHAREHOLDER, DIRECTORS AND EXECUTIVE OFFICERS FROM 09/30/2004 to 09/30/2005

|                                | Position as of 09/30/2004 |       | New members | Changes in Common Shares | Left the Company<br>ON Shares | Position as of 09/30/2005 |       |
|--------------------------------|---------------------------|-------|-------------|--------------------------|-------------------------------|---------------------------|-------|
|                                | Number of Shares          | %     |             |                          |                               | Number of Shares          | %     |
| Shareholders                   |                           |       |             |                          |                               |                           |       |
| Controlling shareholder        | 20,376,674,059            | 71.5  |             | (6,063,162,186)          |                               | 14,313,511,871**          | 50.3  |
| Directors                      | 90,016                    |       | 1           |                          | (1)                           | 90,016*                   |       |
| Executive Officers             |                           |       |             |                          |                               |                           |       |
| Members of the Audit Committee |                           |       |             |                          |                               |                           |       |
| Other shareholders             | 8,102,813,752             | 28.5  |             |                          |                               | 14,165,975,940            | 49.7  |
| Outstanding shares             | 8,102,903,752             | 28.5  |             |                          |                               | 14,166,065,940            | 49.7  |
| Total shares                   | 28,479,577,827            | 100.0 | 1           | (6,063,272,186)          | (1)                           | 28,479,577,827            | 100.0 |

\* The 16 shares currently held by the Directors were assigned by the State of São Paulo Treasury Department and shall be returned by them upon leaving the Board of Directors of Sabesp.

\*\* Difference arising out of secondary public distribution of shares and transactions arising from the entry and exit of members.

### 3. SHAREHOLDING POSITION AS OF 09/30/2005

| Shareholders holding more than 5% of the shares | Common Shares  | %    |
|---|----------------|------|
| State of São Paulo Treasury Department          | 14,313,511,871 | 50.3 |

| Shareholders                | Common Shares  | %     |
|-----------------------------|----------------|-------|
| CONTROLLING SHAREHOLDER     | 14,313,511,87  | 50.3  |
| MANAGEMENT                  |                |       |
| Board of Directors          | 90,016         |       |
| Board of Executive Officers | -              |       |
| Statutory Audit Committee   | -              |       |
| TREASURY SHARES             | -              |       |
| OTHER SHAREHOLDERS          | 14,165,975,940 | 49.7  |
| TOTAL                       | 28,479,577,827 | 100.0 |
| OUTSTANDING SHARES          | 14,166,065,940 | 49.7  |

### 17.01 SPECIAL REVIEW REPORT WITHOUT RESTRICTIONS

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

INDEPENDENT ACCOUNTANTS REVIEW REPORT

To the Management and Shareholders of

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

São Paulo - SP

1. We have performed a special review of the accompanying interim financial statements of Companhia de Saneamento Básico do Estado de São Paulo - SABESP (the Company ), consisting of the balance sheet as of September 30, 2005, and the related statement of operations for the quarter and nine-month period then ended and the performance report, all expressed in Brazilian reais and prepared in accordance with Brazilian accounting practices under the responsibility of the Company s management.
2. We conducted our review in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Federal Accounting Council, which consisted principally of: (a) inquiries of and discussions with persons responsible for the accounting, financial and operating areas as to the criteria adopted in preparing the interim financial statements, and (b) review of the information and subsequent events that had or might have had material effects on the financial position and results of operations of the Company.
3. Based on our special review, we are not aware of any material modifications that should be made to the interim financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM), specifically applicable to the preparation of mandatory interim financial statements.
4. The supplementary information for the quarter and nine-month period ended September 30, 2005, referring to the financial statements in constant purchasing power, and the statement of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information was reviewed by us in accordance with the auditing procedures mentioned in paragraph 2 and, based on our review, we are not aware of any material modifications that should be made for it to be fairly presented, in all material respects, in relation to the financial statements taken as a whole.
5. As mentioned in Note 5, the Company is negotiating with the State of São Paulo Government, the reimbursement of the amounts for supplementary retirement and pensions paid by the Company and the future flow of these payments to be reimbursed by the State of São Paulo Government.
6. We had previously reviewed the balance sheet as of June 30, 2005, and the statement of operations for the quarter and nine-month period ended September 30, 2004, the supplementary information in constant purchasing power, and the statement of cash flows for said period, presented for comparative purposes, and issued unqualified review reports thereon, dated August 11, 2005 and November 9, 2004, respectively. In addition, our review report, dated August 11, 2005, contains a comment similar to the one described in paragraph 5.
7. The accompanying interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, November 11, 2005

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Marco Antonio Brandão Simurro  
Engagement Partner



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