

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

September 05, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

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

For September 5, 2013
(Commission File No. 1-31317)

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)

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

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

ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO **Version:**
1

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**Version:
1**

Company Information / Capital Breakdown

| Number of Shares | Current Quarter |
|-------------------------|------------------------|
| (Units) | 6/30/2013 |
| Paid-in Capital | |
| Common | 683,509,869 |
| Preferred | 0 |
| Total | 683,509,869 |
| Treasury Shares | |
| Common | 0 |
| Preferred | 0 |
| Total | 0 |

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ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO **Version: 1**

Company Information / Cash Proceeds

| Event | Approval | Proceeds | Date of | Type of | Class of | Earnings per Share |
|-----------------------------|-----------------|-----------------|----------------|----------------|-----------------|---------------------------|
| | | | Payment | Share | Share | (Reais / Share) |
| Board of Directors' Meeting | 3/21/2013 | Others | 6/21/2013 | Common | | 2.34500 |

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

ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements/Statement of Financial Position - Assets****(R\$ thousand)**

| Code | Description | Current Quarter | Previous Year |
|---------------|------------------------------------------------|------------------------|----------------------|
| | | 6/30/2013 | 12/31/2012 |
| 1 | Total Assets | 26,983,475 | 26,476,097 |
| 1.01 | Current Assets | 2,968,862 | 3,330,598 |
| 1.01.01 | Cash and Cash Equivalents | 1,669,087 | 1,915,974 |
| 1.01.03 | Accounts Receivable | 1,148,854 | 1,148,218 |
| 1.01.03.01 | Trade Accounts Receivable | 1,033,698 | 1,038,945 |
| 1.01.03.02 | Other Accounts Receivable | 115,156 | 109,273 |
| 1.01.03.02.01 | Balances with Related Parties | 115,156 | 109,273 |
| 1.01.04 | Inventories | 52,307 | 53,028 |
| 1.01.06 | Recoverable Taxes | 17,663 | 118,421 |
| 1.01.06.01 | Current Recoverable Taxes | 17,663 | 118,421 |
| 1.01.08 | Other Current Assets | 80,951 | 94,957 |
| 1.01.08.03 | Other | 80,951 | 94,957 |
| 1.01.08.03.01 | Restricted Cash | 12,488 | 64,977 |
| 1.01.08.03.20 | Other Accounts Receivable | 68,463 | 29,980 |
| 1.02 | Noncurrent Assets | 24,014,613 | 23,145,499 |
| 1.02.01 | Long-Term Assets | 856,602 | 906,391 |
| 1.02.01.03 | Accounts Receivable | 335,769 | 335,687 |
| 1.02.01.03.01 | Trade Accounts Receivable | 335,769 | 335,687 |
| 1.02.01.06 | Deferred Taxes | 135,672 | 145,302 |
| 1.02.01.06.01 | Deferred Income Tax and Social Contribution | 135,672 | 145,302 |
| 1.02.01.08 | Receivables from Related Parties | 135,233 | 153,098 |
| 1.02.01.08.03 | Receivables from with Controlling Shareholders | 135,233 | 153,098 |
| 1.02.01.09 | Other Noncurrent Assets | 249,928 | 272,304 |
| 1.02.01.09.04 | Escrow Deposits | 51,955 | 53,158 |
| 1.02.01.09.05 | ANA – National Water Agency | 103,195 | 108,099 |
| 1.02.01.09.20 | Other Accounts Receivable | 94,778 | 111,047 |
| 1.02.02 | Investments | 74,961 | 74,872 |
| 1.02.02.01 | Shareholdings | 20,922 | 20,826 |
| 1.02.02.01.04 | Other Shareholdings | 20,922 | 20,826 |
| 1.02.02.02 | Investment Properties | 54,039 | 54,046 |

| | | | |
|---------------|-------------------------------|------------|------------|
| 1.02.03 | Property, Plant and Equipment | 190,865 | 196,710 |
| 1.02.04 | Intangible Assets | 22,892,185 | 21,967,526 |
| 1.02.04.01 | Intangible Assets | 22,892,185 | 21,967,526 |
| 1.02.04.01.01 | Concession Contracts | 8,036,280 | 8,006,130 |
| 1.02.04.01.02 | Program Contracts | 4,933,354 | 4,390,263 |
| 1.02.04.01.03 | Service Contracts | 9,829,831 | 9,568,487 |
| 1.02.04.01.04 | Software License | 92,720 | 2,646 |

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

ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements/Statement of Financial Position – Liabilities****(R\$ thousand)**

| Code | Description | Current Quarter | Previous Year |
|---------------|---------------------------------------------|------------------------|----------------------|
| | | 6/30/2013 | 12/31/2012 |
| 2 | Total Liabilities | 26,983,475 | 26,476,097 |
| 2.01 | Current Liabilities | 2,703,029 | 3,758,189 |
| 2.01.01 | Labor and Pension Plan Liabilities | 312,419 | 267,332 |
| 2.01.01.01 | Pension Plan Liabilities | 24,425 | 35,188 |
| 2.01.01.02 | Labor Liabilities | 287,994 | 232,144 |
| 2.01.02 | Trade Accounts Payable | 239,393 | 295,392 |
| 2.01.02.01 | Domestic Suppliers | 239,393 | 295,392 |
| 2.01.03 | Tax Liabilities | 86,713 | 152,710 |
| 2.01.03.01 | Federal Tax Liabilities | 81,550 | 147,013 |
| | PIS-PASEP and COFINS (taxes on revenue) | | |
| 2.01.03.01.02 | Payable | 36,213 | 46,576 |
| 2.01.03.01.03 | INSS (social security contribution) Payable | 32,176 | 29,401 |
| 2.01.03.01.04 | Installment Program - Law 10684/03 | 0 | 19,011 |
| 2.01.03.01.20 | Other Federal Taxes | 13,161 | 52,025 |
| 2.01.03.03 | Municipal Taxes Liabilities | 5,163 | 5,697 |
| 2.01.04 | Loans and Financing | 766,323 | 1,342,594 |
| 2.01.04.01 | Loans and Financing | 721,832 | 833,635 |
| 2.01.04.01.01 | In Domestic Currency | 516,091 | 635,968 |
| 2.01.04.01.02 | In Foreign Currency | 205,741 | 197,667 |
| 2.01.04.02 | Debentures | 44,491 | 508,959 |
| 2.01.05 | Other Liabilities | 703,725 | 1,135,078 |
| 2.01.05.01 | Payables to Related Parties | 2,466 | 958 |
| 2.01.05.01.03 | Payables to Controlling Shareholders | 2,466 | 958 |
| 2.01.05.02 | Other | 701,259 | 1,134,120 |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable | 151 | 414,355 |
| 2.01.05.02.04 | Services Payable | 404,710 | 389,091 |
| 2.01.05.02.05 | Refundable Amounts | 37,678 | 42,479 |
| 2.01.05.02.06 | Program Contract Commitments | 155,931 | 148,220 |
| 2.01.05.02.07 | Private Public Partnership – PPP | 13,759 | 24,357 |
| 2.01.05.02.09 | Indemnities | 17,872 | 8,697 |

| | | | |
|---------------|--------------------------------------------------|------------|------------|
| 2.01.05.02.20 | Other Payables | 71,158 | 106,921 |
| 2.01.06 | Provisions | 594,456 | 565,083 |
| 2.01.06.01 | Tax, Social Security, Labor and Civil Provisions | 108,004 | 112,119 |
| 2.01.06.01.01 | Tax Provisions | 6,552 | 9,912 |
| 2.01.06.01.02 | Social Security and Labor Provisions | 61,968 | 59,868 |
| 2.01.06.01.04 | Civil Provisions | 39,484 | 42,339 |
| 2.01.06.02 | Other Provisions | 486,452 | 452,964 |
| 2.01.06.02.03 | Provisions for Environmental | 42,261 | 11,586 |
| 2.01.06.02.04 | | | |
| | Provisions for Customers | 350,808 | 355,520 |
| 2.01.06.02.05 | | | |
| | Provisions for Suppliers | 93,383 | 85,858 |
| 2.02 | Non-current Liabilities | 12,246,014 | 11,461,146 |
| 2.02.01 | Loans and Financing | 8,260,155 | 7,532,661 |
| 2.02.01.01 | Loans and Financing | 4,912,720 | 4,669,478 |

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

ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements/Statement of Financial Position – Liabilities****(R\$ thousand)**

| Code | Description | Current Quarter | Previous Year |
|---------------|-----------------------------------------------|------------------------|----------------------|
| | | 06/30/2013 | 12/31/2012 |
| 2.02.01.01.01 | In Domestic Currency | 1,645,303 | 1,651,384 |
| 2.02.01.01.02 | In Foreign Currency | 3,267,417 | 3,018,094 |
| 2.02.01.02 | Debentures | 3,347,435 | 2,863,183 |
| 2.02.02 | Other Payables | 3,369,698 | 3,304,414 |
| 2.02.02.02 | Other | 3,369,698 | 3,304,414 |
| 2.02.02.02.04 | Pension Plan Liabilities | 2,652,990 | 2,592,550 |
| 2.02.02.02.05 | Program Contract Commitments | 98,502 | 87,407 |
| 2.02.02.02.06 | Private Public Partnership – PPP | 335,789 | 331,960 |
| 2.02.02.02.07 | Indemnities | 9,304 | 17,577 |
| 2.02.02.02.08 | TAC – Retirees | 36,804 | 36,804 |
| 2.02.02.02.09 | Deferred COFINS and PASEP | 127,812 | 123,731 |
| 2.02.02.02.20 | Other Payables | 108,497 | 114,385 |
| 2.02.04 | Provisions | 616,161 | 624,071 |
| 2.02.04.01 | Tax, Pension Plan, Labor and Civil Provisions | 252,146 | 292,198 |
| 2.02.04.01.01 | Tax Provisions | 56,522 | 58,173 |
| 2.02.04.01.02 | Pension Plan and Labor Provisions | 94,877 | 111,830 |
| 2.02.04.01.04 | Civil Provisions | 100,747 | 122,195 |
| 2.02.04.02 | Other Provisions | 364,015 | 331,873 |
| 2.02.04.02.03 | Provisions for Environmental | 154,504 | 136,839 |
| 2.02.04.02.04 | Provisions for Customers | 180,564 | 165,735 |
| 2.02.04.02.05 | Provisions for Suppliers | 28,947 | 29,299 |
| 2.03 | Equity | 12,034,432 | 11,256,762 |

| | | | |
|------------|--------------------------------------|-----------|-----------|
| 2.03.01 | Paid-Up Capital | 6,203,688 | 6,203,688 |
| 2.03.02 | Capital Reserves | 124,255 | 124,255 |
| 2.03.02.07 | Projects Support | 108,475 | 108,475 |
| 2.03.02.08 | Incentive Reserves | 15,780 | 15,780 |
| 2.03.04 | Profit Reserve | 5,307,433 | 5,387,634 |
| 2.03.04.01 | Legal Reserve | 616,814 | 616,814 |
| 2.03.04.08 | Additional Dividend Proposed | 0 | 80,201 |
| 2.03.04.10 | Reserve for Investments | 4,690,619 | 4,690,619 |
| 2.03.05 | Retained Earnings/Accumulated Losses | 857,871 | 0 |
| 2.03.08 | Other Comprehensive Income | -458,815 | -458,815 |

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**Version:
1****Parent Company's Financial Statements/Statement of Income****(R\$ thousand)**

| Code | Description | Current | YTD Current | Same Quarter | YTD Previous |
|------------|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Quarter | Year | Previous Year | Year |
| | | 4/1/2013 to 6/30/2013 | 1/1/2013 to 6/30/2013 | 4/1/2012 to 6/30/2012 | 1/1/2012 to 6/30/2012 |
| | Revenue from Sales and/or | | | | |
| 3.01 | Services | 2,796,278 | 5,441,322 | 2,475,049 | 5,052,731 |
| 3.02 | Cost of Sales and/or Services | -1,731,945 | -3,268,811 | -1,567,770 | -3,064,208 |
| 3.02.01 | Cost of Sales and/or Services | -1,088,716 | -2,139,620 | -1,002,279 | -1,959,335 |
| 3.02.02 | Construction Cost | -643,229 | -1,129,191 | -565,491 | -1,104,873 |
| 3.03 | Gross Profit | 1,064,333 | 2,172,511 | 907,279 | 1,988,523 |
| 3.04 | Operating Income/Expenses | -348,169 | -721,204 | -267,452 | -638,518 |
| 3.04.01 | Selling Expenses | -164,722 | -306,005 | -168,512 | -339,290 |
| | General and Administrative | | | | |
| 3.04.02 | Expenses | -184,843 | -425,280 | -116,040 | -323,031 |
| 3.04.04 | Other Operating Income | 13,581 | 24,218 | 22,875 | 33,482 |
| 3.04.04.01 | Other Operating Income | 15,289 | 27,018 | 25,321 | 37,227 |
| 3.04.04.02 | COFINS and PASEP | -1,708 | -2,800 | -2,446 | -3,745 |
| 3.04.05 | Other Operating Expenses | -12,074 | -13,876 | -4,478 | -6,622 |
| | Loss on Write-off of Property, | | | | |
| 3.04.05.01 | Plant and Equipment Items | -3,768 | -5,433 | -869 | -1,808 |
| 3.04.05.03 | Tax Incentives | -8,151 | -8,286 | -3,499 | -4,688 |
| 3.04.05.20 | Other | -155 | -157 | -110 | -126 |
| | Equity in the Earnings | | | | |
| 3.04.06 | (Losses) of Subsidiaries | -111 | -261 | -1,297 | -3,057 |
| | Income Before Financial | | | | |
| 3.05 | Result and Taxes | 716,164 | 1,451,307 | 639,827 | 1,350,005 |
| 3.06 | Financial Result | -207,256 | -179,948 | -331,375 | -286,365 |
| 3.06.01 | Finance Income | 101,290 | 194,657 | 71,054 | 158,412 |
| 3.06.01.01 | Finance Income | 101,040 | 194,442 | 70,860 | 158,467 |
| 3.06.01.02 | Foreign Exchange Gains | 250 | 215 | 194 | -55 |
| 3.06.02 | Finance Expenses | -308,546 | -374,605 | -402,429 | -444,777 |
| 3.06.02.01 | Finance Expenses | -106,863 | -302,524 | -120,750 | -322,310 |

| | | | | | |
|------------|----------------------------|----------|-----------|----------|-----------|
| 3.06.02.02 | Foreign Exchange Losses | -201,683 | -72,081 | -281,679 | -122,467 |
| 3.07 | Earnings Before Income Tax | 508,908 | 1,271,359 | 308,452 | 1,063,640 |
| | Income Tax and Social | | | | |
| 3.08 | Contribution | -147,239 | -413,488 | -15,640 | -278,916 |

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

ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements / Statement of Income****(R\$ thousand)**

| Code | Description | Current Quarter 4/1/2013 to 6/30/2013 | YTD Current | Same Quarter | YTD Previous |
|------------|-------------------------------|------------------------------------------------|----------------------------------|-------------------------------------------|----------------------------------|
| | | | Year 1/1/2013 to 6/30/2013 | Previous Year 4/1/2012 to 6/30/2012 | Year 1/1/2012 to 6/30/2012 |
| 3.08.01 | Current | -116,317 | -403,858 | 24,541 | -239,454 |
| 3.08.02 | Deferred | -30,922 | -9,630 | -40,181 | -39,462 |
| | Net Result from Continued | | | | |
| 3.09 | Operations | 361,669 | 857,871 | 292,812 | 784,724 |
| 3.11 | Profit/Loss for the Period | 361,669 | 857,871 | 292,812 | 784,724 |
| | Earnings per Share - (Reais / | | | | |
| 3.99 | Share) | | | | |
| 3.99.01 | Basic Earnings per Share | | | | |
| 3.99.01.01 | Common Share | 0.52914 | 1.25510 | 0.42840 | 1.14808 |
| 3.99.02 | Diluted Earnings per Share | | | | |
| 3.99.02.01 | Common Share | 0.52914 | 1.25510 | 0.42840 | 1.14808 |

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ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements / Statement of Comprehensive Income****(R\$ thousand)**

| Code | Description | Current Quarter 4/1/2013 to 6/30/2013 | YTD Current | | YTD Previous |
|------|----------------------------------------|------------------------------------------------|-------------|-----------------------------------------------------------|----------------------------------|
| | | | Year | Same Quarter Previous Year 4/1/2012 to 6/30/2012 | Year 1/1/2012 to 6/30/2012 |
| 4.01 | Net Income for the Period | 361,669 | 857,871 | 292,812 | 784,724 |
| 4.03 | Comprehensive Income for the Period | 361,669 | 857,871 | 292,812 | 784,724 |

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ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements/Statement of Cash Flows – Indirect Method****(R\$ thousand)**

| Code | Description | YTD Current Year 1/1/2013 to 6/30/2013 | YTD Previous Year 1/1/2012 to 6/30/2012 |
|-------------|---------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|
| 6.01 | Net Cash from Operating Activities | 1,404,860 | 1,289,330 |
| 6.01.01 | Cash from Operations | 2,278,483 | 1,920,958 |
| | Net Income Before Income Tax and Social | | |
| 6.01.01.01 | Contribution | 1,271,359 | 1,063,640 |
| | Provision and Inflation Adjustments on | | |
| 6.01.01.02 | Provisions | 157,834 | -6 |
| 6.01.01.04 | Financial Charges from Customers | -118,983 | -76,551 |
| | Residual Value of Written-off Property, Plant and | | |
| 6.01.01.05 | Equipment | 5,433 | 2,056 |
| 6.01.01.06 | Depreciation and Amortization | 391,924 | 363,511 |
| 6.01.01.07 | Interest on Loans and Financing Payable | 192,352 | 204,957 |
| 6.01.01.08 | Monetary and Foreign Exchange Variation on | | |
| | Loans and Financing | 112,612 | 139,890 |
| 6.01.01.09 | Interest and Monetary Variation on Liabilities | 12,974 | 863 |
| 6.01.01.10 | Interest and Monetary Variation in Assets | -8,736 | -5,182 |
| 6.01.01.11 | Allowance for Doubtful Accounts | 165,304 | 183,738 |
| 6.01.01.12 | Provision for Consent Decree (TAC) | 10,228 | 20,315 |
| 6.01.01.13 | Equity in the Earnings of Subsidiaries | 261 | 3,057 |
| 6.01.01.14 | Provision for Sabesprev Mais | 4,849 | -5,147 |
| 6.01.01.15 | Other Provisions/Reversals | -21,512 | 3,668 |
| | Transfer of Funds to São Paulo Municipal | | |
| 6.01.01.16 | Government | -5,007 | -2,638 |
| 6.01.01.17 | Gross Margin over Intangible Assets Resulting | | |
| | from Concession Contracts | -23,262 | -23,862 |
| 6.01.01.18 | Pension Plan Liabilities | 130,853 | 48,649 |
| 6.01.02 | Changes in Assets and Liabilities | -301,029 | -126,068 |
| 6.01.02.01 | Trade Accounts Receivable | -40,196 | 53,196 |
| 6.01.02.02 | Balances and Transactions with Related Parties | 19,758 | 28,946 |
| 6.01.02.03 | Inventories | 455 | 10,443 |
| 6.01.02.04 | Recoverable Taxes | -21,226 | -20,715 |

| | | | |
|------------|---------------------------------------------|----------|----------|
| 6.01.02.05 | Other Accounts Receivable | -17,310 | -54,003 |
| 6.01.02.06 | Escrow Deposits | 1,203 | -36,306 |
| 6.01.02.08 | Contractors and Suppliers | -22,834 | -71,735 |
| 6.01.02.09 | Payroll, Provisions and Social Contribution | 45,087 | 18,800 |
| 6.01.02.10 | Pension Plan Liabilities | -70,413 | -5,022 |
| 6.01.02.11 | Taxes and Contributions Payable | -66,150 | -78,891 |
| 6.01.02.12 | Services Received | 15,619 | -7,619 |
| 6.01.02.13 | Other Liabilities | -12,732 | 147,351 |
| 6.01.02.14 | Provisions | -136,371 | -111,920 |
| 6.01.02.15 | Deferred COFINS/PASEP | 4,081 | 1,407 |
| 6.01.03 | Other | -572,594 | -505,560 |

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

ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements/Statement of Cash Flows – Indirect Method****(R\$ thousand)**

| Code | Description | YTD Current Year 01/01/2013 to 06/30/2013 | YTD Previous Year 01/01/2012 to 06/30/2012 |
|-------------|-----------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------|
| 6.01.03.01 | Interest Paid | -294,990 | -320,951 |
| 6.01.03.02 | Income Tax and Social Contribution Paid | -277,604 | -184,609 |
| 6.02 | Net Cash from Investing Activities | -955,580 | -864,239 |
| 6.02.01 | Acquisition of Property, Plant and Equipment | -7,947 | -9,198 |
| 6.02.02 | Increase in Intangible Assets | -999,765 | -858,859 |
| 6.02.03 | Increase (Decrease) in Investment | -357 | -5,064 |
| 6.02.04 | Restricted Cash | 52,489 | 8,882 |
| 6.03 | Net Cash from Financing Activities | -696,167 | -823,723 |
| 6.03.01 | Funding – Loans | 1,262,709 | 888,842 |
| 6.03.02 | Amortization of Loans | -1,409,371 | -1,174,793 |
| 6.03.03 | Payment of Interest on Equity | -498,648 | -537,772 |
| 6.03.04 | Public-Private Partnership – PPP | -20,963 | 0 |
| 6.03.05 | Program Contract - Commitments | -29,894 | 0 |
| 6.05 | Increase (Decrease) in Cash and Cash Equivalents | -246,887 | -398,632 |
| 6.05.01 | Opening Cash and Cash Equivalents | 1,915,974 | 2,142,079 |
| 6.05.02 | Closing Cash and Cash Equivalents | 1,669,087 | 1,743,447 |

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ITR - Quarterly Information Form – June 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

**Version:
1****Parent Company's Financial Statements/Statement of Changes in Equity – 1/1/2013 to 6/30/2013****(R\$ thousand)**

| Code | Description | Paid-up Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings/ Accumulated Losses | Other Comprehensive Income | Total Equity |
|-------------|---------------------------------------|----------------------------|--------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------|-------------------------------------------|-------------------------|
| 5.01 | Opening Balances | 6,203,688 | 124,255 | 5,387,634 | 0 | -458,815 | 11,256,762 |
| 5.03 | Restated Opening Balances | 6,203,688 | 124,255 | 5,387,634 | 0 | -458,815 | 11,256,762 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -80,201 | 0 | 0 | -80,201 |
| 5.04.08 | Additional Dividends Approved | 0 | 0 | -80,201 | 0 | 0 | -80,201 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 857,871 | 0 | 857,871 |
| 5.05.01 | Net income for the Period | 0 | 0 | 0 | 857,871 | 0 | 857,871 |
| 5.07 | Closing Balances | 6,203,688 | 124,255 | 5,307,433 | 857,871 | -458,815 | 12,034,432 |

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**Version:
1****Parent Company's Financial Statements/Statement of Changes in Equity– 1/1/2012 to 6/30/2012****(R\$ thousand)**

| Code | Description | Paid-up Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Retained Earnings/ Accumulated Losses | Other Comprehensive Income | Total Equity |
|-------------|---------------------------------------|----------------------------|--------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------|-------------------------------------------|-------------------------|
| 5.01 | Opening Balances | 6,203,688 | 124,255 | 4,217,953 | 0 | -953 | 10,544,943 |
| 5.03 | Restated Opening Balances | 6,203,688 | 124,255 | 4,217,953 | 0 | -953 | 10,544,943 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -288,143 | 0 | 0 | -288,143 |
| 5.04.08 | Additional Dividends Approved | 0 | 0 | -288,143 | 0 | 0 | -288,143 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 784,724 | 0 | 784,724 |
| 5.05.01 | Net income for the Period | 0 | 0 | 0 | 784,724 | 0 | 784,724 |
| 5.07 | Closing Balances | 6,203,688 | 124,255 | 3,929,810 | 784,724 | -953 | 11,041,524 |

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**Version:
1****Parent Company's Financial Statements/Statement of Value Added****(R\$ thousand)**

| Code | Description | YTD Current | YTD Previous |
|-------------|----------------------------------------------------------|-------------------------------------------|---------------------------------------|
| | | Year 1/1/2013 to 6/30/2013 | Year 1/1/2012 to 6/30/2012 |
| 7.01 | Revenue | 5,749,507 | 5,328,509 |
| 7.01.01 | Operating Revenue | 4,626,275 | 4,237,934 |
| 7.01.02 | Other Revenue | 27,018 | 37,227 |
| 7.01.03 | Revenue from the Construction | 1,152,453 | 1,128,735 |
| 7.01.04 | Allowance for/Reversal of Doubtful Accounts | -56,239 | -75,387 |
| 7.02 | Inputs Acquired from Third Parties | -2,278,969 | -2,128,052 |
| 7.02.01 | Costs of Sales and Services | -1,910,433 | -1,816,708 |
| 7.02.02 | Materials, Energy, Outsourced Services and Other | -354,660 | -304,722 |
| 7.02.04 | Other | -13,876 | -6,622 |
| 7.03 | Gross Value Added | 3,470,538 | 3,200,457 |
| 7.04 | Retentions | -391,924 | -363,511 |
| 7.04.01 | Depreciation, Amortization and Depletion | -391,924 | -363,511 |
| 7.05 | Net Value Added Produced | 3,078,614 | 2,836,946 |
| 7.06 | Value Added Received through Transfer | 194,396 | 155,355 |
| 7.06.01 | Equity in the Earnings (Losses) of Joint Ventures | -261 | -3,057 |
| 7.06.02 | Finance Income | 194,657 | 158,412 |
| 7.07 | Total Value Added to Distribute | 3,273,010 | 2,992,301 |
| 7.08 | Value Added Distribution | 3,273,010 | 2,992,301 |
| 7.08.01 | Personnel | 862,952 | 763,609 |
| 7.08.01.01 | Direct Compensation | 580,793 | 514,632 |
| 7.08.01.02 | Benefits | 232,134 | 198,700 |
| 7.08.01.03 | Government Severance Indemnity Fund for Employees (FGTS) | 50,025 | 50,277 |
| 7.08.02 | Taxes and Contributions | 981,378 | 802,576 |
| 7.08.02.01 | Federal | 923,890 | 751,131 |
| 7.08.02.02 | State | 28,044 | 25,303 |

| | | | |
|------------|---------------------------------------------------|---------|---------|
| 7.08.02.03 | Municipal | 29,444 | 26,142 |
| 7.08.03 | Value Distributed to Providers of Capital | 570,809 | 641,392 |
| 7.08.03.01 | Interest | 537,979 | 610,120 |
| 7.08.03.02 | Rental | 32,830 | 31,272 |
| 7.08.04 | Value Distributed to Shareholders | 857,871 | 784,724 |
| 7.08.04.03 | Retained Earnings/Accumulated Loss for the Period | 857,871 | 784,724 |

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

| | <i>R\$ million</i> | | | | | | | |
|--------------------------------------------------------------------------------|--------------------|---------|---------------|--------|---------|---------|---------------|--------|
| | 2Q12 | 2Q13 | Chg. (R\$) | % | 1S12 | 1S13 | Chg. (R\$) | % |
| (+) Gross operating revenue | 2,048.6 | 2,307.4 | 258.8 | 12.6 | 4,237.9 | 4,626.3 | 388.4 | 9.2 |
| (+) Construction revenue | 577.8 | 656.9 | 79.1 | 13.7 | 1,128.7 | 1,152.4 | 23.7 | 2.1 |
| (-) COFINS and PASEP taxes | 151.4 | 168.0 | 16.6 | 11.0 | 313.9 | 337.4 | 23.5 | 7.5 |
| (=) Net operating revenue | 2,475.0 | 2,796.3 | 321.3 | 13.0 | 5,052.7 | 5,441.3 | 388.6 | 7.7 |
| (-) Costs and expenses | 1,286.8 | 1,438.3 | 151.5 | 11.8 | 2,621.6 | 2,870.9 | 249.3 | 9.5 |
| (-) Construction costs | 565.5 | 643.2 | 77.7 | 13.7 | 1,104.9 | 1,129.2 | 24.3 | 2.2 |
| (+) Equity result | (1.3) | (0.1) | 1.2 | (92.3) | (3.1) | (0.2) | 2.9 | (93.5) |
| (+) Other operating revenue/expenses | 18.4 | 1.5 | (16.9) | (91.8) | 26.9 | 10.3 | (16.6) | (61.7) |
| (=) Earnings before financial result, income tax and social contribution | 639.8 | 716.2 | 76.4 | 11.9 | 1,350.0 | 1,451.3 | 101.3 | 7.5 |
| (+) Net financial | (331.4) | (207.3) | 124.1 | (37.4) | (286.4) | (179.9) | 106.5 | (37.2) |
| (=) Earnings before income tax and social contribution | 308.4 | 508.9 | 200.5 | 65.0 | 1,063.6 | 1,271.4 | 207.8 | 19.5 |
| (+) Income tax and social contribution | (15.6) | (147.2) | (131.6) | 843.6 | (278.9) | (413.5) | (134.6) | 48.3 |
| Net Income | 292.8 | 361.7 | 68.9 | 23.5 | 784.7 | 857.9 | 73.2 | 9.3 |
| Earnings per share (R\$) | 0.43 | 0.53 | | | 1.15 | 1.26 | | |

Adjusted EBITDA Reconciliation (Non-accounting measures)

| | <i>R\$ million</i> | | | | | | | |
|------------------------------------------------|--------------------|-------|---------------|--------|---------|---------|---------------|--------|
| | 2Q12 | 2Q13 | Chg. (R\$) | % | 1S12 | 1S13 | Chg. (R\$) | % |
| Net income | 292.8 | 361.7 | 68.9 | 23.5 | 784.7 | 857.9 | 73.2 | 9.3 |
| (+) Income tax and social contribution | 15.6 | 147.2 | 131.6 | 843.6 | 278.9 | 413.5 | 134.6 | 48.3 |
| (+) Net financial | 331.4 | 207.3 | (124.1) | (37.4) | 286.4 | 179.9 | (106.5) | (37.2) |
| (+) Other operating revenues/expenses | (18.4) | (1.5) | 16.9 | (91.8) | (26.9) | (10.3) | 16.6 | (61.7) |
| (=) Earnings before financial result (EBIT) | 621.4 | 714.7 | 93.3 | 15.0 | 1,323.1 | 1,441.0 | 117.9 | 8.9 |
| (+) Depreciation and amortization | 177.0 | 196.7 | 19.7 | 11.1 | 363.5 | 391.9 | 28.4 | 7.8 |
| (=) Adjusted EBITDA * | 798.4 | 911.4 | 113.0 | 14.2 | 1,686.6 | 1,832.9 | 146.3 | 8.7 |
| (%) Adjusted EBITDA margin | 32.3 | 32.6 | | | 33.4 | 33.7 | | |

(*) Adjusted EBITDA is net income before: (i) depreciation and amortization; (ii) income tax and social contribution (income federal taxes); (iii) financial result and (iv) other operating expenses, net.

In 2Q13, net operating revenue reached R\$2.8 billion, a 13.0% growth compared to 2Q12.

Costs and expenses, including construction costs, in the amount of R\$2.1 billion grew 12.4% over 2Q12.

EBIT grew 15.0%, from R\$621.4 million in 2Q12 to R\$714.7 million in 2Q13.

Adjusted EBITDA increased 14.2%, from R\$798.4 million in 2Q12 to R\$911.4 million in 2Q13.

The adjusted EBITDA margin was 32.6% in 2Q13 in comparison to 32.3% in the same period of 2012. Excluding construction revenues and construction costs, the adjusted EBITDA margin was 42.0% in 2Q13 (41.4% in 2Q12).

Net income totaled R\$361.7 million in 2Q13, 23.5% higher than in 2Q12.

2. Gross operating revenue

Gross operating revenue from water supply and sewage collection grew from R\$2.0 billion in 2Q12 to R\$2.3 billion in 2Q13, an increase of R\$258.8 million or 12.6%.

The main factors that led to this variation were:

- Tariff adjustment of 5.15% since September 2012;
- The tariff repositioning index of 2.35% applied since April 2013; and
- Increase of 3.5% in the Company's total billed volume (3.3% in water and 3.8% in sewage).

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**Version:
1****Comments on the Company's Performance****3. Construction revenue**

Construction revenue increased R\$79.1 million or 13.7%, when compared to 2Q12. This variation was mainly due to lower investments in 2Q13, in comparison to the same period of the previous year.

4. Billed volume

The following tables show the water and sewage billed volume per customer category and region in 2Q12, 2Q13, 1S12 and 1S13.

WATER AND SEWAGE BILLED VOLUME ⁽¹⁾ PER CUSTOMER CATEGORY - million m³

| Category | Water | | | Sewage | | | Water + Sewage | | |
|---------------------|--------------|--------------|------------|--------------|--------------|------------|----------------|----------------|------------|
| | 2Q12 | 2Q13 | % | 2Q12 | 2Q13 | % | 2Q12 | 2Q13 | % |
| Residential | 371.5 | 383.6 | 3.3 | 307.0 | 318.7 | 3.8 | 678.5 | 702.3 | 3.5 |
| Commercial | 42.6 | 43.7 | 2.6 | 39.7 | 40.8 | 2.8 | 82.3 | 84.5 | 2.7 |
| Industrial | 9.3 | 9.7 | 4.3 | 10.6 | 11.7 | 10.4 | 19.9 | 21.4 | 7.5 |
| Public | 14.1 | 14.1 | - | 10.9 | 10.9 | - | 25.0 | 25.0 | - |
| Total retail | 437.5 | 451.1 | 3.1 | 368.2 | 382.1 | 3.8 | 805.7 | 833.2 | 3.4 |
| Wholesale | 73.8 | 74.4 | 0.8 | 7.2 | 7.5 | 4.2 | 81.0 | 81.9 | 1.1 |
| Reused water | 0.1 | 3.0 | - | - | - | - | 0.1 | 3.0 | - |
| Total | 511.4 | 528.5 | 3.3 | 375.4 | 389.6 | 3.8 | 886.8 | 918.1 | 3.5 |
| | 1S12 | 1S13 | % | 1S12 | 1S13 | % | 1S12 | 1S13 | % |
| Residential | 756.1 | 772.6 | 2.2 | 622.3 | 639.9 | 2.8 | 1,378.4 | 1,412.5 | 2.5 |
| Commercial | 85.6 | 86.8 | 1.4 | 79.4 | 80.7 | 1.6 | 165.0 | 167.5 | 1.5 |
| Industrial | 18.9 | 19.3 | 2.1 | 20.9 | 22.2 | 6.2 | 39.8 | 41.5 | 4.3 |
| Public | 27.2 | 26.9 | (1.1) | 21.0 | 21.1 | 0.5 | 48.2 | 48.0 | (0.4) |
| Total retail | 887.8 | 905.6 | 2.0 | 743.6 | 763.9 | 2.7 | 1,631.4 | 1,669.5 | 2.3 |

| | | | | | | | | | |
|--------------|----------------|----------------|------------|--------------|--------------|------------|----------------|----------------|------------|
| Wholesale | 147.1 | 149.0 | 1.3 | 13.5 | 14.8 | 9.6 | 160.6 | 163.8 | 2.0 |
| Reused water | 0.2 | 8.7 | - | - | - | - | 0.2 | 8.7 | - |
| Total | 1,035.1 | 1,063.3 | 2.7 | 757.1 | 778.7 | 2.9 | 1,792.2 | 1,842.0 | 2.8 |

WATER AND SEWAGE BILLED VOLUME ⁽¹⁾ PER REGION - million m³

| Region | Water | | | Sewage | | | Water + Sewage | | |
|-------------------------|----------------|----------------|------------|--------------|--------------|------------|----------------|----------------|------------|
| | 2Q12 | 2Q13 | % | 2Q12 | 2Q13 | % | 2Q12 | 2Q13 | % |
| Metropolitan | 290.2 | 298.8 | 3.0 | 247.6 | 255.1 | 3.0 | 537.8 | 553.9 | 3.0 |
| Regional ⁽²⁾ | 147.3 | 152.3 | 3.4 | 120.6 | 127.0 | 5.3 | 267.9 | 279.3 | 4.3 |
| Total retail | 437.5 | 451.1 | 3.1 | 368.2 | 382.1 | 3.8 | 805.7 | 833.2 | 3.4 |
| Wholesale | 73.8 | 74.4 | 0.8 | 7.2 | 7.5 | 4.2 | 81.0 | 81.9 | 1.1 |
| Reused water | 0.1 | 3.0 | - | - | - | - | 0.1 | 3.0 | - |
| Total | 511.4 | 528.5 | 3.3 | 375.4 | 389.6 | 3.8 | 886.8 | 918.1 | 3.5 |
| | 1S12 | 1S13 | % | 1S12 | 1S13 | % | 1S12 | 1S13 | % |
| Metropolitan | 583.4 | 595.6 | 2.1 | 495.9 | 507.4 | 2.3 | 1,079.3 | 1,103.0 | 2.2 |
| Regional ⁽²⁾ | 304.4 | 310.0 | 1.8 | 247.7 | 256.5 | 3.6 | 552.1 | 566.5 | 2.6 |
| Total retail | 887.8 | 905.6 | 2.0 | 743.6 | 763.9 | 2.7 | 1,631.4 | 1,669.5 | 2.3 |
| Wholesale | 147.1 | 149.0 | 1.3 | 13.5 | 14.8 | 9.6 | 160.6 | 163.8 | 2.0 |
| Reused water | 0.2 | 8.7 | - | - | - | - | 0.2 | 8.7 | - |
| Total | 1,035.1 | 1,063.3 | 2.7 | 757.1 | 778.7 | 2.9 | 1,792.2 | 1,842.0 | 2.8 |

(1) Unaudited

(2) Including coast and countryside

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

In 2Q13, costs of sales and services rendered, construction, administrative and selling expenses grew 12.4% (R\$229.2 million). Excluding construction costs, total costs and expenses grew 11.8%. As a percentage of net revenue, cost and expenses decreased from 74.8% in 2Q12 to 74.4% in 2Q13.

| | 2Q12 | 2Q13 | Chg. (R\$) | % | 1S12 | 1S13 | Chg. (R\$) | % | <i>R\$ million</i> |
|-------------------------------------------------------|----------------|----------------|---------------|-------------|----------------|----------------|---------------|-------------|------------------------|
| Payroll and benefits | 443.6 | 492.0 | 48.4 | 10.9 | 849.9 | 953.8 | 103.9 | 12.2 | |
| Supplies | 43.2 | 49.4 | 6.2 | 14.4 | 83.7 | 93.7 | 10.0 | 11.9 | |
| Treatment supplies | 51.4 | 55.2 | 3.8 | 7.4 | 96.0 | 120.0 | 24.0 | 25.0 | |
| Services | 252.6 | 295.1 | 42.5 | 16.8 | 517.5 | 523.9 | 6.4 | 1.2 | |
| Electric power | 147.6 | 133.0 | (14.6) | (9.9) | 298.0 | 277.8 | (20.2) | (6.8) | |
| General expenses | 123.7 | 186.3 | 62.6 | 50.6 | 291.5 | 401.8 | 110.3 | 37.8 | |
| Tax expenses | 11.1 | 11.8 | 0.7 | 6.3 | 46.1 | 51.8 | 5.7 | 12.4 | |
| Sub-total | 1,073.2 | 1,222.8 | 149.6 | 13.9 | 2,182.7 | 2,422.8 | 240.1 | 11.0 | |
| Depreciation and amortization | 177.0 | 196.7 | 19.7 | 11.1 | 363.5 | 391.9 | 28.4 | 7.8 | |
| Credit write-offs | 36.6 | 18.8 | (17.8) | (48.6) | 75.4 | 56.2 | (19.2) | (25.5) | |
| Sub-total | 213.6 | 215.5 | 1.9 | 0.9 | 438.9 | 448.1 | 9.2 | 2.1 | |
| Costs and expenses | 1,286.8 | 1,438.3 | 151.5 | 11.8 | 2,621.6 | 2,870.9 | 249.3 | 9.5 | |
| Construction costs | 565.5 | 643.2 | 77.7 | 13.7 | 1,104.9 | 1,129.2 | 24.3 | 2.2 | |
| Costs, adm., selling and construction expenses | 1,852.3 | 2,081.5 | 229.2 | 12.4 | 3,726.5 | 4,000.1 | 273.6 | 7.3 | |
| % of net revenue | 74.8 | 74.4 | | | 73.8 | 73.5 | | | |

5.1. Payroll and benefits

In 2Q13 payroll and charges grew R\$48.4 million or 10.9%, from R\$443.6 million to R\$492.0 million, due to the following:

- 6.17% increase in wages since May 2012 and of 8.00% since May 2013, and also the implementation of the Company's new career and wage plan, with an impact of approximately R\$31.0 million;
- R\$6.5 million upturn in the provision for the Defined Benefit Plan, arising from changes in actuarial assumptions;
- Provision referring to TAC (Conduct Adjustment Term) of retirees increased by R\$2.8 million, mainly due to wage adjustments in the period; and
- R\$2.8 million increase in overtime pay, mainly due to wage adjustment in the period.

5.2. Supplies

In 2Q13, expenses with supplies increased by R\$6.2 million or 14.4%, when compared to the previous year, from R\$43.2 million to R\$49.4 million, mostly due to: (i) preventive and corrective maintenance in several water and sewage systems, in the amount of R\$2.5 million; (ii) water and sewage network maintenance, in the amount of R\$1.2 million; and (iii) fuel and lubricants, in the amount of R\$0.5 million.

5.3. Treatment supplies

Treatment supplies expenses in 2Q13 were R\$3.8 million or 7.4% higher than in 2Q12, from R\$51.4 million to R\$55.2 million. The main factors for this variation were:

- Increase of R\$2.9 million due to the higher consumption of aluminum polychloride in the Jundiaí, Taiaçupeba, Guarapiranga and Rio Grande dams, ensuring better water quality in these reservoirs;
- Higher consumption of sodium hypochlorite, with an increase of R\$2.2 million, due to the use of this product in replacement of "Cloro Gas" in the Hortolândia, Paulínia, Indaiá and Rio Grande water treatment station, due to higher efficiency in water treatment and higher handling operational security;

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Comments on the Company's Performance

- Higher consumption of aluminum sulfate, with an increase of R\$1.2 million, due to higher consumption of this product at the Taiaçupeba water treatment station, aiming at reducing the concentration of iron and manganese in water, associated with price adjustments; and
- Increase of R\$1.7 million from the consumption of products, such as: (i) hydrogen peroxide, due to the odor increase in several sewage pumping stations in the Baixada Santista region; and (ii) oxygen, due to the increase in the average flow in the Taubaté/Tremembé Sewage Treatment Stations.

The increases mentioned above were offset, specially, by the lower consumption of coal activated at the Taiaçupeba, ABV and Guaraú water treatment stations, due to better climate conditions and water quality, resulting in R\$7.5 million decrease.

5.4. Services

In 2Q13 this item grew R\$42.5 million or 16.8%, from R\$252.6 million in 2Q12 to R\$295.1 million in 2Q13. The main factors were:

- Increase in the estimated services expenses, in the amount of R\$12.2 million, due to the reversal of provisions in the amount of R\$6.5 million in 2Q12 and the increase in the estimated expense in the amount of R\$5.7 million in 2Q13;
- Preventive and corrective maintenance in the water and sewage systems in the amount of R\$9.0 million;
- Maintenance in the water and sewage network connections, in the amount of R\$5.9 million, due to the intensification of services in several areas of the São Paulo Metropolitan Region, and to price adjustment referring to the Global Sourcing contract;
- Hydrometer reading and bill delivery expenses in the amount of R\$2.9 million, as a result of the new contracts and price adjustment in the São Paulo Metropolitan Region;

- Paving services and replacement of sidewalks in the amount of R\$2.9 million, related to the Corporate Program for Water Loss Reduction; and
- Maintenance of properties and facilities, in the amount of R\$1.8 million.

5.5. Electric power

This item decreased R\$14.6 million, or 9.9%, from R\$147.6 million in 2Q12 to R\$133.0 million in 2Q13, due to the average decrease of approximately 22.7% in the Tariff for the Use of Distribution System (TUSD), as a consequence of Provisional Presidential Decree 579/12 and Law 12,783/13, resulting in a decrease of R\$17.5 million. The decrease mentioned above was partially offset by a 15.4% increase in the tariffs of the free market, resulting in an increase of R\$3.9 million in the period.

5.6. General expenses

General expenses increased R\$62.6 million or 50.6%, from R\$123.7 million in 2Q12 to R\$186.3 million in 2Q13, due to:

- Provision for lawsuits, in the amount of R\$49.0 million, mainly related to environmental contingencies in the amount of R\$25.6 million in 2Q13; and reversal of provisions with suppliers in 2Q12, in the amount of R\$ 29.9 million; and

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Comments on the Company’s Performance

- Provision for payment to the Municipal Fund for Sanitation Environment and Infrastructure, pursuant to the Service Agreement with the São Paulo Municipal Government, in the amount of R\$6.4 million, as a result of the increase in revenues.

5.7. Depreciation and Amortization

Depreciation and amortization increased R\$19.7 million or 11.1%, from R\$177.0 million in 2Q12 to R\$196.7 million in 2Q13, due to the transfer of works to the operating intangible asset, with a net increase of R\$ 2.1 billion.

5.8. Credit write-offs

Credit write-offs decreased R\$17.8 million or 48.6%, from R\$36.6 million in 2Q12 to R\$18.8 million in 2Q13, chiefly due to the reversal of provisions in the amount of R\$15.3 million referring to installment agreements settled.

6. Net Financial expenses

| | <i>R\$ million</i> | | | |
|--|--------------------|------|------|---|
| | 2Q12 | 2Q13 | Var. | % |
| | | | | |

| | | | | |
|-------------------------------------|----------------|----------------|--------------|---------------|
| Financial expenses, net of revenues | (48.2) | (11.5) | 36.7 | (76.1) |
| Net monetary variation | (283.2) | (195.8) | 87.4 | (30.9) |
| Net financial | (331.4) | (207.3) | 124.1 | (37.4) |

6.1. Financial revenues and expenses

| | <i>R\$ million</i> | | | |
|-----------------------------------------------------------|--------------------|-------------|---------------|---------------|
| | 2Q12 | 2Q13 | Var. | % |
| Financial expenses | | | | |
| Interest and charges on domestic loans and financing | 69.9 | 64.9 | (5.0) | (7.2) |
| Interest and charges on international loans and financing | 25.7 | 22.1 | (3.6) | (14.0) |
| Other financial expenses | 14.1 | 5.6 | (8.5) | (60.3) |
| Total financial expenses | 109.7 | 92.6 | (17.1) | (15.6) |
| Financial revenues | 61.5 | 81.1 | 19.6 | 31.9 |
| Financial expenses net of revenues | 48.2 | 11.5 | (36.7) | (76.1) |

6.1.1. Financial expenses

In 2Q13 financial expenses dropped R\$17.1 million, or 15.6%. The main reasons for this result were:

- Decrease in interest and charges on domestic loans and financing due to lower interest rates and to the change in debt (issue of the 17th debenture in February 2013 and anticipation of the amortization of the 11th debenture balance);
- Decrease in interest and charges on international loans and financing due to the lower appreciation of the Yen versus the Brazilian Real in 2Q13 (4.2%), when compared to the appreciation of 14.6% recorded in 2Q12; and
- Decrease in other financial expenses, due to the reversal of interest over provisions for customer lawsuits.

6.1.2. Financial revenues

Financial revenues increased by R\$ 19.6 million due to the interest over installment agreements.

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Comments on the Company's Performance**6.2. Monetary variation on assets and liabilities**

| | 2Q12 | 2Q13 | Var. | <i>R\$ million</i> |
|----------------------------------------------------|--------------|--------------|---------------|------------------------|
| Monetary variation on loans and financing | 8.9 | 16.4 | 7.5 | 84.3 |
| Currency exchange variation on loans and financing | 281.7 | 201.7 | (80.0) | (28.4) |
| Other monetary/exchange rate variations | 2.1 | (2.1) | (4.2) | (200.0) |
| Monetary variation on liabilities | 292.7 | 215.9 | (76.8) | (26.2) |
| Monetary variation on assets | 9.5 | 20.1 | 10.6 | 111.6 |
| Net monetary variation | 283.2 | 195.8 | (87.4) | (30.9) |

6.2.1. Monetary variation on liabilities

The effect on the monetary variation on liabilities in 2Q13 was R\$76.8 million lower than in 2Q12, specially:

- Decrease in the exchange rate variation on loans and financing, in the amount of R\$80.0 million, due to: (i) the lower appreciation of the Yen versus the Brazilian Real in 2Q13 (4.2%), compared with 14.6% appreciation in 2Q12; and (ii) the lower appreciation of the US Dollar versus the Brazilian Real in 2Q13 (10.0%) when compared to the 10.9% appreciation recorded in 2Q12;
- Decrease in other monetary/exchange variation in the amount of R\$4.2 million due to provision for customer lawsuits in the amount of R\$4.7 million; and

- Increase in the expenses related to monetary variation on domestic loans and financing, in the amount of R\$7.5 million, due to the 17th debenture issue in February 2013.

6.2.2. Monetary variation on assets

Monetary variation on assets increased by R\$10.6 million in 2Q13, chiefly due to updates on installments agreements.

7. Income tax and social contribution

Income tax and social contribution expenses increased by R\$131.6 million, mainly due to the accounting recognition in 2Q12 of additional amount of Interest on Equity declared in 2011, which decreased the tax basis in that period.

8. Operating indicators

| Operating indicators* | 2Q12 | 2Q13 | % |
|----------------------------------------------------|--------|--------|-------|
| Water connections ⁽¹⁾ | 7,576 | 7,778 | 2.7 |
| Sewage connections ⁽¹⁾ | 6,017 | 6,223 | 3.4 |
| Population directly served - water ⁽²⁾ | 24.1 | 24.4 | 1.2 |
| Population directly served - sewage ⁽²⁾ | 20.7 | 21.2 | 2.4 |
| Number of employees | 14,496 | 15,121 | 4.3 |
| Water volume produced ⁽³⁾ | 1,531 | 1,514 | (1.1) |
| Water losses (%) | 25.9 | 25.3 | (2.3) |

(1) In thousand units at the end of the period

(2) In million inhabitants, at the end of the period. Not including wholesale

(3) In millions of cubic meters at the end of the period

(*) Unaudited

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(All amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

Companhia de Saneamento Básico do Estado de São Paulo ("SABESP" or the "Company") is a mixed-capital company headquartered in São Paulo, at Rua Costa Carvalho, 300, CEP 05429-900, controlled by the São Paulo State Government. The Company is engaged in the provision of basic and environmental sanitation services in the State of São Paulo, as well as it supplies treated water on a wholesale basis.

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

On June 30, 2013, the Company operated water and sewage services in 363 municipalities of the State of São Paulo. Most of these municipalities operations are based on 30-year concession agreements.

SABESP is not temporarily operating in some municipalities due to judicial orders under ongoing lawsuits: Iperó, Cajobi, Álvares Florense, Macatuba and Embaúba, whose carrying amount of these municipalities' intangible assets was R\$11,365 on June 30, 2013.

On June 30, 2013, a total of 63 concessions had expired and are being negotiated. From 2013 to 2034, 38 concessions will expire. Management believes that all concessions expired and not yet renewed will result in new contracts, disregarding the risk of discontinuity in the provision of municipal water supply and sewage services. By June 30, 2013, a total of 262 program and metropolitan contracts were signed (258 contracts on December 31, 2012).

On June 30, 2013, the carrying amount of intangible assets used in the 63 concessions of the municipalities under negotiation totaled R\$5,841,272, accounting for 25.52% of total, and the related gross revenue totaled R\$ 950,659, million in the six-month period ended June 30, 2013, accounting for 16.45% of total.

The Company's operations are concentrated in the municipality of São Paulo, which represents 51.15% of the gross revenue on June 30, 2013 (52.03% in June 2012) and 42.94% of intangible assets (43.51% in December 2012).

On June 23, 2010, the State of São Paulo through its Governor, the Municipality of São Paulo represented by its mayor, the Company and the regulatory agency "Sanitation and Energy Regulatory Agency – ARSESP" as intervening and consenting parties signed an agreement to share the responsibility for water supply and sewage services to the Municipality of São Paulo based on a 30-year concession agreement. This agreement is extendable for another 30 years, pursuant to the law. This agreement sets forth SABESP as the exclusive service provider and designates ARSESP as regulator, establishing prices, controlling and monitoring services.

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Also, on June 23, 2010, the State of São Paulo, the municipality of São Paulo and SABESP signed the “Public utility services agreement for water supply and sewage”, a 30-year term which is extendable for another 30 years. This agreement involves the following activities:

- i. protection of the sources of water in collaboration with other agencies of the State and the municipality;
- ii. capture, transport and treat of water;
- iii. collect, transport, treatment and final dispose of sanitary sewage; and
- iv. adoption of other actions of basic and environmental sanitation.

In the municipality of Santos, in the Santos coast region, which has a significant population, the Company operates under an authorization by public deed, a situation similar to other municipalities in that region and in the Ribeira valley, where the Company started to operate after the merger of companies composing it. As of June 30, 2013 the carrying amount of the municipality of Santos’ intangible assets was R\$333,513 (R\$328,693 in December 2012) and gross revenue for the six-month period ended June 30, 2013 was R\$124,077 (R\$108,578 in June 2012).

Article 58 of Law 11,445/07 determines that precarious and overdue concessions, as well as those effective for an undetermined period of time, including those that do not have an instrument formalizing them, will be valid until December 31, 2010. However, Article 2 of Law 12,693 of July 24, 2012 allows program agreements to be executed until December 31, 2016.

The Company’s Management understands that the concession agreements not yet renewed are valid and will be governed by Laws 8,987/95 and 11,445/07, including those municipalities served without an agreement.

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

The Company's shares have been listed in the *Novo Mercado* (New Market) segment of BM&FBOVESPA (the São Paulo Stock Exchange) since April 2002 and on the New York Stock Exchange (NYSE) as American Depositary Receipts ("ADRs") since May 2002.

Since 2008, the Company has been setting up partnerships with other companies, which resulted in the following companies: Sesamm, Águas de Andradina, Saneaqua Mairinque, Aquapolo Ambiental, Águas de Castilho and Attend Ambiental. Although SABESP has no majority interest in the capital stock of these companies, the shareholders' agreements provide for the power of veto and casting vote in certain issues jointly with associates, indicating the shared control in the management of investees.

This quarterly financial information was approved by the Board of Directors on August 13, 2013.

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2. BASIS OF PREPARATION AND PRESENTATION OF QUARTERLY FINANCIAL INFORMATION

(i) Presentation of Quarterly Financial Information

The quarterly financial information as of June 30, 2013 was prepared based on CPC 21 – Interim Financial Reporting and the international standard IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board (IASB), applicable to the preparation of the Quarterly Information Form– ITR, which are consistently presented with the standards issued by CVM. Therefore, this ITR considers the Circular Official Letter CVM/SNC/SEP 003 of April 28, 2011 which allows that entities report selected notes to the financial statements, in cases of redundant information already disclosed in the Annual Financial Statements. The quarterly financial information for the period ended June 30, 2013, therefore, does not include all the notes and reporting required by the CPC (“Brazilian Accounting Pronouncements Committee”) for the annual financial statements and, accordingly, must be read together with the financial statements under CPC and IFRS for the year ended December 31, 2012.

2.1 Accounting policies

The accounting policies used in the preparation of the quarterly financial information for the quarter ended June 30, 2013 are consistent with those used to prepare the Annual Financial Statements for the year ended December 31, 2012, except for the effects of new accounting practices adopted as of January 1, 2013, described hereinbelow. These policies are disclosed in Note 3 to the Annual Financial Statements.

As of January 1, 2013, new standards, amendments and interpretations of accounting standards became effective. This quarterly financial information already includes the adoption of these amendments and shows their effects on a retrospective basis.

The adoption of CPCs 19(R2) and 33(R1) for the year ended December 31, 2012 resulted in the following adjustments:

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| | | December 31, 2012 | | |
|---------------------------------------------|------------|---------------------------------|---------------------------------|------------------------------|
| | | CPC 19(R2) Effects (a) | CPC 33(R1) Effects (b) | After adoption of CPCs |
| | Original | | | |
| Assets | | | | |
| Total current assets | 3,336,865 | (6,267) | - | 3,330,598 |
| Deferred income tax and social contribution | 141,356 | (5,459) | 9,405 | 145,302 |
| Investments | - | 20,826 | - | 20,826 |
| Intangible assets | 21,991,922 | (24,396) | - | 21,967,526 |
| Property, plant and equipment | 383,383 | (186,673) | - | 196,710 |
| Total non-current assets | 23,338,928 | (202,834) | 9,405 | 23,145,499 |
| Total assets | 26,675,793 | (209,101) | 9,405 | 26,476,097 |

| | | December 31, 2012 | | |
|-------------------------------|------------|------------------------------|---------------------------------|---------------------------|
| | | CPC 19(R2) Effects (a) | CPC 33(R1) Effects (b) | After adoption of CPCs |
| | Original | | | |
| Liabilities and equity | | | | |
| Total current liabilities | 3,797,370 | (39,181) | - | 3,758,189 |
| Loans and financing | 7,701,929 | (169,268) | - | 7,532,661 |
| Total non-current liabilities | 11,162,846 | (169,920) | 468,220 | 11,461,146 |
| Total liabilities | 14,960,216 | (209,101) | 468,220 | 15,219,335 |
| Total equity | 11,715,577 | - | (458,815) | 11,256,762 |

| | | | | |
|------------------------------|------------|-----------|-------|------------|
| Total liabilities and equity | 26,675,793 | (209,101) | 9,405 | 26,476,097 |
|------------------------------|------------|-----------|-------|------------|

(a) Adoption of CPC 19(R2)

The Company adopted CPC 19(R2). Accordingly, jointly-owned investees (Note 9) are now classified as joint venture and are subject to the recognition of income under the equity method of accounting (CPC 18(R2)). This change altered the method of consolidation: from proportional consolidation to equity method of accounting.

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The adoption of CPC 19(R2) resulted in changes in the consolidation of the Company's investments in Sesamm – Serviços de Saneamento de Mogi Mirim S/A, Águas de Andradina S.A., Águas de Castilho, Saneaqua Mairinque S.A., Aquapolo Ambiental S.A. and Attend Ambiental S/A.

(b) Adoption of CPC 33 (R1)

The Company adopted CPC 33(R1). The Company's accounting practice up to December 31, 2012 consisted of recording actuarial gains and losses using the corridor method, in which gains and losses from changes in actuarial assumptions were only recognized in profit or loss as they surpass the corridor value and amortized during the estimated average remaining working life of population with the benefits. Therefore, actuarial gains and losses measured in a certain period were not immediately recognized. With this method, the value recognized in liabilities differs from the estimated present value of obligations through unrecognized actuarial gains and losses.

With the adoption of the new accounting standard, SABESP now recognizes in the statement of financial position the total effect from actuarial losses net of income tax and social contribution, with a corresponding entry to the statement of other comprehensive income, not being recorded in income statement. Such accounting method was applied in the quarterly financial information for 2013, with a retrospective effect in the Company's financial statements for the year ended December 31, 2012 and the opening balance as of January 1, 2012.

Deferred income tax and social contribution were recorded only for the G1 plan, because G0 plan expenses are deemed undeductible.

Below, the reconciliation of the new asset and liability balances of the actuarial obligations for the year ended December 31, 2012 and the opening balance of January 1, 2012, affected by the change in the

standard:

| | December 31, 2012 | Janu |
|----------------------------------------------------------------------------------------|--------------------------|-------------|
| Balance of actuarial obligations, according to previous accounting practice - G1 | 577,169 | |
| Effect from adoption of CPC 33 (R1) | 27,663 | |
| Balance of actuarial obligations after the change in the accounting practice | 604,832 | |
| Balance of the actuarial obligations according to previous accounting practice - G0 | 1,547,161 | |
| Effect from the adoption of CPC 33 (R1) | 440,557 | |
| Balance of actuarial obligations after the change in the accounting practice | 1,987,718 | |
| Total balance of the actuarial obligations after the change in the accounting practice | 2,592,550 | |

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Due to the adjustment described above, arising from the adoption of CPC 33(R1), the balances of “Deferred taxes” in non-current assets, “Pension plan liabilities” in non-current liabilities and “Other comprehensive income” in equity, as of December 31, 2012 and January 1, 2012, for the periods comparable to the interim financial information, were adjusted as follows:

| | December 31, 2012 | | | January 1, 2012 | | |
|----------------------------|-------------------|------------|------------------|------------------|------------|------------------|
| | Original Balance | Adjustment | Restated balance | Original balance | Adjustment | Restated balance |
| Non-current assets | | | | | | |
| Deferred taxes | 135,897 | 9,405 | 145,302 | 177,926 | (35,323) | 142,603 |
| Non-current liabilities | | | | | | |
| Pension plan liabilities | 2,124,330 | 468,220 | 2,592,550 | 2,050,697 | (34,370) | 2,016,327 |
| Equity | | | | | | |
| Other comprehensive income | 11,715,577 | (458,815) | 11,256,762 | 10,545,896 | (953) | 10,544,943 |

The adoption of CPC 33 (R1) did not result in adjustments to the statements of income and cash flows presented in this quarterly financial information.

3. FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Company's activities are affected by the Brazilian economic scenario, making it exposed to market risks, such as exchange rate, interest rate, credit risk and liquidity risk. The Company's financial risk management is focused on the unpredictability of financial markets and seeks to minimize the potential for adverse effects on the Company's financial performance.

The Company has not utilized derivative instruments in any of the reported periods.

(a) Market risk

Foreign exchange risk

SABESP's foreign exchange exposure implies market risks associated with Brazilian Real currency fluctuations against the US dollar and Yen. SABESP's foreign currency-denominated liabilities include US dollar and Yen-denominated loans.

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

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SABESP's specific foreign exchange risks are related to exposures caused by its current and non-current debts denominated in foreign currency.

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

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

A significant amount of the Company's financial debt is denominated in U.S. dollar and Yen, in the total amount of R\$3,489,462 on June 30, 2013 (R\$3,231,183 in December 2012). Below, the Company's exposure to foreign exchange risk:

| | December 31, 2012 | | | |
|------------------------------------------------------|--------------------------|------------|-------------------------|------------|
| | June 30, 2013 | | (Restated) | |
| | Foreign currency | R\$ | Foreign currency | R\$ |
| Loans and financing – US\$ | 1,137,557 | 2,520,371 | 1,136,274 | 2,321,976 |
| Loans and financing – Yen | 42,534,714 | 949,800 | 37,535,650 | 890,346 |
| Interest and charges from loans and financing – US\$ | | 13,366 | | 12,487 |
| Interest and charges from loans and financing – Yen | | 5,925 | | 6,374 |
| Total exposure | | 3,489,462 | | 3,231,183 |

| | | |
|---------------------------------|-----------|-----------|
| Financing cost | (16,304) | (15,422) |
| Total loans in foreign currency | 3,473,158 | 3,215,761 |

As at June 30, 2013, if the Brazilian Real had depreciated or appreciated by 10% against the US dollar and Yen with all other variables held constant, effects on results before taxes on June 30, 2013 would have been R\$348,946 (R\$323,118 in the year ended December 31, 2012) lower or higher, mainly as a result of foreign exchange losses or gains on the translation of foreign currency-denominated loans.

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

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| | Scenario I (Probable) (*) | Scenario II (+25%) | Scenario III (+50%) |
|---------------------------------------------------------------------|---------------------------------|-----------------------|------------------------|
| Net currency exposure on June 30, 2013 (Liabilities) in US\$ | 1,137,557 | 1,137,557 | 1,137,557 |
| US\$ rate on June 30, 2013 | 2.2156 | 2.2156 | 2.2156 |
| Exchange rate estimated according to the scenario | 2.2000 | 2.7500 | 3.3000 |
| Difference between the rates | 0.0156 | (0.5344) | (1.0844) |
| Effect on net financial result R\$ - gain/(loss) | 17,746 | (607,910) | (1,233,567) |
| Net currency exposure on June 30, 2013 (Liabilities) in Yen | 42,534,714 | 42,534,714 | 42,534,714 |
| Yen rate on June 30, 2013 | 0.02233 | 0.02233 | 0.02233 |
| Exchange rate estimated according to the scenario | 0.02321 | 0.02901 | 0.03481 |
| Difference between the rates | (0.0009) | (0.0067) | (0.0125) |
| Effect on net financial result in R\$ - gain/(loss) | (38,281) | (284,983) | (531,684) |
| Total effect on net financial result in R\$ - gain/(loss) | (20,535) | (892,893) | (1,765,251) |

(*)The probable scenario in foreign currency (US\$ and Yen) considered the average exchange rate for the 12-month period after June 30, 2013, according to BM&FBovespa.

Interest rate risk

This risk arises from the possibility that the Company could incur losses due to fluctuations in interest rates, increasing the finance expenses related to loans and financing.

The Company has not entered into any derivative contract to protect against this risk; however continually monitors market interest rates, in order to evaluate the need of replace its debts.

The table below provides the Company's loans and financing subject to variable interest rate:

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| | June 30, 2013 | December 31, 2012 (Restated) |
|-----------------------|----------------------|-----------------------------------------|
| TR ⁽ⁱ⁾ | 1,821,513 | 2,019,924 |
| CDI ⁽ⁱⁱ⁾ | 1,212,010 | 1,799,830 |
| TJLP ⁽ⁱⁱⁱ⁾ | 809,471 | 845,913 |
| IPCA ^(iv) | 1,315,200 | 697,385 |
| LIBOR ^(v) | 1,342,426 | 1,243,058 |
| Interest and charges | 78,153 | 95,475 |
| Total | 6,578,773 | 6,701,585 |

(i) TR – (*Taxa de Referência*), a reference rate

(ii) CDI - (*Certificado de Depósito Interbancário*), an interbank deposit rate

(iii) TJLP - (*Taxa de Juros a Longo Prazo*), a long-term interest rate index

(iv) IPCA - (*Índice Nacional de Preços ao Consumidor Amplo*), a consumer price index

(v) LIBOR - London Interbank Offered Rate

Another risk to which the Company is exposed, is the mismatch of the monetary restatement indices of its debts with those of its service revenues. Water supply and sewage services tariff adjustments do not necessarily follow the increases in adjustment indexes for loans, financing and interest rates affecting the Company's debt.

As at June 30, 2013, if interest rates on loans denominated in Brazilian *reais* had been 100 basis points higher or lower with all other variables held constant, the effects on profit for the six-month period ended June 30, 2013 before taxes would have been R\$65,787 (R\$67,015 for the year ended December 31, 2012) lower or higher, mainly as a result of a lower or higher interest expense on floating rate loans.

(b) Credit risk

The credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding accounts receivable, restricted cash, accounts receivable from related parties and indemnities. The Company is required by law to invest its funds with Banco do Brasil. Credit risk exposure is mitigated by sales to a dispersed customer base.

The maximum exposure to credit risk at the reporting date is the carrying amount of instruments classified as cash equivalents, deposits in banks and financial institutions, restricted cash, trade accounts receivable and accounts receivable from related parties. (See notes 5, 6, 7 and 8).

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Regarding the financial assets held with financial institutions, the credit quality that is not past due or subject to provision for impairment can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit quality of counterparties which are banks, such as deposits and financial investments, the Company considers the lower rating of the counterparty published by three main international rating agencies (Moody's, Fitch and S&P), according to the internal market risk management policy:

| | June 30, 2013 | December 31, 2012 (Restated) |
|-------------------------------------------|----------------------|-----------------------------------------|
| Cash at bank and short-term bank deposits | | |
| AAA(bra) | 1,667,416 | 1,913,893 |
| Others (*) | 1,671 | 2,081 |
| | 1,669,087 | 1,915,974 |

(*)This category includes current accounts and investment funds in banks which have no credit rating information available.

The available credit rating information of the banks in which the Company made transactions during the period is as follows:

| <u>Counterparty</u> | <u>Fitch</u> | <u>Moody's</u> | <u>Standard Poor's</u> |
|----------------------------|---------------------|-----------------------|-------------------------------|
| Banco do Brasil S.A. | AAA (bra) | Aaa.br | brAAA |

| | | | |
|-----------------------------|-----------|--------|-------|
| Banco Santander Brasil S.A. | AAA (bra) | Aaa.br | brAAA |
| Federal Savings Bank | AAA (bra) | Aaa.br | - |
| Banco Bradesco S.A. | AAA (bra) | Aaa.br | brAAA |
| Itaú Unibanco Holding S.A. | AAA (bra) | Aaa.br | brAAA |

For financial assets corresponding to trade accounts receivable, the Company's credit risk is minimized, since the customer base is diversified.

(c) Liquidity risk

The Company's liquidity is primarily reliant upon cash provided by operating activities, loans from Brazilian Federal and State governmental financial institutions, and financing in the domestic and international capital markets. The liquidity risk management considers the assessment of its liquidity requirements to ensure it has sufficient cash to meet its investment and capital expenditures needs, as well as the payment of debts.

The funds held by the Company are invested in interest-bearing current accounts, time deposits, short-term deposits and securities, selecting instruments with appropriate maturity or liquidity sufficient to provide margin as determined by projections mentioned above.

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The table below analyzes the Company's financial liabilities, by relevant maturities, including the installment of principal and interest to be paid according to the agreement.

| | July to December 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------------------|-----------------------|-----------|-----------|-----------|-----------|
| As of June 30, 2013 | | | | | |
| Liabilities | | | | | |
| Loans and financing | 625,680 | 1,017,489 | 1,467,990 | 1,367,289 | 1,022,388 |
| Accounts payable to suppliers and contractors | 239,393 | - | - | - | - |
| Services payable | 404,710 | - | - | - | - |
| Pension plan liabilities | 114,703 | 235,667 | 242,192 | 249,770 | 257,442 |
| Public-private partnership— PPP | 20,962 | 41,925 | 41,925 | 41,925 | 41,925 |
| Program contract commitments | 141,081 | 36,223 | 77,533 | 4,237 | 1,890 |
| Other liabilities | 129,174 | 154,605 | - | - | - |

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 onwards | F |
|-----------------------------------------------|-----------|-----------|-----------|-----------|---------|--------------|----|
| As of December 31, 2012 | | | | | | | |
| Liabilities | | | | | | | |
| Loans and financing | 1,743,344 | 1,221,613 | 1,660,890 | 1,100,013 | 779,905 | 5,678,481 | 12 |
| Accounts payable to suppliers and contractors | 295,392 | - | - | - | - | - | - |
| Services payable | 389,091 | - | - | - | - | - | - |
| Pension plan liabilities | 229,406 | 235,667 | 242,192 | 249,770 | 257,442 | 1,880,988 | 3 |
| Public-private partnership— PPP | 41,925 | 41,925 | 41,925 | 41,925 | 41,925 | 305,193 | - |
| Program contract commitments | 160,784 | 11,227 | 66,052 | 4,222 | 1,911 | 37,204 | - |

| | | | | | | |
|-------------------|---------|---------|---|---|---|---|
| Other liabilities | 159,055 | 168,766 | - | - | - | - |
|-------------------|---------|---------|---|---|---|---|

Future interest

Future interest was calculated based on the contractual clauses for all agreements. For agreements with floating interest rate, the interest rates used correspond to the reference dates above.

Cross-default clause

The Company has loan agreements including the cross-default clause, which sets forth that the early maturity of any Company's debt will cause the anticipated debt of the corresponding agreement. Indicators are constantly monitored to avoid the execution of this clause.

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(d) Sensitivity analysis on interest rate risk

The table below shows the sensitivity analysis of the financial instruments, prepared in accordance with CVM Rule 475/2008 in order to evidence the balances of main financial assets and liabilities, calculated at a rate projected until the final settlement of each contract, considering a probable scenario (scenario I), appreciation of 25% (scenario II) and 50% (scenario III).

The purpose of the sensitivity analysis is measure the impact of changes in the market variables over the financial instruments of the Company, considering constant all other variables. Upon settlement the amounts can be different from those presented above, due to the estimates used in the measurement.

| Indicators | June 30, 2013 | | | |
|-------------------------|----------------------|------------------------------|------------------------|-------------------------|
| | Exposure | Scenario I (Probable) (i) | Scenario II (+ 25%) | Scenario III (+ 50%) |
| Assets | | | | |
| CDI | 1,592,229 | 9.1400%(*) | 11.4250% | 13.7100% |
| Finance income | | 145,530 | 181,912 | 218,294 |
| Liabilities | | | | |
| CDI | 1,212,010 | 9.1400%(*) | 11.4250% | 13.7100% |
| Interest to be incurred | | (110,778) | (138,472) | (166,166) |
| Net exposure – CDI | | 34,752 | 43,440 | 52,128 |
| Liabilities | | | | |
| TR | 1,821,513 | 0.2030%(*) | 0.2538% | 0.3045% |

| | | | | |
|-----------------------------------|-----------|------------|-----------|-----------|
| Expense to be incurred | | (3,698) | (4,623) | (5,546) |
| TJLP | 809,471 | 5.0000%(*) | 6.2500% | 7.5000% |
| Interest to be incurred | | (40,473) | (50,592) | (60,710) |
| IPCA | 1,315,200 | 5.8800%(*) | 7.3500% | 8.8200% |
| Expense to be incurred | | (77,334) | (96,667) | (116,001) |
| LIBOR | 1,342,426 | 0.3550%**) | 0.4437% | 0.5325% |
| Interest to be incurred | | (4,765) | (5,956) | (7,148) |
| Total net expenses to be incurred | | (91,518) | (114,398) | (137,277) |

(*)Source: Focus Report – BACEN, June 28, 2013

(**)Source: Bloomberg

(i) It refers to the scenario of interest rates to be incurred for the 12 months as of June 30, 2013 or until the maturity of the contracts, whichever is shorter.

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Notes to the Financial Statements**3.2 Capital management**

The Company's objectives when managing capital are ensure its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital based on the financial leverage ratios. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total loans and financing less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

| | June 30, 2013 | December 31, 2012 (Restated) |
|---------------------------------|----------------------|-----------------------------------------|
| Total loans and financing | 9,026,478 | 8,875,255 |
| Less: cash and cash equivalents | (1,669,087) | (1,915,974) |
| Net debt | 7,357,391 | 6,959,281 |
| Total equity | 12,034,432 | 11,256,762 |
| Total capital | 19,391,823 | 18,216,043 |
| Leverage ratio | 38% | 38% |

On June 30, 2013, the leverage ratio did not change over December 31, 2012.

3.3 Fair value estimates

We assume that balances of trade accounts receivable (current) and trade accounts payable by carrying amount approximate their fair values, considering the short maturity. Long-term trade accounts receivable also approximate their fair values, as they will be adjusted by inflation and/or will bear contractual interest rates over time.

3.4 Financial instruments

On June 30, 2013 and December 31, 2012, the Company did not have financial assets classified in categories of fair value through profit or loss, held to maturity and held for sale. The Company's financial instruments included in the loans and receivables category comprise cash and cash equivalents, receivables from customers, receivables from related parties, other accounts receivable, receivables from Water National Agency - ANA, contractors and suppliers, loans and financing, interest on equity payable, accounts payable from public-private partnership - PPP and program contract commitments, which are non-derivative financial assets and liabilities with fixed or determinable payments, not quoted in an active market.

The estimated fair values of financial instruments are as follows:

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| | December 31, 2012 | | | |
|-----------------------------------------------|--------------------------|-------------------|------------------------|-------------------|
| | June 30, 2013 | | (Restated) | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Cash and cash equivalents | 1,669,087 | 1,669,087 | 1,915,974 | 1,915,974 |
| Restricted cash | 12,488 | 12,488 | 64,977 | 64,977 |
| Trade accounts receivable | 1,369,467 | 1,369,467 | 1,374,632 | 1,374,632 |
| Accounts receivable from related parties | 250,389 | 250,389 | 262,371 | 262,371 |
| Water National Agency – ANA | 103,195 | 103,195 | 108,099 | 108,099 |
| Other accounts receivable | 163,241 | 163,241 | 141,027 | 141,027 |
| Financial liabilities | | | | |
| Loans and financing (i) to (vii) | 9,026,478 | 9,392,013 | 8,875,255 | 9,201,317 |
| Accounts payable to suppliers and contractors | 239,393 | 239,393 | 295,392 | 295,392 |
| Services payable | 404,710 | 404,710 | 389,091 | 389,091 |
| Program contract - commitments | 254,433 | 254,433 | 235,627 | 235,627 |
| Public-Private Partnership - PPP | 349,548 | 349,548 | 356,317 | 356,317 |

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

(i) Agreements with Banco do Brasil and CEF (Brazilian Federal Savings Bank) were projected until final maturity, at contractual rates (projected TR + spread) and discounted at present value by TR x DI, both rates were obtained from BM&F.

(ii) Debentures were projected until the final maturity date according to contractual rates (IPCA, DI, TJLP or TR), and discounted at present value considering the future interest rate published by ANBIMA in the secondary market, or equivalent market rates, or the Company securities traded in the Brazilian market.

(iii) BNDES (Brazilian Development Bank) loans are financial instruments measured by face value and restated until maturity date and are indexed by long term interest rate – TJLP.

These loans have specific characteristics and the conditions defined in the loan agreements with BNDES between independent parties, and reflect the conditions for those types of loan. In Brazil, a consolidated market of long-term debts does not exist with the same characteristics of BNDES loans, the offering of credit to the entities in general, with this long-term characteristic, usually is restricted to BNDES.

(iv) Other financing in local currency are considered by carrying amount till mature date, discounted to present value at futures interest rate published by BM&FBovespa.

(v) Agreements with IDB, IBRD, were projected until final maturity in origin currency, applying interest rates contracted, discounted at present value at Libor futures rate, obtained from Bloomberg. Eurobonds were priced at market value through quotes published by Bloomberg. All the amounts obtained were translated into Brazilian *reais* at the exchange rate as of June 30, 2013.

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(vi) Agreements with JICA, were projected until final maturity in origin currency, using interest rates contracted and discounted at present value, at Tibor futures rate obtained from Bloomberg. The amounts obtained were translated into Brazilian reais at the exchange rate as of June 30, 2013.

(vii) Leasing is an instrument measured by face value restated until maturity date, whose characteristic is the indexation by fixed contractual rate, which is a specific type, not compared to any other market rate. Thus, the Company discloses as market capitalization, the amount recorded on June 30, 2013.

Considering the nature of the Company's other financial instruments, assets and liabilities, the balances recognized in the statements of financial position are close to the fair values, taking into consideration the maturity terms close to the reporting date, a comparison between contractual interest rate and market interest in similar operations at the end of the reporting period, and its nature and maturity terms.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and on other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no changes when compared to the Annual Financial Statements for the year ended December 31, 2012, according to Note 5.

5. CASH AND CASH EQUIVALENTS

| | June 30, 2013 | December 31, 2012 |
|---------------------------|----------------------|--------------------------|
| | | (Restated) |
| Cash and banks | 76,858 | 119,397 |
| Cash and cash equivalents | 1,592,229 | 1,796,577 |
| | 1,669,087 | 1,915,974 |

Cash and cash equivalents include cash, bank deposits and high-liquidity short-term investments, mainly represented by purchase commitments (bearing CDI rate), deposited in Banco do Brasil, with maturities lower than three months, which are promptly convertible into a known cash amount and subject to an insignificant risk of change in value.

The average yield of financial investments corresponds to 100.8% of CDI in June 2013 (100.01% in December 2012).

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6. RESTRICTED CASH

As of June 30, 2013, the restricted cash, in current assets, totaled R\$12,488, referring mainly to the agreement in the municipality of São Paulo, where the Company transfers 7.5% of the Municipality's revenue to the Municipal Fund (R\$64,977 in December 2012).

The variation occurred in the period from January to June 2013, when compared to the Financial Statements as at December 31, 2012, mainly refers to the removal of restriction on use of funds by the Municipal Government of São Paulo.

7. TRADE ACCOUNTS RECEIVABLE

(a) Balance sheet balances

| | June 30, 2013 | December 31, 2012 |
|----------------------------------------|----------------------|--------------------------|
| | | (Restated) |
| Private sector: | | |
| General and special customers (i) (ii) | 928,529 | 949,800 |
| Agreements (iii) | 267,937 | 249,470 |
| | 1,196,466 | 1,199,270 |

| | | |
|---------------------------------------------------|-------------|-------------|
| Government entities: | | |
| Municipal | 629,948 | 610,779 |
| Federal | 3,807 | 3,150 |
| Agreements (iii) | 178,442 | 181,271 |
| | 812,197 | 795,200 |
| Wholesale customers – Municipal governments: (iv) | | |
| Guarulhos | 619,861 | 578,314 |
| Mauá | 303,894 | 281,398 |
| Mogi das Cruzes | 15,538 | 15,202 |
| Santo André | 658,690 | 620,276 |
| São Caetano do Sul | 4,471 | 2,072 |
| Diadema | 193,918 | 180,465 |
| Total wholesale customers – Municipal governments | 1,796,372 | 1,677,727 |
| Unbilled supply | 420,178 | 425,843 |
| Subtotal | 4,225,213 | 4,098,040 |
| Allowance for doubtful accounts | (2,855,746) | (2,723,408) |
| Total | 1,369,467 | 1,374,632 |
| Current | 1,033,698 | 1,038,945 |
| Noncurrent (v) | 335,769 | 335,687 |
| | 1,369,467 | 1,374,632 |

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From January to June 2013, there were no relevant changes in operations reported in the financial statements as at December 31, 2012.

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

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

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

(iv) Wholesale basis customers - municipal governments - This balance refers to the sale of treated water to municipalities, which are responsible for distributing to, billing and charging final customers. Some of these municipalities are challenging in court the tariffs charged by SABESP, which have full allowance for doubtful accounts. Additionally, the overdue amounts are included in the allowance for doubtful account and are classified in noncurrent assets.

Changes are as follow:

| Six-month period ended | Year ended December 31, |
|-------------------------------|--------------------------------|
| June 30, 2013 | 2012 |
| | (Restated) |

| | | |
|----------------------------------------|-----------|-----------|
| Balance at the beginning of period | 1,677,727 | 1,486,342 |
| Billing for services rendered | 209,519 | 394,922 |
| Collections – current year’s services | (67,932) | (165,967) |
| Collections – previous years’ services | (22,942) | (37,570) |
| Balance at the end of the period | 1,796,372 | 1,677,727 |
| Current | 59,338 | 33,924 |
| Non-current | 1,737,034 | 1,643,803 |

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(v) The noncurrent amount consists of trade accounts receivable that are past due and renegotiated with customers and amounts past due related to wholesale basis to municipal governments, and the amounts are net of allowance for doubtful accounts.

(b) The aging of trade accounts receivable is as follows:

| | June 30, 2013 | December 31, 2012 (Restated) |
|----------------------|----------------------|-----------------------------------------|
| Falling due | 1,078,001 | 1,091,834 |
| Past-due: | | |
| Up to 30 days | 201,979 | 197,936 |
| From 31 to 60 days | 95,747 | 97,426 |
| From 61 to 90 days | 58,438 | 61,527 |
| From 91 to 120 days | 49,156 | 50,729 |
| From 121 to 180 days | 92,455 | 89,297 |
| From 181 to 360 days | 160,630 | 139,788 |
| Over 360 days | 2,488,807 | 2,369,503 |
| Total past-due | 3,147,212 | 3,006,206 |
| Total | 4,225,213 | 4,098,040 |

(c) Allowance for doubtful accounts

| | June 30, 2013 | December 31, 2012 |
|------------------------------------|----------------------|--------------------------|
| | | (Restated) |
| Balance at beginning of period | 2,723,408 | 2,436,428 |
| Private sector/government entities | 45,892 | 75,535 |
| Recoveries | (22,619) | (36,851) |
| Wholesale customers | 109,065 | 108,351 |
| | | |
| Additions in the period | 132,338 | 147,035 |
| | | |
| Balance at the end of period | 2,855,746 | 2,583,463 |
| | | |
| Current | 1,281,173 | 1,191,827 |
| Noncurrent | 1,574,573 | 1,391,636 |

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| | April to June/2013 | January to June/2013 | April to June/2012 (Restated) | January to June/2012 (Restated) |
|-----------------------------------------------------------------|--------------------|----------------------|-------------------------------|---------------------------------|
| Reconciliation of provision for losses in profit or loss | | | | |
| Losses (write-off) | 10,775 | 32,006 | 21,326 | 36,703 |
| Provision for state entities (related parties) | 418 | 960 | - | - |
| Provision for private sector/government entities | 24,304 | 45,892 | 41,863 | 75,535 |
| Recoveries | (16,658) | (22,619) | (26,564) | (36,851) |
| Balance | 18,839 | 56,239 | 36,625 | 75,387 |

The Company does not have customers representing 10% or more of its revenue.

8. RELATED-PARTY BALANCES AND TRANSACTIONS

The Company is a party to transactions with its controlling shareholder, the State Government, and companies/entities related thereto.

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

June 30, 2013

**December
31, 2012**

(Restated)

| | | |
|------------------------------------------------------------------------------|----------|----------|
| Accounts receivable | | |
| Current: | | |
| Water and sewage services | 121,494 | 113,027 |
| Allowance for losses | (48,491) | (47,531) |
| Reimbursement of additional retirement and pension benefits – GESP Agreement | 35,278 | 35,278 |
| Reimbursement for pension benefits paid - monthly flow | 6,875 | 8,499 |
| Total current | 115,156 | 109,273 |
| Noncurrent: | | |
| Reimbursement of additional retirement and pension benefits – GESP Agreement | 135,233 | 153,098 |
| Total noncurrent | 135,233 | 153,098 |
| Total receivables from shareholders | 250,389 | 262,371 |
| Water and sewage services | 73,003 | 65,496 |
| Reimbursement of additional retirement and pension benefits | 177,386 | 196,875 |
| Total | 250,389 | 262,371 |
| Interest on shareholders equity payable to related parties | - | 228,214 |

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| | April to June/2013 | April to June /2012 (Restated) |
|--------------------------------------------------------|---------------------------|-------------------------------------------|
| Gross revenue from sales and services | | |
| Water supply | 63,258 | 57,714 |
| Sewage services | 55,090 | 50,610 |
| Payments received from related parties | (113,943) | (118,639) |
| Finance income | 36,701 | 44,874 |
| Receipt of GESP reimbursement referring to Law 4819/58 | (31,256) | (21,159) |

From January to June 2013, there were no significant changes in the operations reported in the financial statements as at December 31, 2012. Further details and explanations on the nature of related-party transactions are included in Note 9 of the Financial Statements as at December 31, 2012.

(b) Contingent assets – GESP (not recorded)

On June 30, 2013 and December 31, 2012, SABESP had off-balance contingent assets with GESP relating to the supplementary retirement and pension paid (Law 4,819/58), as follows:

| | June 30, 2013 | December 31, 2012 |
|--------------------------------------------------------------------------------------|----------------------|------------------------------|
| Amounts in controversy receivable | 682,116 | 654,927 |
| Undisputed amount relating to the transfer to SABESP of Alto Tietê system reservoirs | 696,283 | 696,283 |
| Total | 1,378,399 | 1,351,210 |

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(c) Agreements for the use of reservoirs

EMAE – Empresa Metropolitana de Águas e Energia S.A. claims the credit and financial compensation for the use of water from Guarapiranga and Billings reservoirs, used by SABESP in its operations, as well as the reimbursement of damages related to the failure to pay appropriately.

The Company understands that no amounts are due for the use of these reservoirs, but already participates in its maintenance costs. Should these reservoirs not be available for use to the Company, maybe it would be necessary to collect water in more distant places, having the risk of being unfeasible to properly rendering services in the region, besides increasing borrowing cost.

Three proceedings were filed by EMAE, two of them are writs of prevention to toll statute of limitation and another one to file arbitration commitment, by force of an arbitration clause in the agreement entered into between the São Paulo State Government and former Light, in 1958.

The plaintiff understands that diverging opinions between Light and SABESP should be resolved at the Court of Arbitration, which was disputed by SABESP, which in turn claims it is not bound to an agreement in which it is not party.

In February 2013, the arbitration commitment was established, decision of which was challenged by appeal which is pending judgment.

As such appeal has no suspensive effect, EMAE filed a request for arbitration proceeding with Amcham Arbitration Center. In July, SABESP through an interlocutory appeal, obtained suspension of decision which sentenced the filing of arbitration proceeding until the judgment on the pending appeal.

The Arbitration Panel took cognizance of the decision and suspended the proceeding.

SABESP will adopt the legal means with the courts of appeals and arbitration to defend its thesis.

The Company deems this case as possible loss. The amount involved could not be calculated due to the fact that the request had not been defined, which is for now indeterminate.

(d) agreements with reduced tariffs with State and Municipal Government Entities which adhered to the Water Rational Use Program (PURA)

The Company has signed agreements with government entities related to the State Government and municipalities where it operates that benefit from a reduction of 25% in the tariff of water supply and sewage services when they are in performance. These agreements provide for the implementation of the rational water use program, which takes into consideration the reduction in water consumption.

(e) Guarantees

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The State Government provides guarantees for some loans and financing of the Company and does not charge any fee with respect to such guarantees.

(f) Personnel assignment agreement among entities related to the São Paulo State Government

The Company has personnel assignment agreements with entities related to the São Paulo State Government, under which the expenses are fully transferred and monetarily reimbursed. On June 30, 2013, the expenses related to personnel assigned by SABESP to other state government entities amounted to R\$3,706 (R\$3,369 in June 2012).

In the same period, expenses related to personnel assigned by other entities to SABESP totaled R\$532 (R\$515 in June 2012).

(g) Services obtained from São Paulo state government entities

On June 30, 2013 and December 31, 2012, SABESP had an outstanding amount payable of R\$2,466 and R\$958, respectively, for services rendered by São Paulo State Government entities.

(h) Non-operating assets

As of June 30, 2013 and December 31, 2012, the Company had an amount of R\$969 related to free land lent to DAEE (Water and Electricity Department).

(i) SABESPREV

The Company sponsors a private defined benefit pension plan, which is operated and administered by Fundação Sabesp de Seguridade Social - SABESPREV. The net actuarial liability recognized as of June 30, 2013 amounted to R\$639,167 (R\$604,832 in December 2012, including the effect of CPC 33(R1)). For further details, see Note 17.

(j) Management's Compensation

Expenses related to the compensation of members of the Board of Directors and Board of Executive Officers was R\$843 and R\$818, respectively, from April to June 2013 and 2012. The amounts of R\$1,618 and R\$ 1,575, respectively, were accrued from January to June 2013 and 2012, and refer to short-term benefits. An additional amount of R\$146, referring to the Executive Officers' bonus program was recorded in the period between April and June 2013 (from April to June 2012 - R\$ 263). From January to June 2013 and 2012 R\$286 and R\$537, respectively were accrued.

(k) Loan agreement through credit facility

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

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

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

| SPE | Credit limit | Principal disbursed amount | Interest balance | Interest rate | Maturity |
|--------------------|--------------|----------------------------|------------------|-----------------------|-----------|
| Águas de Andradina | 3,467 | 1,427 | 48 | SELIC + 3.5 % p.a. | 7/17/2013 |
| Águas de Castilho | 675 | 403 | 13 | SELIC + 3.5 % p.a. | 7/17/2013 |
| Aquapolo Ambiental | 5,629 | 5,629 | 852 | CDI + 1.2% p.a. | 4/30/2016 |
| Aquapolo Ambiental | 19,000 | 19,000 | 2,097 | CDI + 1.2% p.a. | 4/30/2015 |
| Total | 28,771 | 26,459 | 3,010 | | |

The amount disbursed is recognized in Assets under “Other Receivables”, R\$1,830 of principal and R\$61 of interest rates recognized in Current Assets and R\$24,629 of principal and R\$2,949 of interest rates in Noncurrent Assets. As of June 30, 2013 the balance of principal and interest rates of these contracts is R\$29,469. From January to June 2013, financial income was impacted by R\$1,388 (R\$265 from January to June 2012).

9. INVESTMENTS

The Company holds interest in the following investees: Sesamm – Serviços de Saneamento de Mogi Mirim S/A, Águas de Andradina, Águas de Castilho, Saneaqua Mairinque, Aquapolo Ambiental and Attend Ambiental which were recorded by the equity method. The accounting policies of its investees are consistent with the accounting policies adopted by the Company.

Although SABESP has no majority shares of its investees, the shareholders' agreement provides for the power of veto in certain management issues, indicating participating shared control (joint venture – CPC 19 (R2)).

Information on these companies' activities is included in Note 2.1 of the Financial Statements as at December 31, 2012. During the period ended June 30, 2013, there were no significant changes in operations of these investees.

See below a summary of financial information of the investees:

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| Company | Investments | | Equity in the earnings (losses) of investees | | Interest percentage | | Equity | | Profit (loss) for the period | |
|--------------------|---------------|-------------------|----------------------------------------------|---------------|---------------------|-------------------|---------------|-------------------|------------------------------|---------------|
| | | | June 30, 2013 | June 30, 2012 | | | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| | June 30, 2013 | December 31, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 | June 30, 2013 | June 30, 2012 |
| Sesamm | 6,314 | 5,760 | 554 | 137 | 36% | 36% | 17,539 | 15,999 | 1,539 | 381 |
| Águas de Andradina | 837 | 751 | 86 | (158) | 30% | 30% | 2,790 | 2,503 | 287 | (527) |
| Águas de Castilho | 595 | 474 | 121 | 73 | 30% | 30% | 1,984 | 1,580 | 403 | 243 |
| Saneaqua Mairinque | 693 | 722 | (29) | 93 | 30% | 30% | 2,310 | 2,407 | (97) | 310 |
| Attend Ambiental | 3,811 | 4,379 | (568) | (325) | 45% | 45% | 8,469 | 9,731 | (1,262) | (722) |
| Aquapolo Ambiental | 8,113 | 8,538 | (425) | (2,877) | 49% | 49% | 16,557 | 17,424 | (867) | (5,871) |
| Total | 20,363 | 20,624 | (261) | (3,057) | | | 49,649 | 49,644 | 3 | (6,186) |
| Other investments | 559 | 202 | | | | | | | | |
| Overall total | 20,922 | 20,826 | | | | | | | | |

10. INVESTMENT PROPERTIES

As of June 30, 2013 "Investment Properties" totaled R\$54,039 (R\$54,046 in December 2012) and is held at cost. As of June 30, 2013, the market value of these properties was R\$295,538 (R\$295,538 in December 2012). Market values are measured at the end of each reporting period.

11. INTANGIBLE ASSETS

(a) Equity balances

| | December 31, 2012 | | | | | |
|---------------------------------------|--------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | June 30, 2013 | | | (Restated) | | |
| | Cost | Accumulated amortization | Net | Cost | Accumulated amortization | Net |
| Intangible arising from: | | | | | | |
| Agreements – equity value | 8,380,320 | (1,465,986) | 6,914,334 | 8,408,007 | (1,511,813) | 6,896,194 |
| Concession contracts – economic value | 1,434,145 | (312,199) | 1,121,946 | 1,402,854 | (292,918) | 1,109,936 |
| Program contracts | 5,971,330 | (1,663,007) | 4,308,323 | 5,288,541 | (1,469,369) | 3,819,172 |
| Program contracts – commitments | 693,118 | (68,087) | 625,031 | 627,989 | (56,898) | 571,091 |
| Services agreement – São Paulo | 11,054,631 | (1,224,800) | 9,829,831 | 10,604,942 | (1,036,455) | 9,568,487 |
| Software licenses | 152,333 | (59,613) | 92,720 | 55,615 | (52,969) | 2,646 |
| Total | 27,685,877 | (4,793,692) | 22,892,185 | 26,387,948 | (4,420,422) | 21,967,526 |

(b) Changes

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| | December 31, 2012 | Contract | | | | | |
|----------------------------------------|----------------------|-----------|-----------|----------|--------------------------|---------|--|
| | (Restated) | Additions | renewal | Transfer | Write-offs and disposals | Amortiz | |
| Intangibles arising from: | | | | | | | |
| Concession agreement – equity value | 6,896,194 | 295,115 | (202,252) | 588 | (3,018) | (72) | |
| Concession agreements – economic value | 1,109,936 | 31,311 | - | 66 | - | (19) | |
| Program contracts | 3,819,172 | 368,879 | 202,252 | 1,333 | (747) | (82) | |
| Program contracts – commitments | 571,091 | 65,129 | - | - | - | (11) | |
| Services agreement – São Paulo | 9,568,487 | 451,072 | - | (3) | (1,138) | (188) | |
| Software licenses | 2,646 | 96,718 | - | - | - | (6) | |
| Total | 21,967,526 | 1,308,224 | - | 1,984 | (4,903) | (380) | |

In the first quarter of 2013, the Company renewed program contracts with municipalities of Presidente Prudente and Embu-Guaçu and in the second quarter it renewed the agreement with Ibirá municipality. Also in the second quarter, the Company signed a new 30-year program contract with municipality of Glicério.

(c) Construction services

| | April to June 2013 | | Total |
|-------------------------------------|--------------------|-----------------|---------|
| | Water supply | Sewage services | |
| Construction cost incurred | 271,478 | 371,751 | 643,229 |
| Recognition of construction revenue | 276,905 | 379,939 | 656,844 |

| | January to June 2013 | | Total |
|----------------------------|----------------------|-----------------|-----------|
| | Water supply | Sewage services | |
| Construction cost incurred | 479,996 | 649,195 | 1,129,191 |

| | | | |
|-------------------------------------|---------|---------|-----------|
| Recognition of construction revenue | 489,201 | 663,252 | 1,152,453 |
|-------------------------------------|---------|---------|-----------|

April to June 2012

| | Water supply | (Restated) Sewage services | Total |
|-------------------------------------|---------------------|---------------------------------------|--------------|
| Construction cost incurred | 244,658 | 320,833 | 565,491 |
| Recognition of construction revenue | 249,753 | 328,126 | 577,879 |

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| | January to June 2012 | | |
|-------------------------------------|-----------------------------|------------------------|--------------|
| | | (Restated) | |
| | Water supply | Sewage services | Total |
| Construction cost incurred | 480,760 | 624,113 | 1,104,873 |
| Recognition of construction revenue | 490,324 | 638,411 | 1,128,735 |

(d) General information

During the period ended June 30, 2013 there were no significant changes in criteria used to record intangible assets and types of agreements. Further information is included in 11 (d) of the Financial Statements as at December 31, 2012.

The Company has obligations recorded in “Program Contracts – Commitments” under current liabilities (R\$155,931 and R\$148,220 on June 30, 2013 and December 31, 2012, respectively) and noncurrent liabilities R\$98,502 and R\$87,407 on June 30, 2013 and December 31, 2012, respectively).

(e) Software license

Software licenses are capitalized based on costs incurred to acquire software and make them ready for use. In the first quarter of 2013, the Company started implementing the corporate integrated management solution (ERP system).

On June 30, 2013 and December 31, 2012, the balances was R\$92,720 and R\$2,646, respectively.

(f) Disposal of concession intangible underlying assets

On June 30, 2013 and 2012, the Company wrote off intangible underlying assets items totaling R\$4,903 and R\$1,755, respectively, due to obsolescence, theft, misplacements, unproductive wells and projects considered economically unfeasible.

(g) Capitalization of interest and other financial charges

On June 30, 2013, the Company capitalized interest and inflation adjustment, including related foreign currency exchange effects on concession intangible assets totaling R\$167,791 with an average rate of 3.53%. On June 30, 2012, R\$171,102 was capitalized with an average rate of 3.19% during the period assets were recorded as work in progress.

(h) Construction margin

The Company acts as a primary responsible to construct and install the infrastructure related to the concession, using own efforts or hiring outsourcing services, receiving the risks and benefits.

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As a consequence, the Company recognizes revenue from construction service corresponding to the cost of construction increased by margin. Generally, the constructions related to the concessions are performed by third parties, in such case, the Company's implicit margin is lower, normally, to cover administration costs and the assumption of primary risk. On June 30, 2013 and 2012 the margin was 2.3%.

Construction margins for the periods between April and June 2013 and 2012 were R\$13,615 and R\$12,388, respectively, and for the periods between January and June 2013 and 2012, R\$23,262 and R\$23,862, respectively.

(i) Expropriations

As a result of the construction of priority projects related to water and sewage systems, the Company was required to expropriate or establish rights of way in third-parties' properties, and the owners of these properties will be compensated either amicably or through courts.

The assets received as a result of expropriations are recorded as concession intangible assets after the transaction is completed. On June 30, 2013, the total amount related to expropriations was R\$20,771 (R\$8,090 in June 2012).

(j) Assets pledged as collateral

On June 30, 2013 and December 31, 2012, the Company had underlying physical assets totaling R\$249,034 pledged as collateral to the request for the PAES (tax installment payment program) (Note 14). The debt related to PAES was paid-off in 120 months, the last installment was paid on June 28, 2013. The assets pledged as collateral will be released by appropriate agency of the Brazilian Federal Revenue Office, pursuant to Law 9,532 of December 10, 1997.

(k) Public-Private Partnership - PPP

The Company and CAB-Sistema Produtor Alto Tietê S.A., special purpose entity, composed of Galvão Engenharia S.A. and Companhia Águas do Brasil – Cab Ambiental, signed in June 2008 the contract of public-private-partnership of Alto Tietê production system.

The contract last 15 years which purpose is to expand the capacity of treated water of Taiacupeba from 10,000 to 15,000 of liters per second, whose operation began in October 2011.

On June 30, 2013 and December 31, 2012, the carrying amount recognized as intangible asset related to PPP was R\$421,205 and R\$426,791, respectively.

(l) Works in progress

The amount of R\$5.7 billion is recorded as intangible assets from works in progress on June 30, 2013 (R\$5.1 billion on December 31, 2012).

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(m) Amortization of intangible assets

The amortization average rate was 4.0% on June 30, 2013 (4.1% in June 2012).

12. PROPERTY, PLANT AND EQUIPMENT

(a) Equity balances

| | December 31, 2012 | | | | | |
|--------------------------|--------------------------|-------------------------------------|------------|-------------------|-------------------------------------|------------|
| | June 30, 2013 | | | (Restated) | | |
| | Cost | Accumulated depreciation | Net | Cost | Accumulated depreciation | Net |
| Land | 88,328 | - | 88,328 | 88,328 | - | 88,328 |
| Buildings | 55,048 | (30,356) | 24,692 | 56,339 | (30,778) | 25,561 |
| Equipment | 193,303 | (128,268) | 65,035 | 191,202 | (121,569) | 69,633 |
| Transportation equipment | 12,459 | (6,470) | 5,989 | 13,882 | (7,267) | 6,615 |
| Furniture and fixtures | 16,288 | (10,135) | 6,153 | 16,203 | (10,016) | 6,187 |
| Other | 1,291 | (623) | 668 | 1,109 | (723) | 386 |
| | 366,717 | (175,852) | 190,865 | 367,063 | (170,353) | 196,710 |

(b) Changes

| | December | | Write-offs and | | | June 30, |
|--------------------------|------------|-----------|----------------|-----------|--------------|----------|
| | 31, 2012 | | | disposals | Depreciation | 2013 |
| | (Restated) | Additions | Transfer | | | |
| Land | 88,328 | - | - | - | - | 88,328 |
| Buildings | 25,561 | - | (2) | (216) | (651) | 24,692 |
| Equipment | 69,633 | 5,815 | (284) | (267) | (9,862) | 65,035 |
| Transportation equipment | 6,615 | 1,355 | (1,578) | - | (403) | 5,989 |
| Furniture and fixtures | 6,187 | 396 | (31) | (47) | (352) | 6,153 |
| Other | 386 | 381 | (89) | - | (10) | 668 |
| | 196,710 | 7,947 | (1,984) | (530) | (11,278) | 190,865 |

(c) Depreciation

The Company annually revises the depreciation rates of: buildings - 2%; equipment - 10.2%; transportation equipment - 10% and furniture and fixture - 6.7%. Land is not depreciated.

The depreciation average rates on June 30, 2013 and 2012 were 10.5% and 8.9%, respectively.

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13. LOANS AND FINANCING

Outstanding balance of loans and financing

| | December 31, 2012 | | | | | |
|--------------------------------------------------------|--------------------------|-------------------|--------------|-------------------|-------------------|--------------|
| | June 30, 2013 | | | (Restated) | | |
| Financial institutions | Current | Noncurrent | Total | Current | Noncurrent | Total |
| DOMESTIC CURRENCY | | | | | | |
| Banco do Brasil | 294,653 | - | 294,653 | 380,631 | 100,306 | 480,937 |
| 10 th issue debentures | 36,459 | 243,721 | 280,180 | 36,459 | 252,166 | 288,625 |
| 11 th issue debentures | - | - | - | 472,500 | 535,949 | 1,008,449 |
| 12 th issue debentures | - | 499,469 | 499,469 | - | 499,511 | 499,511 |
| 14 th issue debentures | 8,032 | 279,909 | 287,941 | - | 284,649 | 284,649 |
| 15 th issue debentures | - | 809,654 | 809,654 | - | 791,451 | 791,451 |
| 16 th issue debentures | - | 499,354 | 499,354 | - | 499,457 | 499,457 |
| 17 th issue debentures | - | 1,015,328 | 1,015,328 | - | - | - |
| Brazilian Federal Savings Bank | 104,839 | 918,871 | 1,023,710 | 116,867 | 918,756 | 1,035,623 |
| Brazilian Development Bank - BNDES | - | - | - | 4,154 | - | 4,154 |
| Brazilian Development Bank - BNDES BAIXADA SANTISTA | 16,309 | 89,701 | 106,010 | 16,309 | 97,855 | 114,164 |
| Brazilian Development Bank - BNDES PAC | 8,447 | 76,021 | 84,468 | 8,447 | 80,244 | 88,691 |
| Brazilian Development Bank - BNDES PAC II 9751 | 361 | 6,139 | 6,500 | - | 6,500 | 6,500 |
| Brazilian Development Bank - BNDES PAC II 9752 | - | 15,000 | 15,000 | - | 13,000 | 13,000 |
| | 19,230 | 206,424 | 225,654 | 19,230 | 216,026 | 235,256 |

Brazilian Development Bank - BNDES

ONDA LIMPA

| | | | | | | |
|----------------------------|---------|-----------|-----------|-----------|-----------|-----------|
| Leasing | - | 330,466 | 330,466 | - | 215,774 | 215,774 |
| Others | 543 | 2,681 | 3,224 | 763 | 2,923 | 3,686 |
| Interest rates and charges | 71,709 | - | 71,709 | 89,567 | - | 89,567 |
| TOTAL IN DOMESTIC CURRENCY | 560,582 | 4,992,738 | 5,553,320 | 1,144,927 | 4,514,567 | 5,659,494 |

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| | December 31, 2012 | | | | | |
|--------------------------------------------------------------------------------------|--------------------------|-------------------|------------------|-------------------|-------------------|------------------|
| | June 30, 2013 | | | (Restated) | | |
| Financial institutions | Current | Noncurrent | Total | Current | Noncurrent | Total |
| DOMESTIC CURRENCY | | | | | | |
| Inter-American Development Bank – IDB US\$437,447 thousand | 84,533 | 879,373 | 963,906 | 77,967 | 770,494 | 848,461 |
| International Bank for Reconstruction and Development -IBRD – US\$31,937 thousand | - | 70,365 | 70,365 | - | 54,492 | 54,492 |
| Eurobonds – US\$140,000 thousand | - | 309,805 | 309,805 | - | 285,655 | 285,655 |
| Eurobonds – US\$350,000 thousand | - | 768,755 | 768,755 | - | 708,076 | 708,076 |
| JICA 15 ¥19,015,095 thousand | 25,733 | 398,874 | 424,607 | 27,335 | 437,371 | 464,706 |
| JICA 18 ¥17,096,640 thousand | 23,137 | 358,291 | 381,428 | 24,578 | 392,894 | 417,472 |
| JICA 17 ¥400,710 thousand | - | 8,651 | 8,651 | - | 7,524 | 7,524 |
| JICA 19 ¥6,022,269 thousand | - | 133,994 | 133,994 | - | 1 | 1 |
| IDB 1983AB – US\$178,173 thousand | 53,047 | 339,309 | 392,356 | 48,926 | 361,587 | 410,513 |
| Interest rates and charges | 19,291 | - | 19,291 | 18,861 | - | 18,861 |
| TOTAL IN FOREIGN CURRENCY | 205,741 | 3,267,417 | 3,473,158 | 197,667 | 3,018,094 | 3,215,761 |
| TOTAL LOANS AND FINANCING | 766,323 | 8,260,155 | 9,026,478 | 1,342,594 | 7,532,661 | 8,875,255 |

Quotes on June 30, 2013 - US\$1.00 = R\$2.2156; ¥1.00 = R\$0.022330 (US\$1.00 = R\$2.0435; ¥1.00 = R\$0.023720 on December 31, 2012)

On June 30, 2013, the Company did not record balances of loans and financing raised in 2013 to mature within 12 months.

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| DOMESTIC CURRENCY | GUARANTEES |
|------------------------------------------------------------|-------------------------------------------------------------|
| Banco do Brasil | SÃO PAULO STATE GOVERNMENT AND OWN FUNDS OWN FUNDS |
| 10 th issue debentures | |
| 12 th issue debentures | OWN FUNDS OWN FUNDS |
| 14 th issue debentures | |
| 15 th issue debentures | OWN FUNDS |
| 16 th issue debentures | OWN FUNDS |
| 17 th issue debentures | OWN FUNDS |
| Brazilian Federal Savings Bank | OWN FUNDS |
| Brazilian Development Bank - BNDES BAIXADA SANTISTA | OWN FUNDS |
| Brazilian Development Bank - BNDES PAC | OWN FUNDS |
| Brazilian Development Bank- BNDES PAC II 9751 | OWN FUNDS |
| Brazilian Development Bank - BNDES PAC II 9752 | OWN FUNDS |
| Brazilian Development Bank - BNDES ONDA LIMPA | OWN FUNDS |
| Others | OWN FUNDS |
| FOREIGN CURRENCY | |
| Inter-American Development Bank – IDB US\$437,447 thousand | FEDERAL GOVERNMENT |

| | |
|-----------------------------------------------------------------------------------|--------------------|
| International Bank for Reconstruction and Development -IBRD – US\$31,937 thousand | FEDERAL GOVERNMENT |
| Eurobonds – US\$140,000 thousand | - |
| Eurobonds – US\$350,000 thousand | - |
| JICA 15-¥19,015,095 thousand | FEDERAL GOVERNMENT |
| JICA 18 -¥17,096,640 thousand | FEDERAL GOVERNMENT |
| JICA 17 -¥400,710 thousand | FEDERAL GOVERNMENT |
| JICA 19 -¥6,022,269 thousand | FEDERAL GOVERNMENT |
| IDB 1983AB – US\$178,173 thousand | - |

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Below, the Company reported the main changes in loans and financing in the period ended June 30, 2013. Other information on loans and financing is presented in Note 13 to the Annual Financial Statements as at December 31, 2012.

(i) 17th issue of Debentures

On January 15, 2013, the Company conducted the 17th issue of non-convertible, registered, book-entry unsecured debentures in three series, with the following characteristics:

Date of Issue: January 15, 2013.

Total Amount: R\$1,000,000, number 100,000 debentures, in three series, unit value R\$10.

| | Amount | Adjustment | Interest rate | Interest payment | Amortization | Maturity |
|------------------------|-----------|------------|----------------|------------------------------------|--------------------------------|---------------|
| 1st Series | 424,680 | | DI+ 0.75% p.a. | Half-year (January and July) | Annual (as of January 2016) | January /2018 |
| 2 nd Series | 395,230 | IPCA | 4.50% p.a. | Annual (January) | Annual (as of January 2019) | January /2020 |
| 3 rd Series | 180,090 | IPCA | 4.75% p.a. | Annual (January) | Annual (as of January 2021) | January /2023 |
| Total | 1,000,000 | | | | | |

Early redemption: none

The proceeds resulting from the funding raised by the 17th Issue of Debentures will be exclusively allocated as follows: R\$500,000 for settlement of financial commitments maturing in 2013, and up to R\$500,000 for early redemption of other Company debts.

(ii) Redemption of the 11th issue of Debentures

In March 2013, the Company redeemed the total amount of the 11th Issue of Debentures, totaling R\$1,060,428.

(iii) Japan Bank for International Cooperation - JICA

In February 2012, the Company signed a loan agreement for the second phase of the Water Loss Reduction Corporate Program (Programa Corporativo de Redução de Perdas de Água), JICA BZ P-19, totaling thirty-three billion, five hundred, eighty-four million Japanese Yen (JPY33,584,000,000), corresponding to R\$709,294 on the agreement's signature date. This contract's main disbursement took place in March 2013 and, on June 30, 2013 its balance was R\$134,477.

(iv) Payment schedule of loans and financing

The total volume of debt to be paid until the end of 2013 is R\$413,236, R\$82,706 is the amount indexed to foreign currency and R\$330,530 is the falling due amount of interest rates and principal of loans denominated in reais.

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| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 onwards | TOTAL |
|--------------------------------|---------|---------|-----------|---------|---------|---------|-----------------|-----------|
| BRAZIL | | | | | | | | |
| Banco do Brasil | 194,347 | 100,306 | - | - | - | - | - | 294,653 |
| Brazilian Federal Savings Bank | 58,286 | 79,941 | 58,450 | 57,956 | 60,687 | 64,084 | 644,306 | 1,023,710 |
| Debentures | 24,853 | 79,707 | 712,521 | 353,311 | 355,352 | 524,143 | 1,342,039 | 3,391,926 |
| BNDES Bx Santista | 8,155 | 16,309 | 16,309 | 16,309 | 16,309 | 16,309 | 16,310 | 106,010 |
| BNDES PAC | 4,223 | 8,447 | 8,447 | 8,447 | 8,447 | 8,447 | 38,010 | 84,468 |
| BNDES PAC II 9751 | - | 813 | 1,083 | 1,083 | 1,083 | 1,083 | 1,355 | 6,500 |
| BNDES PAC II 9752 | - | - | 938 | 1,250 | 1,250 | 1,250 | 10,312 | 15,000 |
| BNDES Onda Limpa | 9,615 | 19,230 | 19,230 | 19,230 | 19,230 | 19,230 | 119,889 | 225,654 |
| Leasing | - | - | - | - | - | - | 330,466 | 330,466 |
| Others | 302 | 497 | 560 | 631 | 711 | 523 | - | 3,224 |
| Interest rates and charges | 30,749 | 40,960 | - | - | - | - | - | 71,709 |
| Domestic currency | 330,530 | 346,210 | 817,538 | 458,217 | 463,069 | 635,069 | 2,502,687 | 5,553,320 |
| ABROAD | | | | | | | | |
| IDB | 42,266 | 84,533 | 84,533 | 84,533 | 100,104 | 44,498 | 523,439 | 963,906 |
| IBRD | - | - | - | - | - | - | 70,365 | 70,365 |
| Eurobonds | - | - | - | 309,805 | - | - | 768,755 | 1,078,560 |
| JICA | 24,436 | 48,871 | 48,871 | 48,871 | 49,113 | 49,355 | 679,163 | 948,680 |
| IDB 1983AB | - | 53,047 | 53,047 | 53,047 | 53,047 | 52,645 | 127,523 | 392,356 |
| Interest rates and charges | 16,004 | 3,287 | - | - | - | - | - | 19,291 |
| Foreign currency | 82,706 | 189,738 | 186,451 | 496,256 | 202,264 | 146,498 | 2,169,245 | 3,473,158 |
| Overall total | 413,236 | 535,948 | 1,003,989 | 954,473 | 665,333 | 781,567 | 4,671,932 | 9,026,478 |

(v) Financial Commitments – “Covenants”

Some loans and financing contracts have clauses related to the compliance with certain financial ratios with quarterly or annual substantiations.

17th Issue of Debentures

Ratios are calculated quarterly, upon disclosure of interim or annual financial statements:

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

Ebitda/Finance Expenses Paid: equal to or higher than 1.5.

The Issuer's failure to comply with ratios shall trigger the early maturity of the agreement.

The agreement has a cross-default clause, i.e., the early maturity of any debt which sets forth that in the event of agreement default which may hamper the Issuer to meet its debts relating to the issue, the early maturity of any of the Issuer's debts shall apply, in individual or total amount equal to or higher than ninety million reais (R\$90,000).

Other covenants are similar to those reported in Note 13 to the Annual Financial Statements as at December 31, 2012.

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On June 30, 2013, the Company had met the requirements set forth by its loan and financing agreements.

(vi) Loans and financing contracted but not yet used

In order to implement its investment plan, SABESP has a financing plan.

Funds from financing have specific purposes, which are released for their related investments.

| Agent | June 30, 2013 (in millions of reais (*)) |
|--------------------------------------------------------------|-------------------------------------------------------|
| Brazilian Federal Savings Bank | 1,076 |
| Japan Bank for International Cooperation – JICA | 745 |
| Inter-American Development Bank – IDB | 695 |
| Brazilian Development bank – BNDES | 1,898 |
| International Bank for Reconstruction and Development - IBRD | 151 |
| Other | 51 |
| TOTAL | 4,616 |

(*)Based on closing quotation of June 30, 2013. (US\$1.00 = R\$2.2156; ¥1.00 = R\$0.022330).

14. TAXES AND CONTRIBUTIONS

a) Current assets

| | June 30, 2013 | December 31, 2012 |
|--------------------------------------------------------|----------------------|--------------------------|
| | | (Restated) |
| Recoverable taxes | | |
| Income tax and social contribution | 5,461 | 100,225 |
| IRRF (withholding income tax) on financial investments | 2,062 | 14,302 |
| Other federal taxes | 9,484 | 3,238 |
| Other municipal taxes | 656 | 656 |
| Total taxes recoverable | 17,663 | 118,421 |

The decrease in current assets is mainly due to the fact that the 2012 income tax and social contribution balance was used to settle the amounts of these taxes calculated in 2013.

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b) Liabilities

| | Current | December 31, 2012 |
|-------------------------------------|----------------------|--------------------------|
| | June 30, 2013 | (Restated) |
| COFINS and PASEP | 36,213 | 46,576 |
| PAES (Special Installment Payment) | - | 19,011 |
| INSS (Social Security contribution) | 32,176 | 29,401 |
| IRRF (withholding income tax) | 1,874 | 41,588 |
| Other | 16,450 | 16,134 |
| Total | 86,713 | 152,710 |

The decrease in current liabilities arises mainly from payment of withholding income tax of interest on equity declared in December 2012 and payment of Paes in the period.

The Company requested for Special Installment Payment (PAES) on July 15, 2003, in accordance with Law 10,684 of May 30, 2003, and included in such request the debts related to COFINS and PASEP involved in a legal proceeding against the application of Law 9,718/98, and consolidated the remaining balance under the Tax Recovery Program (REFIS). The original amount included in PAES was R\$316,953, as follows:

| Tax | Principal | Fine | Interest | Total |
|------------|------------------|-------------|-----------------|--------------|
| Cofins | 132,499 | 13,250 | 50,994 | 196,743 |
| Pasep | 5,001 | 509 | 2,061 | 7,571 |

| | | | | |
|-------|---------|--------|--------|---------|
| Refis | 112,639 | - | - | 112,639 |
| Total | 250,139 | 13,759 | 53,055 | 316,953 |

The loan related to Paes was paid-off in 120 months and the last installment was paid on June 28, 2013. The amounts paid from January to June 2013 and in 2012 were R\$19,164 and R\$37,421, respectively, and finance expenses of R\$153 and R\$863 in the first half of 2013 and 2012, respectively, were recorded. There is no outstanding balance on June 30, 2013. The assets pledged as collateral in previous REFIS Program, totaling R\$249,034, which are still collateralizing the amounts in the PAES program, pursuant to Law 9,532 of December 10, 1997 which will be released by appropriate agency of Brazilian Federal Revenue Office.

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15. DEFERRED TAXES AND CONTRIBUTIONS

a) Equity balances

| | June 30, 2013 | December 31, 2012 (Restated) |
|---------------------------------------------------------|---------------|---------------------------------|
| Deferred income tax assets (i) | | |
| Provisions | 516,690 | 512,107 |
| Pension plan liabilities – G0 (1) | 85,271 | 85,271 |
| Pension plan liabilities – G1 | 204,799 | 193,125 |
| Actuarial gain/loss –Plan G1 (Note 2.1) | 9,405 | 9,405 |
| Donations of underlying assets on concession agreements | 41,416 | 41,312 |
| Allowance for loan losses | 169,084 | 162,670 |
| Others | 85,850 | 97,425 |
| Total deferred tax assets | 1,112,515 | 1,101,315 |
| Deferred tax liabilities (ii) | | |
| Temporary difference on concession of intangible assets | (614,637) | (650,093) |
| Capitalization of borrowing costs | (203,418) | (158,298) |
| Revenue – government entities | (80,755) | (77,827) |
| Others | (78,033) | (69,795) |
| Total deferred tax liabilities | (976,843) | (956,013) |
| Deferred tax assets, net | 135,672 | 145,302 |

(1) It refers to the installment of R\$250,798 from accounts receivable adjustment (GESP), which was accrued as loss in previous years.

b) Changes

| | December 31, 2012 | Recorded in the statement of income | June 30, 2013 |
|------------------------------------------------------------|----------------------|-------------------------------------------|---------------|
| Deferred tax assets | (Restated) | | |
| Provisions | 512,107 | 4,583 | 516,690 |
| Pension plan liabilities – G0 | 85,271 | - | 85,271 |
| Pension plan liabilities - G1 | 193,125 | 11,674 | 204,799 |
| Actuarial gain/loss – G1 | 9,405 | - | 9,405 |
| Donations of underlying assets on concession agreements | 41,312 | 104 | 41,416 |
| Allowance for loan losses | 162,670 | 6,414 | 169,084 |
| Others | 97,425 | (11,575) | 85,850 |
| Total | 1,101,315 | 11,200 | 1,112,515 |

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| | December 31, 2012 | Recorded in the statement of income | June 30, 2013 |
|---------------------------------------------------------|----------------------|-------------------------------------------|---------------|
| Deferred tax liabilities | (Restated) | | |
| Temporary difference on concession of intangible assets | (650,093) | 35,456 | (614,637) |
| Capitalization of borrowing costs | (158,298) | (45,120) | (203,418) |
| Revenue – government entities | (77,827) | (2,928) | (80,755) |
| Others | (69,795) | (8,238) | (78,033) |
| Total | (956,013) | (20,830) | (976,843) |
| Net deferred tax asset | 145,302 | (9,630) | 135,672 |

| | December 31, 2011 | Recorded in the statement of income | June 30, 2012 (Restated) |
|---------------------------------------------------------|----------------------|-------------------------------------------|-----------------------------|
| Deferred tax assets | (Restated) | | |
| Provisions | 575,473 | (38,056) | 537,417 |
| Pension plan liabilities – G0 | 85,271 | - | 85,271 |
| Pension plan liabilities - G1 | 180,018 | 6,351 | 186,369 |
| Actuarial gain/loss – G1 | 35,323 | - | 35,323 |
| Donations of underlying assets on concession agreements | 38,213 | - | 38,213 |
| Allowance for loan losses | 135,223 | 3,436 | 138,659 |
| Others | 77,175 | 3,243 | 80,418 |
| Total | 1,126,696 | (25,026) | 1,101,670 |

| | December 31, 2011 | Recorded in the statement of income | June 30, 2012 (Restated) |
|------------------------------------------------------------|----------------------|-------------------------------------------|---------------------------------|
| Deferred tax liabilities | (Restated) | | |
| Temporary difference on concession of intangible assets | (692,210) | 23,522 | (668,688) |
| Capitalization of borrowing costs | (101,507) | (19,202) | (120,709) |
| Revenue – government entities | (76,773) | (794) | (77,567) |
| Others | (42,957) | (17,962) | (60,919) |
| Total | (913,447) | (14,436) | (927,883) |
| Net deferred tax asset | 213,249 | (39,462) | 173,787 |

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c) Reconciliation of the effective tax rate

The amounts recorded as income tax and social contribution expenses in the financial statements are reconciled to the statutory rates, as shown below:

| | April to June/2013 | January to June/2013 | April to June /2012 (Restated) | January to June /2012 (Restated) |
|---------------------------------------------|-----------------------|-------------------------|--------------------------------------|----------------------------------------|
| Profit before income taxes | 508,908 | 1,271,359 | 308,452 | 1,063,640 |
| Statutory rate | 34% | 34% | 34% | 34% |
| Expected expense at statutory rate | (173,029) | (432,262) | (104,874) | (361,638) |
| Permanent differences | | | | |
| Provision of Law 4,819/58 (i) | (8,944) | (18,263) | (8,700) | (17,527) |
| Donations | (3,818) | (4,877) | (2,628) | (5,026) |
| Interest on equity | 27,268 | 27,268 | 97,969 | 97,969 |
| Other differences | 11,284 | 14,646 | 2,593 | 7,306 |
| Income tax and social contribution | (147,239) | (413,488) | (15,640) | (278,916) |
| Current income tax and social contribution | (116,317) | (403,858) | 24,541 | (239,454) |
| Deferred income tax and social contribution | (30,922) | (9,630) | (40,181) | (39,462) |
| Effective rate | 29% | 33% | 5% | 26% |

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

Transition Tax Regime (RTT)

For the purposes of calculating the income tax and the social contribution on net income for 2009 and 2008, the Company opted to adopt the Transition Tax Regime (RTT), which allow it to eliminate the accounting effects of the Law 11,638/07 and the Provisional Measure 449/08, converted into Law 11,941/2009, through the taxable income journal (LALUR) and auxiliary controls, without any change in the bookkeeping.

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

16. PROVISIONS

(a) Lawsuits deemed as probable loss

(i) Balances

The Company is party to a number of lawsuits arising from the normal course of business, relating to civil, tax, labor and environmental matters. Management recognized provisions at amounts deemed sufficient to cover probable losses. These provisions, net of escrow deposits, are as follows:

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| | December 31, 2012 | | | | | |
|---------------------------|----------------------|------------------|------------------|------------------|------------------|------------------|
| | Provisions | Escrow deposits | June 30, 2013 | Provisions | Escrow deposits | (Restated) |
| Customer claims (i) | 641,591 | (110,219) | 531,372 | 652,663 | (131,408) | 521,255 |
| Supplier claims (ii) | 304,263 | (181,933) | 122,330 | 290,593 | (175,437) | 115,156 |
| Other civil claims (iii) | 151,992 | (11,761) | 140,231 | 169,513 | (4,978) | 164,535 |
| Tax claims (iv) | 66,076 | (3,002) | 63,074 | 71,141 | (3,056) | 68,085 |
| Labor claims (v) | 158,431 | (1,586) | 156,845 | 173,227 | (1,529) | 171,698 |
| Environmental claims (vi) | 197,425 | (660) | 196,765 | 149,061 | (636) | 148,425 |
| Total | 1,519,778 | (309,161) | 1,210,617 | 1,506,198 | (317,044) | 1,189,154 |
| Current | 594,456 | - | 594,456 | 565,083 | - | 565,083 |
| Noncurrent | 925,322 | (309,161) | 616,161 | 941,115 | (317,044) | 624,071 |

(ii) Changes

| | December 31, 2012 (Restated) | Additional provisions | Interest and inflation adjustment | Amounts used in provision | Unused amounts (reversal) | June 30, 2013 |
|--------------------------|------------------------------------|--------------------------|-----------------------------------------|---------------------------------|---------------------------------|------------------|
| Customer claims (i) | 652,663 | 71,831 | 71,257 | (70,863) | (83,297) | 641,591 |
| Supplier claims (ii) | 290,593 | 4,989 | 14,246 | (891) | (4,674) | 304,263 |
| Other civil claims (iii) | 169,513 | 13,834 | 16,768 | (5,291) | (42,832) | 151,992 |
| Tax claims (iv) | 71,141 | 1,925 | 4,735 | (5,230) | (6,495) | 66,076 |
| Labor claims (v) | 173,227 | 40,536 | 12,888 | (50,346) | (17,874) | 158,431 |

Environmental claims

| | | | | | | |
|-----------------|------------------|-----------------|-----------------|------------------|------------------|------------------|
| (vi) | <u>149,061</u> | <u>40,548</u> | <u>8,191</u> | - | <u>(375)</u> | <u>197,425</u> |
| Subtotal | 1,506,198 | 173,663 | 128,085 | (132,621) | (155,547) | 1,519,778 |
| Escrow deposits | <u>(317,044)</u> | <u>(23,526)</u> | <u>(11,724)</u> | <u>19,776</u> | <u>23,357</u> | <u>(309,161)</u> |
| Total | <u>1,189,154</u> | <u>150,137</u> | <u>116,361</u> | <u>(112,845)</u> | <u>(132,190)</u> | <u>1,210,617</u> |

(b) Lawsuits deemed as possible loss

The Company is party to lawsuits and administrative proceedings relating to environmental, tax, civil and labor matters, which are assessed by Management whose chances of loss are possible and are not recorded. Contingencies, classified as possible loss, represent approximately R\$2,969,600 on June 30, 2013 (R\$2,796,500 in December 2012).

(c) Explanation on the nature of main classes of lawsuits

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(i) Customer claims

Approximately 1,520 lawsuits were filed by commercial customers, which claim that their tariffs should correspond to other consumer categories, and 700 lawsuits which claim a reduction in the sewage tariff due to losses in the system, consequently requesting the refund of amounts charged by the Company. The Company was granted both favorable and unfavorable final decisions at several court levels and recognized provisions when the chances of losses are probable. The R\$10,117 increase in the lawsuits classified as probable loss (net of escrow deposits) relates to the filling of new lawsuits and interest, fees and inflation adjustments on amounts involving lawsuits in progress, partially offset by payments made in the year and revisions of expectations caused by favorable decisions to the Company in 2013.

(ii) Supplier claims

Suppliers' claims include lawsuits filed by some suppliers alleging underpayment of inflation adjustment, withholding of amounts related to the understated inflation rates deriving from the Brazilian Real economic plan, and the economic and financial imbalance of the agreements. These lawsuits are in progress at different courts and a provision is recognized when the chances of losses are probable. The R\$7,174 increase in the lawsuits classified as probable loss (net of escrow deposits) mainly relates to interest rates, fees, and adjustments of amounts involving lawsuits in progress.

(iii) Other civil claims

These refer mainly to indemnities for property damage, pain and suffering, and loss of profits allegedly caused to third parties, filed at different court levels, duly accrued when classified as probable losses. The

R\$24,304 decrease, for lawsuits with probable chances of loss (net of escrow deposits), was mainly due to the dismissal of several lawsuits and expectation reviews caused by favorable decisions to the Company, during 2013.

(iv) Tax claims

Tax contingencies refers mainly to issues related to tax collections challenged due to differences in the interpretation of legislation by the Company's Management, accrued when classified as probable loss. The R\$5,011 decrease, for lawsuits with probable chances of loss (net of escrow deposits), was mainly due to favorable decisions to the Company.

(v) Labor claims

The Company is a party to several labor lawsuits, involving issues such as overtime, shift schedule, health hazard premium and hazardous duty premium, prior notice, job deviation, salary parity, and others. Part of the amount involved is in provisional or final execution at various court levels, and thus is classified as probable loss and accordingly, accrued. The R\$14,853 decrease in lawsuits with probable chances of loss (net of escrow deposits) mainly refers to payments made in the year, partially offset by the addition in the estimates and adjustments of amounts involving lawsuits in progress.

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(vi) Environmental claims

Environmental claims refer to several administrative proceedings and lawsuits filed by government entities, including Companhia de Tecnologia de Saneamento Ambiental – Cetesb, Public Prosecution Office of the State of São Paulo and others, that aim affirmative and negative covenants and penalty is estimated due to failure to comply, besides the imposition of indemnity due to environmental damages allegedly caused by the Company. The amounts accrued represent the best estimate of the Company at this moment, however, may differ from the amount to be disbursed as indemnity to alleged damages, in view of the current stage of referred proceedings. The R\$48,340 increase in the lawsuits with probable chances of loss (net of escrow deposits) mainly refers to the addition in the estimates of lawsuits and agreements in progress.

Other information is presented in Note 16 to the Annual Financial Statements as at December 31, 2012.

17. EMPLOYEE BENEFITS

(a) Health benefit plan

The health benefit plan is managed by Fundação Sabesp de Seguridade Social - SABESPREV and consists of optional, free choice, health plan sponsored by contributions of SABESP and the active participants, as follows:

. Company: 7.4% on average gross payroll;

Participating employees: 3.21% of base salary and bonus, equivalent to 2.4% average payroll.

(b) Pension plan benefits

Amounts recorded in the statement of financial position

Funded plan – G1

| | |
|--------------------------------------------------------|----------------|
| Pension plan liabilities on December 31, 2012 | 577,169 |
| Effect from the adoption of CPC 33(R1) | 27,663 |
| Adjusted pension plan liabilities on December 31, 2012 | 604,832 |
| Expenses recognized in 2013 | 42,470 |
| Payments made in 2013 | (8,135) |
| Pension plan liabilities on June 30, 2013 (i) | 639,167 |

Unfunded plan – G0

| | |
|--------------------------------------------------------|------------------|
| Pension plan liabilities on December 31, 2012 | 1,547,161 |
| Effect from the adoption of CPC 33(R1) | 440,557 |
| Adjusted pension plan liabilities on December 31, 2012 | 1,987,718 |
| Expenses recognized in 2013 | 88,383 |
| Payments made in 2013 | (62,278) |
| Pension plan liabilities on June 30, 2013 (iii) | 2,013,823 |

| | |
|--------------|------------------|
| Total | 2,652,990 |
|--------------|------------------|

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(i) Plan G1

The Company sponsors a defined benefit pension plan for its employees ("Plan G1"), which is managed by Fundação SABESP de Seguridade Social – SABESPREV, the defined benefit plan is sponsored by similar contributions established in a plan of subsidy of actuarial study of SABESPREV, as follows:

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

On June 30, 2013, SABESP had a net actuarial liability of R\$639,167 (R\$604,832 on December 31, 2012) representing the difference between the present value of the Company's defined benefit obligations to the participating employees, retired employees, and pensioners and the fair value of the related assets.

(ii) Private pension plan benefits – Defined contribution

On June 30, 2013, Sabesprev Mais plan, based on defined contribution, had 4,955 (active and assisted participants (4,569 in December 2012).

With respect to the Sabesprev Mais Plan, the sponsor's contributions represent 100% over the total basic contribution from participant.

On June 30, 2013, the commitment to all participants who migrated up to Sabesprev Mais Plan amounted to R\$11,567 (R\$12,441 in December 2012) referred to active participants.

(iii) Plan G0

Pursuant to Law 4,819/58, employees who provided services prior to May 1974 and were retired as an employee of the Company acquired a legal right to receive supplementary pension payments, which rights are referred as "Plan G0". The Company pays these supplementary benefits on behalf of the State Government and makes claims for reimbursements from the State Government, which are recorded as accounts receivable from shareholder, limited to the amounts considered virtually certain that will be reimbursed by the State Government. As of June 30, 2013, the Company recorded a defined benefit obligation for Plan G0 of R\$2,013,823 (R\$1,987,718 in December 2012).

(c) Profit sharing

The Company recorded as reference to the 2013 Profit Sharing Program the amount corresponding to one month salary for each employee, depending on the establishment of goals. In the second quarter of 2013, the amount of R\$18,380 was accrued (R\$15,889 in the second quarter of 2012). From January to June 2013 and 2012, R\$34,054 and R\$30,033, respectively were accrued.

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18. EQUITY

a) Authorized capital

The Company is authorized to increase capital by up to R\$10,000,000 (R\$10,000,000 in December 2012), based on a Board of Directors' resolution, after submission to the Fiscal Council.

b) Subscribed and paid-in capital

As at June 30, 2013, subscribed and paid-in capital was represented by 683,509,869 non-par, registered book entry common shares (227,836,623 shares in December 2012), held as follows:

There was an increase in the number of shares due to the share split on April 22, 2013.

| | June 30, 2013 | | December 31, 2012 | |
|----------------------------------------------------------------|------------------|--------|-------------------|--------|
| | Number of shares | % | Number of shares | % |
| Treasury Department | 343,524,258 | 50.26% | 114,508,086 | 50.26% |
| Brazil Clearing and Depository Corporation – CBLC | 178,016,336 | 26.04% | 56,036,950 | 24.59% |
| The Bank Of New York ADR Department (equivalent in shares) (*) | 160,046,002 | 23.42% | 56,663,486 | 24.88% |
| Other | 1,923,273 | 0.28% | 628,101 | 0.28% |

(*) Each ADR corresponds to 1 share.

The share split for the Company's common shares was approved at the Extraordinary Shareholders' Meeting held on April 22, 2013, now each common share represents three (3) common shares at the 1:3 ratio.

The distribution of dividends as interest on equity amounting to R\$498,684 was approved at the Shareholders' Meeting held on April 22, 2013, less R\$35,593 withholding income tax, totaling R\$534,277. Payment was made in June 2013.

Other information on equity, such as payment to shareholders, dividends, objective and purpose of reserves, can be found in Note 19 to the Annual Financial Statements as at December 31, 2012.

19. EARNINGS PER SHARE

(a) Basic and diluted

Basic earnings per share are calculated by dividing the income attributable to the Company's shareholders by the weighted average number of outstanding common shares during the year. The Company does not have potentially dilutive common shares outstanding or debts convertible into common shares. Accordingly, basic and diluted earnings per share are equal. According to CPC 41, earnings per share after the share split occurred on April 22, 2013 are calculated as follows:

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| | January to June/2013 | January to June /2012 (Restated) |
|--------------------------------------------------------|----------------------|-------------------------------------|
| Profit attributable to the Company's shareholders | 857,871 | 784,724 |
| Weighted average number of common shares issued | 683,509 | 683,509 |
| Basic and diluted earnings per share (reais per share) | 1.25510 | 1.14808 |

20. BUSINESS SEGMENT INFORMATION

The Company's Management, composed of the Board of Directors and the Board of Executive Officers, defined the operating segments used to make strategic decisions, such as water supply and sewage services.

| | April to June/2013 | | Reconciliation to the Financial Statements | Balance per Financial Statement |
|-----------------------------------------------------------------|--------------------|-----------|--------------------------------------------|---------------------------------|
| | Water | Sewage | | |
| Gross revenue from sales and services – from external customers | 1,272,899 | 1,034,529 | 656,844 | 2,964,272 |

| | | | | |
|---------------------------------------------------------------|-----------|-----------|-----------|-------------|
| Gross sale deductions | (92,674) | (75,320) | - | (167,994) |
| Net revenue from sales and services – from external customers | 1,180,225 | 959,209 | 656,844 | 2,796,278 |
| Costs, selling and administrative expenses | (872,632) | (565,649) | (643,229) | (2,081,510) |
| Income from operations before other operating expenses, net | 307,593 | 393,560 | 13,615 | 714,768 |
| Other operating expenses, net | | | | 1,000,000 |
| Equity in the earning (losses) of joint ventures | | | | (1,000,000) |
| Financial result, net | | | | (207,232) |
| Income from operations before taxes | | | | 508,536 |
| Depreciation and amortization | 104,770 | 91,988 | - | 196,758 |

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| | January to June/2013 | | Reconciliation to the Financial Statements | Balance Sheet |
|-----------------------------------------------------------------|----------------------|-------------|--------------------------------------------|---------------|
| | Water | Sewage | | |
| Gross revenue from sales and services – from external customers | 2,558,801 | 2,067,474 | 1,152,453 | 5,7 |
| Gross sales deductions | (186,620) | (150,786) | - | (33 |
| Net revenue from sales and services – from external customers | 2,372,181 | 1,916,688 | 1,152,453 | 5,4 |
| Costs, selling and administrative expenses | (1,761,596) | (1,109,309) | (1,129,191) | (4,00 |
| Income from operations before other operating expenses, net | 610,585 | 807,379 | 23,262 | 1,4 |
| Other operating expenses, net | | | | |
| Equity in the earnings (losses) of joint ventures | | | | |
| Financial result, net | | | | (17 |
| Income from operations before taxes | | | | 1,2 |
| Depreciation and amortization | 210,023 | 181,901 | - | 3 |

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| | April to June/2012 | | | |
|-----------------------------------------------------------------|---------------------------|---------------|---------------------------------------------------------------|-----------------------------------------------------|
| | (Restated) | | | |
| | Water | Sewage | Reconciliation to the Financial Statements | Balance per Financial Statements |
| Gross revenue from sales and services – from external customers | 1,126,273 | 922,254 | 577,879 | 2,626,386 |
| Gross sales deductions | (83,214) | (68,143) | - | (151,357) |
| Net revenue from sales and services – from external customers | 1,043,059 | 854,111 | 577,879 | 2,475,029 |
| Costs, selling and administrative expenses | (808,502) | (478,329) | (565,491) | (1,852,330) |
| Income from operations before other operating expenses, net | 234,557 | 375,782 | 12,388 | 622,727 |
| Other operating expenses, net | | | | 18,350 |
| Equity in the earnings (losses) of joint ventures | | | | (1,200) |
| Financial result, net | | | | (331,353) |
| Income from operations before taxes | | | | 308,074 |
| Depreciation and amortization | 97,119 | 79,896 | - | 177,015 |

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Notes to the Financial Statements

| | January to June/2012 | | | |
|-----------------------------------------------------------------|-----------------------------|---------------|---------------------------------------------------------------|----------------------------------------------------|
| | Restated | | | |
| | Water | Sewage | Reconciliation to the Financial Statements | Balance per Financial Statement |
| Gross revenue from sales and services – from external customers | 2,338,342 | 1,899,592 | 1,128,735 | 5,366,669 |
| Gross sales deductions | (173,220) | (140,718) | - | (313,938) |
| Net revenue from sales and services – from external customers | 2,165,122 | 1,758,874 | 1,128,735 | 5,052,731 |
| Costs, selling and administrative expenses | (1,657,559) | (964,097) | (1,104,873) | (3,726,529) |
| Income from operations before other operating expenses, net | 507,563 | 794,777 | 23,862 | 1,326,102 |
| Other operating expenses, net | | | | 2,000,000 |
| Equity in the earnings (losses) of joint ventures | | | | (3,000,000) |
| Financial result, net | | | | (286,898) |
| Income from operations before taxes | | | | 1,039,204 |
| Depreciation and amortization | 203,233 | 160,278 | - | 363,511 |

Explanation on the reconciliation items for the Financial Statements: the impacts on gross revenues from sales and services and on costs are as follows:

April to June/2013

| | | January to June/2013 | April to June /2012 | Janu Jun (Res |
|-------------------------------------------------------------|---------|---------------------------------|------------------------------------|------------------------------|
| | | | (Restated) | |
| Gross revenue from construction recognized under ICPC 1 (a) | 656,844 | 1,152,453 | 577,879 | 1,1 |
| Construction costs recognized under ICPC 1 (a) | 643,229 | 1,129,191 | 565,491 | 1,1 |
| Construction margin | 13,615 | 23,262 | 12,388 | |

(a) Revenue from concession construction contracts is recognized in accordance with CPC 17, Construction Contracts (IAS 11), using the percentage-of-completion method. See Notes 11 (c) and (h).

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21. REVENUE

(a) Reconciliation between gross revenue and net revenue

| | April to June/2013 | January to June/2013 | April to June /2012 (Restated) | January to June/2012 (Restated) |
|------------------------------------------|-----------------------|-------------------------|--------------------------------------|---------------------------------------|
| Gross revenue from sales and/or services | 2,307,428 | 4,626,275 | 2,048,527 | 4,237,934 |
| Construction revenue | 656,844 | 1,152,453 | 577,879 | 1,128,735 |
| Sales tax | (167,994) | (337,406) | (151,357) | (313,938) |
| Net revenue | 2,796,278 | 5,441,322 | 2,475,049 | 5,052,731 |

(b) Gross revenue from sales of products and services

| | April to June/2013 | January to June/2013 | April to June /2012 (Restated) | January to June/2012 (Restated) |
|----------------------------------|-----------------------|-------------------------|--------------------------------------|---------------------------------------|
| Metropolitan Region of São Paulo | 1,701,779 | 3,389,795 | 1,598,216 | 3,185,639 |
| Regional Systems (i) | 605,649 | 1,236,480 | 450,311 | 1,052,295 |
| Total (ii) | 2,307,428 | 4,626,275 | 2,048,527 | 4,237,934 |

(i) Including the municipalities operated in inland and at the coast of the State of São Paulo.

(ii) Gross operating revenue from sales and services increased by 12.6% in the second quarter of 2013 over the second quarter of 2012, mainly due to a 3.5% increase in the Company's volume billed, a 5.15% tariff increase as of September 2012 and the 2.35% tariff repositioning index applied over tariffs after April 2013.

22. OPERATING COSTS AND EXPENSES

| <u>Description</u> | <u>April to June/2013</u> | <u>January to June /2013</u> | <u>April to June/2012 (Restated)</u> | <u>January to June/2012 (Restated)</u> |
|----------------------------------|-------------------------------|----------------------------------|----------------------------------------------|------------------------------------------------|
| Cost of sales and services: | | | | |
| Salaries and payroll charges | 343,874 | 662,609 | 312,222 | 595,303 |
| Pension plan liabilities | 14,316 | 29,718 | 8,806 | 17,864 |
| Construction costs (Note 11(c)) | 643,229 | 1,129,191 | 565,491 | 1,104,873 |
| General supplies | 44,557 | 85,132 | 40,066 | 77,658 |
| Treatment supplies | 55,141 | 120,017 | 51,431 | 96,004 |
| Outsourced services | 205,295 | 369,025 | 173,114 | 333,926 |
| Electricity | 132,579 | 276,966 | 147,238 | 296,970 |
| General expenses | 106,297 | 222,647 | 97,752 | 190,209 |
| Depreciation and amortization | <u>186,657</u> | <u>373,506</u> | <u>171,650</u> | <u>351,401</u> |
| | <u>1,731,945</u> | <u>3,268,811</u> | <u>1,567,770</u> | <u>3,064,208</u> |

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| <u>Description</u> | <u>April to June/2013</u> | <u>January to June /2013</u> | <u>April to June/2012 (Restated)</u> | <u>January to June/2012 (Restated)</u> |
|----------------------------------------------------------------|-------------------------------|----------------------------------|----------------------------------------------|------------------------------------------------|
| Selling expenses: | | | | |
| Salaries and payroll charges | 54,636 | 106,122 | 50,797 | 97,078 |
| Pension plan liabilities | 1,949 | 4,550 | 1,499 | 2,895 |
| General supplies | 1,844 | 3,962 | 2,052 | 3,922 |
| Outsourced services | 61,865 | 88,292 | 54,693 | 116,872 |
| Electricity | 134 | 306 | 66 | 327 |
| General expenses | 22,865 | 41,226 | 20,937 | 39,476 |
| Depreciation and amortization | 2,590 | 5,308 | 1,843 | 3,333 |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | <u>18,839</u> | <u>56,239</u> | <u>36,625</u> | <u>75,387</u> |
| | <u>164,722</u> | <u>306,005</u> | <u>168,512</u> | <u>339,290</u> |
| General and administrative expenses: | | | | |
| Salaries and payroll charges | 45,495 | 87,350 | 42,368 | 80,809 |
| Pension plan liabilities | 31,692 | 63,431 | 27,919 | 55,984 |
| General supplies | 2,981 | 4,565 | 1,097 | 2,109 |
| Outsourced services | 27,958 | 66,553 | 24,738 | 66,741 |
| Electricity | 260 | 528 | 305 | 659 |
| General expenses | 57,176 | 137,888 | 4,991 | 61,840 |
| Depreciation and amortization | 7,511 | 13,110 | 3,522 | 8,777 |
| Tax expenses | <u>11,770</u> | <u>51,855</u> | <u>11,100</u> | <u>46,112</u> |
| | <u>184,843</u> | <u>425,280</u> | <u>116,040</u> | <u>323,031</u> |
| Cost, selling and administrative expenses: | | | | |
| Salaries and payroll charges | 444,005 | 856,081 | 405,387 | 773,190 |
| Pension plan liabilities | 47,957 | 97,699 | 38,224 | 76,743 |
| Construction costs (Note 11 (c)) | 643,229 | 1,129,191 | 565,491 | 1,104,873 |
| General supplies | 49,382 | 93,659 | 43,215 | 83,689 |
| Treatment supplies | 55,141 | 120,017 | 51,431 | 96,004 |
| Outsourced services | 295,118 | 523,870 | 252,545 | 517,539 |

| | | | | |
|----------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Electricity | 132,973 | 277,800 | 147,609 | 297,956 |
| General expenses | 186,338 | 401,761 | 123,680 | 291,525 |
| Depreciation and amortization | 196,758 | 391,924 | 177,015 | 363,511 |
| Tax expenses | 11,770 | 51,855 | 11,100 | 46,112 |
| Allowance for doubtful accounts, net of recoveries (Note 7(c)) | <u>18,839</u> | <u>56,239</u> | <u>36,625</u> | <u>75,387</u> |
| | <u>2,081,510</u> | <u>4,000,096</u> | <u>1,852,322</u> | <u>3,726,529</u> |

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Notes to the Financial Statements**23. FINANCE EXPENSES AND INCOME**

| <u>Description</u> | April to June/2013 | January to June/2013 | April to June /2012 (Restated) | January to June/2012 (Restated) |
|----------------------------------------------------------------|-----------------------|-------------------------|--------------------------------------|---------------------------------------|
| Finance expenses: | | | | |
| Interest and charges on loans and financing – local currency | (64,904) | (147,429) | (69,931) | (152,134) |
| Interest and charges on loans and financing – foreign currency | (22,090) | (40,506) | (25,728) | (45,747) |
| Other finance expenses | (20,701) | (32,878) | (5,373) | (19,108) |
| Income tax over foreign remittance | (2,540) | (4,417) | (3,649) | (5,758) |
| Inflation adjustments on loans and financing (i) | (16,399) | (40,548) | (8,914) | (17,469) |
| Inflation adjustments on Sabesprev Mais deficit (ii) | (357) | (805) | (392) | (807) |
| Other inflation adjustments (iii) | (722) | (4,360) | (1,637) | (3,171) |
| Interest and inflation adjustments on provisions | 20,850 | (31,581) | (5,126) | (78,116) |
| Total finance expenses | (106,863) | (302,524) | (120,750) | (322,310) |
| Finance income: | | | | |
| Inflation adjustments gains (iv) | 19,986 | 48,981 | 9,313 | 21,087 |
| Income on short-term investments | 37,285 | 70,263 | 45,078 | 99,917 |
| Interest and other income | 43,769 | 75,198 | 16,469 | 37,463 |
| Total finance income | 101,040 | 194,442 | 70,860 | 158,467 |
| Financial, net before foreign exchange variations | (5,823) | (108,082) | (49,890) | (163,843) |
| Net foreign exchange gains (losses): | | | | |

| | | | | |
|---------------------------------------------------|-----------|-----------|-----------|-----------|
| Foreign exchange variation on loans and financing | (201,667) | (72,064) | (281,674) | (122,442) |
| Other foreign exchange variations | (16) | (17) | (5) | (25) |
| Foreign exchange gains | 250 | 215 | 194 | (55) |
| Foreign exchange variations, net | (201,433) | (71,866) | (281,485) | (122,522) |
| Financial, net | (207,256) | (179,948) | (331,375) | (286,365) |

(i) This inflation adjustment derives mainly from the increase in inventories of IPCA-indexed debt, due to the funding referring to the 17th issue of debentures in February 2013.

(ii) This inflation adjustment derives from the change in the National Consumer Price Index (INPC) rate of 1.2% in the second quarter of 2013 (1.5% in the second quarter of 2012), which is used to adjust the balance of SABESP's commitment in relation to the deficit of the Sabesprev Mais pension plan.

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(iii) Other expenses related to monetary variation mainly arises from the adjustment of liabilities referring to investment commitments required by the public-private partnerships and mainly from program contracts indexed to the IPC and IPCA of 0.7% and 1.2% in the second quarter of 2013, respectively (1.0% and 1.1% in the second quarter of 2012, respectively).

(iv) These inflation adjustment mainly arise from installment payment agreements with clients, which are indexed by IPCA (1.2% in the second quarter of 2013 and 1.1% in the second quarter of 2012) or IPC (Consumer Price Index, 0.7% in the second quarter of 2013 and 1.0% in the second quarter of 2012), depending on the contract date, and judicial deposits, which are adjusted by the index defined by the Judiciary Branch, which varied 1.5% in the second quarter of 2013 (1.4% in the second quarter of 2012).

24. OTHER OPERATING INCOME (EXPENSES), NET

| | April to June/2013 | January to June/2013 | April to June /2012 (Restated) | January to June /2012 (Restated) |
|----------------------------------------|--------------------|----------------------|-----------------------------------|-------------------------------------|
| Other operating income, net | 13,581 | 24,218 | 22,875 | 33,482 |
| Other operating expenses | (12,074) | (13,876) | (4,478) | (6,622) |
| Other operating income (expenses), net | 1,507 | 10,342 | 18,397 | 26,860 |

Other operating income is comprised of sale of property, plant and equipment, sale of contracts awarded in public bids, and indemnities and reimbursement of expenses, fines and collaterals, property leases, reuse

water, PURA and Aqualog projects and services.

Other operating expenses consist mainly of write-off of property, plant and equipment due to obsolescence, discontinued construction works, unproductive wells, projects considered economically unfeasible, and losses on property, plant and equipment.

25. COMMITMENTS

The Company has agreements to manage and maintain its activities, as well as agreements to build new projects aiming at achieving the objectives proposed in its target plan. Below, main committed amounts as of June 30, 2013:

| | July to December 2013 | 2014 - 2015 | 2016-2017 | 2018 onwards | Total |
|---------------------------------------|-----------------------|-------------|-----------|--------------|-----------|
| Contractual obligations - Expenses | 607,224 | 1,319,577 | 51,731 | 1,698 | 1,980,230 |
| Contractual obligations - Investments | 799,734 | 1,392,085 | 267,762 | 4522 | 460,033 |
| Total | 1,406,958 | 2,711,662 | 319,493 | 2,1504 | 440,263 |

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Notes to the Financial Statements

26. ADDITIONAL INFORMATION ON CASH FLOWS

Non-cash investing and financing transactions:

Interest capitalized in the period
Variation in payables to contractors
Liabilities referring to program contract commitments recorded with a corresponding entry to intangible assets
Leasing
Construction margin recorded in intangible assets

27. EVENTS AFTER THE REPORTING PERIOD

- Program contracts

The Company renewed the Water Supply and Sewage Service Program Contract with the municipality of Itatiba on July 2, 2013, for a 30-year term.

- Tariff revision – ARSESP

Arsesp – Sanitation and Energy Regulatory Agency of the State of São Paulo published on August 1, 2013, the Resolution 427 wherein it informs that “identified relevant methodological and quantitative inconsistencies in the assets report submitted by SABESP, thus, hindering its immediate utilization in Tariff Revision and requiring a reformulation by the Services Provider.”

In view of the aforementioned paragraph, ARSESP resolved:

“Article 1 – Uphold the suspension of stages C2, C3, C4 and C5 of SABESP’s Tariff Revision until Asset Base issues are solved.

Paragraph 1 - The Services Provider will have thirty (30) days to submit to Arsesp the deadline necessary to present the reformulated Asset Base.

Paragraph 2 - If Services Provider does not make any statement, the Executive Board will resolve on the asset base to be adopted, as well as it will establish a new Schedule to conclude the Tariff Revision.”

Stages C2 to C5 refer to the publication of tariff revision results related to the final Maximum Average Tariff (P0).

SABESP is waiting to receive the content and details deemed inconsistent by the regulatory agency to then analyze and assess potential impacts, if any.

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Notes to the Financial Statements

Comments of the Company's projections trend

The projections presented in the reference form are annual and not on a quarterly basis. Therefore, the quarterly comparison between the information disclosed in the reference form with quarterly results shall not apply.

The projections monitoring occurs on an annual basis and are disclosed in the reference form.

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Comments on the Company's Projection Trend**1. CHANGES IN INTEREST HELD BY CONTROLLING SHAREHOLDER, BOARD MEMBERS AND EXECUTIVE OFFICERS**

**CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND
OUTSTANDING SHARES
Position as at 6/30/2013**

| Shareholder | Number of Common Shares (units) | % | Total Number of Shares (units) | % |
|--------------------------------|------------------------------------------------|--------------|-----------------------------------------------|--------------|
| Controlling shareholder | | | | |
| Treasury Department | 343,524,258 | 50.3% | 343,524,258 | 50.3% |
| Management | | | | |
| Board of Directors | 1,518 | 0 | 1,518 | 0 |
| Executive Officers | | | | |
| Fiscal Council | - | - | - | - |
| Treasury shares | - | - | - | - |
| Other shareholders | | | | |
| Total | 343,525,776 | 50.3% | 343,525,776 | 50.3% |
| Outstanding shares | 339,984,093 | 49.7% | 339,984,093 | 49.7% |

2. CHANGES IN INTERESTS HELD BY CONTROLLING SHAREHOLDERS, BOARD MEMBERS AND EXECUTIVE OFFICERS

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

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Other Information Deemed as Relevant by the Company**CONSOLIDATED SHAREHOLDING OF CONTROLLING SHAREHOLDERS, MANAGEMENT AND OUTSTANDING SHARES**
Position as at 6/30/2012

| Shareholder | Number of Common Shares (units) | % | Total Number of Shares (units) | % |
|--------------------------------|---------------------------------------|--------------|--------------------------------------|--------------|
| Controlling shareholder | | | | |
| Treasury Department | 343,524,258 | 50.3% | 343,524,258 | 50.3% |
| Management | | | | |
| Board of Directors | 6,027 | 0 | 6,027 | 0 |
| Executive Officers | 1,809 | 0 | 1,809 | 0 |
| Fiscal Council | - | - | - | - |
| Treasury shares | - | - | - | - |
| Other shareholders | | | | |
| Total | 343,532,094 | 50.3% | 343,532,094 | 50.3% |
| Outstanding shares | 339,977,775 | 49.7% | 339,977,775 | 49.7% |

Note: June 30, 2012 figures were adjusted, including the split of one share for three shares, occurred in April 2013, for better comparability between the reportin periods.

3. SHAREHOLDING POSITION

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

Company:

| CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO | | | Position as at 6/30/2013 | | |
|-----------------------------------------------|-------------------------|----------|---------------------------------|--------------|-------------------------|
| Common shares | | | (shares) | | |
| Shareholder | Number of shares | % | Shareholder | Total | Number of shares |
| Treasury Department | 343,524,258 | 50.3 | 343,524,258 | | 50.3 |

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Reports and Statements / Unqualified Report on Special Review

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders, Board of Directors and Management of

Companhia de Saneamento Básico do Estado de São Paulo - SABESP

São Paulo - SP

Introduction

We have reviewed the accompanying interim financial information of Companhia de Saneamento Básico do Estado de São Paulo - SABESP (the “Company”) included in the Interim Financial Information Form (ITR), for the quarter ended June 30, 2013, which comprises the balance sheet as of June 30, 2013 and the related statements of income and other comprehensive income for the three and six-months period then ended and changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

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

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily

of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information

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

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Reports and Statements / Unqualified Report on Special Review

Emphasis of matter

Restatement of corresponding amounts

As mentioned in Note 2, as a result of the change in the accounting policy relating to employee benefits, in compliance with CPC 33 (R1) and IAS 19(R) – Employee Benefits, and the change in the accounting policy relating to the recording of jointly-owned businesses, in accordance with CPC 19 (R2) and IFRS 11 - Joint Arrangements, the corresponding amounts recorded in the statement of financial position for the year ended December 31, 2012 and the corresponding interim accounting information recorded in the statements of income and comprehensive income for the three and six-months period ended June 30, 2012 and changes in equity, cash flows and value added (supplemental information) for the six-month period ended June 30, 2012, presented for comparison purposes, were adjusted and are being restated as set forth in CPC 23 and IAS 8 - Accounting Policies, Changes in Estimates and Correction of Error and CPC 26 (R1) and IAS 1 - Presentation of Financial Statements. Our opinion is not modified with respect to this matter.

Other matters

Statements of value added

We have also reviewed the statements of value added (DVA) for the six-month period ended June 30, 2013, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRS, which does not require the presentation of DVA. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

Review of interim financial information for the three and six-month period ended June 30, 2012

The information and amounts for the three and six-month period ended June 30, 2012, presented for comparison purposes, were reviewed by other independent auditors, whose report, without qualification, was issued and dated on August 13, 2013.

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

São Paulo, August 13, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Délio Rocha Leite
Engagement Partner

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