

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

December 06, 2013

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

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**FORM 6-K**

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

**For December 6, 2013**  
**(Commission File No. 1-31317)**

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

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

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

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

Form 20-F  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):

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

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

**Version:**  
**1**

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**Version:**  
**1**

**Company Information / Capital Breakdown**

<b>Number of Shares</b>	<b>Current Quarter</b>
<b>(Units)</b>	<b>9/30/2013</b>
<b>Paid-in Capital</b>	
<b>Common</b>	683,509,869
<b>Preferred</b>	0
<b>Total</b>	683,509,869
<b>Treasury Shares</b>	
<b>Common</b>	0
<b>Preferred</b>	0
<b>Total</b>	0

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**Version:**  
**1**

**Company Information / Cash Proceeds**

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

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

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>9/30/2013</b>	<b>12/31/2012</b>
1	Total Assets	27,560,792	26,476,097
1.01	Current Assets	3,129,492	3,330,598
1.01.01	Cash and Cash Equivalents	1,828,770	1,915,974
1.01.03	Accounts Receivable	1,152,737	1,148,218
1.01.03.01	Trade Accounts Receivable	1,022,812	1,038,945
1.01.03.02	Other Accounts Receivable	129,925	109,273
1.01.03.02.01	Balances with Related Parties	129,925	109,273
1.01.04	Inventories	45,747	53,028
1.01.06	Recoverable Taxes	15,700	118,421
1.01.06.01	Current Recoverable Taxes	15,700	118,421
1.01.08	Other Current Assets	86,538	94,957
1.01.08.03	Other	86,538	94,957
1.01.08.03.01	Restricted Cash	10,473	64,977
1.01.08.03.20	Other Accounts Receivable	76,065	29,980
1.02	Noncurrent Assets	24,431,300	23,145,499
1.02.01	Long-Term Assets	893,759	906,391
1.02.01.03	Accounts Receivable	374,039	335,687
1.02.01.03.01	Trade Accounts Receivable	374,039	335,687
1.02.01.06	Deferred Taxes	141,625	145,302
	Deferred Income Tax and Social		
1.02.01.06.01	Contribution	141,625	145,302
1.02.01.08	Receivables from Related Parties	126,413	153,098
	Receivables from Controlling		
1.02.01.08.03	Shareholders	126,413	153,098
1.02.01.09	Other Noncurrent Assets	251,682	272,304
1.02.01.09.04	Escrow Deposits	50,537	53,158
1.02.01.09.05	ANA – National Water Agency	104,967	108,099
1.02.01.09.20	Other Accounts Receivable	96,178	111,047
1.02.02	Investments	76,714	74,872

1.02.02.01	Shareholdings	22,675	20,826
1.02.02.01.04	Other Shareholdings	22,675	20,826
1.02.02.02	Investment Properties	54,039	54,046
1.02.03	Property, Plant and Equipment	185,160	196,710
1.02.04	Intangible Assets	23,275,667	21,967,526
1.02.04.01	Intangible Assets	23,275,667	21,967,526
1.02.04.01.01	Concession Contracts	8,094,825	8,006,130
1.02.04.01.02	Program Contracts	5,154,483	4,390,263
1.02.04.01.03	Service Contracts	9,905,339	9,568,487
1.02.04.01.04	Software License	121,020	2,646

**(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)**ITR — Quarterly Information Form – September 30, 2013 – CIA SANEAMENTO BÁSICO  
ESTADO SÃO PAULO**Version:**  
**1****Parent Company Financial Statements/Statement of Financial Position – Liabilities****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>9/30/2013</b>	<b>12/31/2012</b>
2	Total Liabilities	27,560,792	26,476,097
2.01	Current Liabilities	2,716,136	3,758,189
2.01.01	Labor and Pension Plan Liabilities	354,514	267,332
2.01.01.01	Pension Plan Liabilities	21,963	35,188
2.01.01.02	Labor Liabilities	332,551	232,144
2.01.02	Trade Accounts Payable	217,658	295,392
2.01.02.01	Domestic Suppliers	217,658	295,392
2.01.03	Tax Liabilities	231,167	152,710
2.01.03.01	Federal Tax Liabilities	225,828	147,013
2.01.03.01.01	Income Tax and Social Contribution Payable PIS-PASEP and COFINS (taxes on revenue)	137,749	0
2.01.03.01.02	Payable	40,985	46,576
2.01.03.01.03	INSS (social security contribution) Payable	29,791	29,401
2.01.03.01.04	Installment Program - Law 10684/03	0	19,011
2.01.03.01.20	Other Federal Taxes	17,303	52,025
2.01.03.03	Municipal Taxes Liabilities	5,339	5,697
2.01.04	Loans and Financing	705,971	1,342,594
2.01.04.01	Loans and Financing	655,457	833,635
2.01.04.01.01	In Domestic Currency	429,207	635,968
2.01.04.01.02	In Foreign Currency	226,250	197,667
2.01.04.02	Debentures	50,514	508,959
2.01.05	Other Liabilities	595,962	1,135,078
2.01.05.01	Payables Related Parties	1,772	958
2.01.05.01.03	Payables to Controlling Shareholders	1,772	958
2.01.05.02	Other	594,190	1,134,120
2.01.05.02.01	Dividends and Interest on Equity Payable	130	414,355
2.01.05.02.04	Services Payable	303,688	389,091
2.01.05.02.05	Refundable Amounts	34,893	42,479
2.01.05.02.06	Program Contract Commitments	158,261	148,220

2.01.05.02.07	Private Public Partnership – PPP	13,759	24,357
2.01.05.02.09	Indemnities	16,640	8,697
2.01.05.02.20	Other Payables	66,819	106,921
2.01.06	Provisions Tax, Social Security, Labor and Civil	610,864	565,083
2.01.06.01	Provisions	109,404	112,119
2.01.06.01.01	Tax Provisions	6,643	9,912
2.01.06.01.02	Social Security and Labor Provisions	64,638	59,868
2.01.06.01.04	Civil Provisions	38,123	42,339
2.01.06.02	Other Provisions	501,460	452,964
2.01.06.02.03	Provisions for Environmental	42,404	11,586
2.01.06.02.04	Provisions for Customers	366,927	355,520
2.01.06.02.05	Provisions for Suppliers	92,129	85,858
2.02	Non-Current Liabilities	12,335,261	11,461,146
2.02.01	Loans and Financing	8,379,212	7,532,661
2.02.01.01	Loans and Financing	5,037,410	4,669,478



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

<b>Code</b>	<b>Description</b>	<b>Current Quarter</b>	<b>Previous Year</b>
		<b>9/30/2013</b>	<b>12/31/2012</b>
2.02.01.01.01	In Domestic Currency	1,713,375	1,651,384
2.02.01.01.02	In Foreign Currency	3,324,035	3,018,094
2.02.01.02	Debentures	3,341,802	2,863,183
2.02.02	Other Payables	3,396,421	3,304,414
2.02.02.02	Other	3,396,421	3,304,414
2.02.02.02.04	Pension Plan Liabilities	2,680,300	2,592,550
2.02.02.02.05	Program Contract Commitments	97,880	87,407
2.02.02.02.06	Private Public Partnership – PPP	332,304	331,960
2.02.02.02.07	Indemnities	8,057	17,577
2.02.02.02.08	TAC – Retirees	39,748	36,804
2.02.02.02.09	Deferred COFINS and PASEP	127,944	123,731
2.02.02.02.20	Other Payables	110,188	114,385
2.02.04	Provisions	559,628	624,071
2.02.04.01	Tax, Pension Plan, Labor and Civil Provisions	230,957	292,198
2.02.04.01.01	Tax Provisions	57,785	58,173
2.02.04.01.02	Pension Plan and Labor Provisions	83,988	111,830
2.02.04.01.04	Civil Provisions	89,184	122,195
2.02.04.02	Other Provisions	328,671	331,873
2.02.04.02.03	Provisions for Environmental	138,401	136,839
2.02.04.02.04	Provisions for Customers	159,132	165,735
2.02.04.02.05	Provisions for Suppliers	31,138	29,299

2.03	Equity	12,509,395	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	1,332,834	0
2.03.08	Other Comprehensive Income	-458,815	-458,815

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

Code	Description	Current	YTD Current	Same Quarter	YTD Previous
		Quarter	Year	Previous Year	Year
		7/1/2013 to	1/1/2013 to	7/1/2012 to	1/1/2012 to
		9/30/2013	9/30/2013	9/30/2012	9/30/2012
	Revenue from Sales and/or				
3.01	Services	2,772,359	8,213,681	2,710,985	7,763,716
3.02	Cost of Sales and/or Services	-1,642,196	-4,911,007	-1,592,348	-4,656,557
3.02.01	Cost of Sales and/or Services	-1,102,743	-3,242,363	-993,171	-2,952,507
3.02.02	Construction Cost	-539,453	-1,668,644	-599,177	-1,704,050
3.03	Gross Profit	1,130,163	3,302,674	1,118,637	3,107,159
3.04	Operating Income/Expenses	-284,880	-1,006,084	-456,398	-1,094,916
3.04.01	Selling Expenses	-171,264	-477,270	-188,892	-528,182
	General and Administrative				
3.04.02	Expenses	-127,092	-552,372	-207,387	-530,417
3.04.04	Other Operating Income	16,531	40,749	14,528	48,009
3.04.04.01	Other Operating Income	19,077	46,095	16,114	53,341
3.04.04.02	COFINS and PASEP	-2,546	-5,346	-1,586	-5,332
3.04.05	Other Operating Expenses	-4,792	-18,667	-74,061	-80,683
	Loss on Write-off of Property,				
3.04.05.01	Plant and Equipment Items	-2,634	-8,067	-73	-1,881
3.04.05.03	Tax Incentives	-2,068	-10,354	-3,730	-8,417
3.04.05.04	Provision for Asset Impairment	0	0	-35,127	-35,127
3.04.05.05	Provision for Inventory Losses	0	0	-35,087	-35,087
3.04.05.20	Other	-90	-246	-44	-171
	Equity in the Earnings				
3.04.06	(Losses) of Subsidiaries	1,737	1,476	-586	-3,643
	Income Before Financial				
3.05	Result and Taxes	845,283	2,296,590	662,239	2,012,243
3.06	Financial Result	-119,936	-299,884	-109,293	-395,657
3.06.01	Finance Income	74,983	269,640	68,232	226,644
3.06.01.01	Finance Income	74,967	269,409	68,282	226,749

3.06.01.02 Foreign Exchange Gains	16	231	-50	-105
3.06.02 Finance Expenses	-194,919	-569,524	-177,525	-622,301
3.06.02.01 Finance Expenses	-108,287	-410,811	-154,450	-476,759
3.06.02.02 Foreign Exchange Losses	-86,632	-158,713	-23,075	-145,542

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ITR — Quarterly Information Form – September 30, 2013 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

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

Code	Description	Current Quarter 7/1/2013 to 9/30/2013	YTD Current Year	Same Quarter Previous Year	YTD Previous Year
			1/1/2013 to 9/30/2013	7/1/2012 to 9/30/2012	1/1/2012 to 9/30/2012
3.07	Earnings Before Income Tax	725,347	1,996,706	552,946	1,616,586
3.08	Income Tax and Social Contribution	-250,383	-663,872	-191,182	-470,098
3.08.01	Current	-256,336	-660,195	-240,126	-479,581
3.08.02	Deferred	5,953	-3,677	48,944	9,483
3.09	Net Result from Continued Operations	474,964	1,332,834	361,764	1,146,488
3.11	Profit/Loss for the Period	474,964	1,332,834	361,764	1,146,488
3.99	Earnings per Share - (Reais / Share)				
3.99.01	Basic Earnings per Share				
3.99.01.01	Common Share	0.69489	1.94999	0.52927	1.67736
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common Share	0.69489	1.94999	0.52927	1.67736

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ESTADO SÃO PAULO**Version:**  
**1****Parent Company Financial Statements / Statement of Comprehensive Income****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Current Quarter 7/1/2013 to 9/30/2013</b>	<b>YTD Current</b>		<b>YTD Previous</b>
			<b>Year</b>	<b>Same Quarter Previous</b>	<b>Year</b>
			<b>1/1/2013 to 9/30/2013</b>	<b>Year 7/1/2012 to 9/30/2012</b>	<b>1/1/2012 to 9/30/2012</b>
4.01	Net Income for the Period	474,964	1,332,834	361,764	1,146,488
4.03	Comprehensive Income for the Period	474,964	1,332,834	361,764	1,146,488

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

<b>Code</b>	<b>Description</b>	<b>YTD Current Year 1/1/2013 to 9/30/2013</b>	<b>YTD Previous Year 1/1/2012 to 9/30/2012</b>
6.01	Net Cash from Operating Activities	2,157,978	1,847,791
6.01.01	Cash from Operations	3,315,346	3,263,693
	Net Income Before Income Tax and Social		
6.01.01.01	Contribution	1,996,706	1,616,586
	Provision and Inflation Adjustments on		
6.01.01.02	Provisions	154,444	231,150
6.01.01.04	Financial Charges from Customers	-167,665	-114,613
	Residual Value of Written-Off Property, Plant and		
6.01.01.05	Equipment	8,067	2,129
6.01.01.06	Depreciation and Amortization	600,309	543,702
6.01.01.07	Interest on Loans and Financing Payable	276,654	306,742
6.01.01.08	Monetary and Foreign Exchange Variation on		
	Loans and Financing	207,776	169,399
6.01.01.09	Interest and Monetary Variation on Liabilities	17,458	1,147
6.01.01.10	Interest and Monetary Variation in Assets	-8,023	-9,919
6.01.01.11	Allowance for Doubtful Accounts	83,924	304,011
6.01.01.12	Provision for Consent Decree (TAC)	17,314	24,482
6.01.01.13	Equity in the Earnings of Subsidiaries	-1,476	3,643
6.01.01.14	Provision for Sabesprev Mais	7,383	-6,522
6.01.01.15	Other Provisions/Reversals	-34,975	1,186
	Transfer of Funds to São Paulo Municipal		
6.01.01.16	Government	-4,612	-4,080
6.01.01.17	Gross Margin over Intangible Assets Resulting		
	from Concession Contracts	-35,170	-36,919
6.01.01.18	Pension Plan Liabilities	197,232	161,355
6.01.01.20	Other Adjustments	0	70,214
6.01.02	Changes in Assets and Liabilities	-376,447	-657,140

6.01.02.01	Trade Accounts Receivable	64,955	-81,138
6.01.02.02	Balances and Transactions with Related Parties	10,623	50,582
6.01.02.03	Inventories	7,034	4,791
6.01.02.04	Recoverable Taxes	0	-27,229
6.01.02.05	Other Accounts Receivable	-28,084	-95,741
6.01.02.06	Escrow Deposits	2,621	-150,326
6.01.02.08	Contractors and Suppliers	-39,694	-28,618
6.01.02.09	Payroll, Provisions and Social Contribution	87,182	48,832
6.01.02.10	Pension Plan Liabilities	-109,482	-98,573
6.01.02.11	Taxes and Contributions Payable	-88,897	-76,930
6.01.02.12	Services Received	-85,403	-4,434
6.01.02.13	Other Liabilities	-28,409	85,326
6.01.02.14	Provisions	-173,106	-285,624
6.01.02.15	Deferred COFINS/PASEP	4,213	1,942
6.01.03	Other	-780,921	-758,762



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

<b>Code</b>	<b>Description</b>	<b>YTD Current Year</b>	<b>YTD Previous Year</b>
		<b>1/1/2013 to 9/30/2013</b>	<b>1/1/2012 to 9/30/2012</b>
6.01.03.01	Interest Paid	-394,918	-471,168
6.01.03.02	Income Tax and Social Contribution Paid	-386,003	-287,594
6.02	Net Cash from Investing Activities	-1,503,878	-1,330,861
6.02.01	Acquisition of Property, Plant and Equipment	-11,560	-12,305
6.02.02	Increase in Intangible Assets	-1,546,449	-1,342,180
6.02.03	Increase (Decrease) in Investment	-373	-5,092
6.02.04	Restricted Cash	54,504	28,716
6.03	Net Cash from Financing Activities	-741,304	-892,696
6.03.01	Funding – Loans	1,391,619	995,442
6.03.02	Amortization of Loans	-1,590,430	-1,350,366
6.03.03	Payment of Interest on Equity	-498,669	-537,772
6.03.04	Public-Private Partnership – PPP	-10,254	0
6.03.05	Program Contract - Commitments	-33,570	0
6.05	Increase (Decrease) in Cash and Cash Equivalents	-87,204	-375,766
6.05.01	Opening Cash and Cash Equivalents	1,915,974	2,142,079
6.05.02	Closing Cash and Cash Equivalents	1,828,770	1,766,313

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ESTADO SÃO PAULO**Version:**  
**1****Parent Company Financial Statements/Statement of Changes in Equity – 1/1/2013 to 9/30/2013****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Paid-up Capital</b>	<b>Capital Reserves, Options Granted and Treasury Shares</b>	<b>Profit Reserves</b>	<b>Retained Earnings/ Accumulated Losses</b>	<b>Other Comprehensive Income</b>	<b>Total Equity</b>
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	1,332,834	0	1,332,834
5.05.01	Net Income for the Period	0	0	0	1,332,834	0	1,332,834
5.07	Closing Balances	6,203,688	124,255	5,307,433	1,332,834	-458,815	12,509,395

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1****Parent Company Financial Statements/Statement of Changes in Equity— 1/1/2012 to 9/30/2012****(R\$ thousand)**

<b>Code</b>	<b>Description</b>	<b>Paid-up Capital</b>	<b>Capital Reserves, Options Granted and Treasury Shares</b>	<b>Profit Reserves</b>	<b>Retained Earnings/ Accumulated Losses</b>	<b>Other Comprehensive Income</b>	<b>Total Equity</b>
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	1,146,488	0	1,146,488
5.05.01	Net Income for the Period	0	0	0	1,146,488	0	1,146,488
5.07	Closing Balances	6,203,688	124,255	3,929,810	1,146,488	-953	11,403,288

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

<b>Code</b>	<b>Description</b>	<b>YTD Current</b>	<b>YTD Previous</b>
		<b>Year 1/1/2013 to 9/30/2013</b>	<b>Year 1/1/2012 to 9/30/2012</b>
7.01	Revenue	8,685,531	8,149,228
7.01.01	Operating Revenue	7,019,546	6,500,917
7.01.02	Other Revenue	46,095	53,341
7.01.03	Revenue from the Construction	1,703,814	1,740,969
7.01.04	Allowance for/Reversal of Doubtful Accounts	-83,924	-145,999
7.02	Inputs Acquired from Third Parties	-3,427,063	-3,398,090
7.02.01	Costs of Sales and Services	-2,930,336	-2,818,116
7.02.02	Materials, Energy, Outsourced Services and Other	-478,060	-499,291
7.02.04	Other	-18,667	-80,683
7.03	Gross Value Added	5,258,468	4,751,138
7.04	Retentions	-600,309	-543,702
7.04.01	Depreciation, Amortization and Depletion	-600,309	-543,702
7.05	Net Value Added Produced	4,658,159	4,207,436
7.06	Value Added Received through Transfer	271,116	223,001
7.06.01	Equity in the Earnings (Losses) of Joint Ventures	1,476	-3,643
7.06.02	Finance Income	269,640	226,644
7.07	Total Value Added to Distribute	4,929,275	4,430,437
7.08	Value Added Distribution	4,929,275	4,430,437
7.08.01	Personnel	1,310,712	1,148,828
7.08.01.01	Direct Compensation	876,532	774,184
7.08.01.02	Benefits	355,158	302,641
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	79,022	72,003
7.08.02	Taxes and Contributions	1,501,986	1,241,548
7.08.02.01	Federal	1,429,291	1,176,037

7.08.02.02	State	42,733	38,764
7.08.02.03	Municipal	29,962	26,747
7.08.03	Value Distributed to Providers of Capital	783,743	893,573
7.08.03.01	Interest	733,499	847,571
7.08.03.02	Rental	50,244	46,002
7.08.04	Value Distributed to Shareholders	1,332,834	1,146,488
7.08.04.03	Retained Earnings/Accumulated Loss for the Period	1,332,834	1,146,488

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

	<i>R\$ million</i>							
(+) Gross operating revenue	2,393.2	130.3	5.8	6,500.9	7,019.6	518.7	8.0	-
(+) Construction revenue	551.4	(60.9)	(9.9)	1,741.0	1,703.8	(37.2)	(2.1)	-
(-) COFINS and PASEP taxes	172.2	8.0	4.9	478.2	509.7	31.5	6.6	-
(=) Net operating revenue	2,772.4	61.4	2.3	7,763.7	8,213.7	450.0	5.8	-
(-) Costs and expenses	1,401.0	11.6	0.8	4,011.7	4,272.0	260.3	6.5	-
(-) Construction costs	539.5	(59.7)	(10.0)	1,704.1	1,668.6	(35.5)	(2.1)	-
(+) Equity result	1.7	2.3	(383.3)	(3.6)	1.5	5.1	(141.7)	-
(+) Other operating revenues/expenses	11.7	71.2	(119.7)	(32.7)	22.1	54.8	(167.6)	-
(=) Earnings before financial result, income tax and social contrib.	845.3	183.0	27.6	2,012.2	2,296.7	284.5	14.1	-
(+) Net financial result	(119.9)	(10.6)	9.7	(395.6)	(299.9)	95.7	(24.2)	-
(=) Earnings before income tax and social contribution	725.4	172.4	31.2	1,616.6	1,996.8	380.2	23.5	-
(+) Income tax and social contribution	(250.4)	(59.2)	31.0	(470.1)	(663.9)	(193.8)	41.2	-
Net income	475.0	113.2	31.3	1,146.5	1,332.9	186.4	16.3	-
Earnings per share (R\$)	0.69			1.68	1.95			

**Adjusted EBITDA Reconciliation (Non-accounting measures)**

**R\$ million**

Net income	361.8	475.0	113.2	31.3	1,146.5	1,332.9	186.4	16.3
(+) Income tax and social contribution	191.2	250.4	59.2	31.0	470.1	663.9	193.8	41.2
(+) Net financial result	109.3	119.9	10.6	9.7	395.6	299.9	(95.7)	(24.2)
(+) Other operating revenues/expenses	59.5	(11.7)	(71.2)	(119.7)	32.7	(22.1)	(54.8)	(167.6)
(=) Earnings before financial result (EBIT)	721.8	833.6	111.8	15.5	2,044.9	2,274.6	229.7	11.2
(+) Depreciation and amortization	180.2	208.4	28.2	15.6	543.7	600.3	56.6	10.4
(=) Adjusted EBITDA*	902.0	1,042.0	140.0	15.5	2,588.6	2,874.9	286.3	11.1
(%) Adjusted EBITDA margin	33.3	37.6			33.3	35.0		

(\*) 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 3Q13, net operating revenue reached R\$ 2.8 billion, a 2.3% growth compared to 3Q12.

Costs and expenses, including construction costs, dropped 2.4%, from R\$ 2.0 billion in 3Q12 to R\$ 1.9 billion in 3Q13.

EBIT grew 15.5%, from R\$ 721.8 million in 3Q12 to R\$ 833.6 million in 3Q13.

Adjusted EBITDA increased 15.5%, from R\$ 902.0 million in 3Q12 to R\$ 1,042.0 million in 3Q13.

The adjusted EBITDA margin moved from 33.3% in 3Q12 to 37.6% in 3Q13. Excluding construction revenues and construction costs, the adjusted EBITDA margin was 46.4% in 3Q13 (42.4% in 3Q12).

Net income grew 31.3%, from R\$ 361.8 million in 3Q12 to R\$ 475.0 million in 3Q13.

## 2. Gross operating revenue

Gross operating revenue from water supply and sewage collection grew from R\$ 2.3 billion in 3Q12 to R\$ 2.4 billion in 3Q13, an increase of R\$ 130.3 million or 5.8%.

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 2.0% in the Company's total billed volume (1.9% in water and 2.1% in sewage).

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The less-than-expected growth was due to the conclusion of the implementation of TACE<sup>1</sup> services in municipalities in the interior region in 2Q12, which led to a decline in the number of days of unbilled water, decreasing the revenue estimated for June 2012. This reduced estimate caused a smaller reversal in July 2012, significantly affecting the variations presented in the periods analyzed.

Disregarding the non-recurring facts mentioned above, operating revenue increased approximately 10.0%.

**3. Construction revenue**

Construction revenue decreased R\$ 60.9 million or 9.9%, when compared to 3Q12. Despite the decrease recorded in the quarter over quarter comparison, year to date comparison recorded a slight 2.1% drop.

**4. Billed volume**

The following tables show the water and sewage billed volume per customer category and region in 3Q12, 3Q13, 9M12 and 9M13.

**WATER AND SEWAGE BILLED VOLUME <sup>(1)</sup> PER CUSTOMER CATEGORY - million m<sup>3</sup>**

Residencial	380.3	387.2	1.8	314.6	322.2	2.4	694.9	709.4	2.1
Commercial	43.6	43.8	0.5	40.4	40.7	0.7	84.0	84.5	0.6
Industrial	9.5	10.0	5.3	10.8	11.0	1.9	20.3	21.0	3.4
Public	14.4	13.8	(4.2)	11.2	10.7	(4.5)	25.6	24.5	(4.3)
<b>Total retail</b>	<b>447.8</b>	<b>454.8</b>	<b>1.6</b>	<b>377.0</b>	<b>384.6</b>	<b>2.0</b>	<b>824.8</b>	<b>839.4</b>	<b>1.8</b>
Wholesale	74.8	74.5	(0.4)	7.5	7.9	5.3	82.3	82.4	0.1



Reused water	0.1	3.2	-	-	-	-	0.1	3.2	-
<b>Total</b>	<b>522.7</b>	<b>532.5</b>	<b>1.9</b>	<b>384.5</b>	<b>392.5</b>	<b>2.1</b>	<b>907.2</b>	<b>925.0</b>	<b>2.0</b>
Residencial	1,136.4	1,159.9	2.1	936.9	962.1	2.7	2,073.3	2,122.0	2.3
Commercial	129.1	130.6	1.2	119.9	121.5	1.3	249.0	252.1	1.2
Industrial	28.4	29.3	3.2	31.7	33.3	5.0	60.1	62.6	4.2
Public	41.6	40.7	(2.2)	32.3	31.6	(2.2)	73.9	72.3	(2.2)
<b>Total retail</b>	<b>1,335.5</b>	<b>1,360.5</b>	<b>1.9</b>	<b>1,120.8</b>	<b>1,148.5</b>	<b>2.5</b>	<b>2,456.3</b>	<b>2,509.0</b>	<b>2.1</b>
Wholesale	221.8	223.5	0.8	21.0	22.7	8.1	242.8	246.2	1.4
Reused water	0.3	11.8	-	-	-	-	0.3	11.8	-
<b>Total</b>	<b>1,557.6</b>	<b>1,595.8</b>	<b>2.5</b>	<b>1,141.8</b>	<b>1,171.2</b>	<b>2.6</b>	<b>2,699.4</b>	<b>2,767.0</b>	<b>2.5</b>

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

Metropolitan	296.6	300.9	1.4	252.9	257.0	1.6	549.5	557.9	1.5
Regional <sup>(2)</sup>	151.2	153.9	1.8	124.1	127.6	2.8	275.3	281.5	2.3
<b>Total retail</b>	<b>447.8</b>	<b>454.8</b>	<b>1.6</b>	<b>377.0</b>	<b>384.6</b>	<b>2.0</b>	<b>824.8</b>	<b>839.4</b>	<b>1.8</b>
Wholesale	74.8	74.5	(0.4)	7.5	7.9	5.3	82.3	82.4	0.1
Reused water	0.1	3.2	-	-	-	-	0.1	3.2	-
<b>Total</b>	<b>522.7</b>	<b>532.5</b>	<b>1.9</b>	<b>384.5</b>	<b>392.5</b>	<b>2.1</b>	<b>907.2</b>	<b>925.0</b>	<b>2.0</b>
Metropolitan	880.0	896.6	1.9	748.9	764.5	2.1	1,628.9	1,661.1	2.0
Regional <sup>(2)</sup>	455.5	463.9	1.8	371.9	384.0	3.3	827.4	847.9	2.5
<b>Total retail</b>	<b>1,335.5</b>	<b>1,360.5</b>	<b>1.9</b>	<b>1,120.8</b>	<b>1,148.5</b>	<b>2.5</b>	<b>2,456.3</b>	<b>2,509.0</b>	<b>2.1</b>
Wholesale	221.8	223.5	0.8	21.0	22.7	8.1	242.8	246.2	1.4
Reused water	0.3	11.8	-	-	-	-	0.3	11.8	-
<b>Total</b>	<b>1,557.6</b>	<b>1,595.8</b>	<b>2.5</b>	<b>1,141.8</b>	<b>1,171.2</b>	<b>2.6</b>	<b>2,699.4</b>	<b>2,767.0</b>	<b>2.5</b>

(1) Unaudited

(2) Including coast and countryside

<sup>1</sup> TACE (External Commercial Service Technician) – allows the metering and issuing of water and sewage bills immediately at the client's door. Consumers can ask questions more conveniently. The technician can also issue a copy of the bill, request repairs, provide water saving tips and make changes to the clients' registration.

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

In 3Q13, costs, administrative, selling and construction expenses, dropped 2.4% (R\$ 48.1 million). Excluding construction costs, total costs and expenses grew 0.8%. As a percentage of net revenue, cost and expenses decreased from 73.4% in 3Q12 to 70.0% in 3Q13.

	<i>R\$ million</i>							
Payroll and benefits	426.7	489.1	62.4	14.6	1,276.6	1,442.9	166.3	13.0
Supplies	46.1	48.8	2.7	5.9	129.8	142.4	12.6	9.7
Treatment supplies	39.1	63.6	24.5	62.7	135.1	183.7	48.6	36.0
Services	261.5	285.0	23.5	9.0	779.1	808.9	29.8	3.8
Electric power	144.8	133.1	(11.7)	(8.1)	442.8	410.9	(31.9)	(7.2)
General expenses	209.7	134.0	(75.7)	(36.1)	501.2	535.8	34.6	6.9
Tax expenses	10.7	11.3	0.6	5.6	56.8	63.2	6.4	11.3
<b>Sub-total</b>	<b>1,138.6</b>	<b>1,164.9</b>	<b>26.3</b>	<b>2.3</b>	<b>3,321.4</b>	<b>3,587.8</b>	<b>266.4</b>	<b>8.0</b>
Depreciation and amortization	180.2	208.4	28.2	15.6	543.7	600.3	56.6	10.4
Credit write-offs	70.6	27.7	(42.9)	(60.8)	146.0	83.9	(62.1)	(42.5)
<b>Sub-total</b>	<b>250.8</b>	<b>236.1</b>	<b>(14.7)</b>	<b>(5.9)</b>	<b>689.7</b>	<b>684.2</b>	<b>(5.5)</b>	<b>(0.8)</b>
<b>Costs and expenses</b>	<b>1,389.4</b>	<b>1,401.0</b>	<b>11.6</b>	<b>0.8</b>	<b>4,011.1</b>	<b>4,272.0</b>	<b>260.9</b>	<b>6.5</b>
Construction costs	599.2	539.5	(59.7)	(10.0)	1,704.1	1,668.6	(35.5)	(2.1)
<b>Costs, adm., selling and construction expenses</b>	<b>1,988.6</b>	<b>1,940.5</b>	<b>(48.1)</b>	<b>(2.4)</b>	<b>5,715.2</b>	<b>5,940.6</b>	<b>225.4</b>	<b>3.9</b>
% of net revenue	73.4	70.0			73.6	72.3		

## 5.1. Payroll and benefits

In 3Q13 payroll and benefits grew R\$ 62.4 million or 14.6%, from R\$ 426.7 million to R\$ 489.1 million, due to the following:

- 8.0% increase in wages since May 2013 and the implementation of the Company's new career and wage plan, with an impact of approximately R\$ 27.8 million;
- Provision referring to TAC (Conduct Adjustment Term) of retirees increased by R\$ 9.8 million, mainly due to the 8.0% wage adjustments since May 2013, and changes in the period;
- R\$ 9.7 million upturn in the provision for the Defined Benefit Plan, arising from changes in actuarial assumptions;
- R\$ 3.2 million increase in meal expenses, mainly due to the 13.6% adjustment on meal voucher in May 2013, settled in the collective bargaining agreement; and
- R\$ 2.4 million increase referring to the Profit Sharing Program, chiefly due to salary adjustment in May 2013, settled in the collective bargaining agreement, connected with the implementation of the Company's new job and salary plan.

## 5.2. Supplies

In 3Q13, expenses with supplies increased by R\$ 2.7 million or 5.9%, when compared to the previous year, from R\$ 46.1 million to R\$ 48.8 million, mostly due to preventive maintenance in several water and sewage systems, in the amount of R\$ 2.6 million.

## 5.3. Treatment supplies

Treatment supplies expenses in 3Q13 were R\$ 24.5 million or 62.7% higher than in 3Q12, from R\$ 39.1 million to R\$ 63.6 million. The main factors for this variation were:

- Increase of R\$ 6.9 million due to the higher consumption of activated carbon in the Taiaçupeba Water Treatment Station - WTS, due to the proliferation of algae in the system's reservoirs;

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- Increase of R\$ 6.2 million in expenses with aluminum polychloride and ammonium nitrate, mainly due to price adjustments;
- Increase of R\$ 2.0 million in the consumption of iron sulfate, especially at the Rio Grande WTS, due to higher turbidity seen in raw water;
- Higher consumption of hydrogen peroxide, increasing R\$ 1.7 million, as a result of the increase in consumption at the Taiaçupeba and Jundiaí WTS due to the proliferation of algae; and
- Higher chlorine consumption, with R\$ 1.5 million increase, mainly due to a greater need of disinfecting raw water in Baixo Cotia and Rodolfo WTSs, combined with adjustment made in the product price.

**5.4. Services**

In 3Q13 this item grew R\$ 23.5 million or 9.0%, from R\$ 261.5 million to R\$ 285.0 million. The main factors were:

- Increase of R\$ 12.5 million due to the reversion of provision with expenses in 3Q12, regarding the conclusion of the agreement settled with the Municipal Government of São Paulo; and
- Maintenance in the water and sewage network connections, in the amount of R\$ 6.6 million, due to the intensification of services in several areas of operation of the Company.

**5.5. Electric power**

This item decreased R\$ 11.7 million, or 8.1%, from R\$ 144.8 million in 3Q12 to R\$ 133.1 million in 3Q13, mainly due to the average decrease of 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.

## **5.6. General expenses**

R\$ 75.7 million or 36.1% decrease, from R\$ 209.7 million in 3Q12 to R\$ 134.0 million in 3Q13 chiefly due to the additional provision for labor risks in 3Q12, totaling R\$ 27.9 million referring to reversals made in 3Q13, provisions for environmental risks totaling R\$ 19.7 million and provision for civil risks totaling R\$ 14.8 million.

## **5.7. Depreciation and Amortization**

Depreciation and amortization increased R\$ 28.2 million or 15.6%, from R\$ 180.2 million in 3Q12 to R\$ 208.4 million in 3Q13, 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\$ 42.9 million or 60.8%, from R\$ 70.6 million in 3Q12 to R\$ 27.7 million in 3Q13, chiefly due to the additional provision held in 3Q12, in the amount of R\$ 41.2 million.

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1****Comments on the Company's Performance****6. Other operating revenues/expenses**

Other operating revenues/expenses recorded a positive variation of R\$ 71.2 million, chiefly due to:

R\$ 69.3 million decrease in other operating expenses, chiefly due to: (i) indication of intangible assets recoverable value losses in 3Q12, totaling R\$ 35.1 million; and (ii) provision for intangible asset inventory losses in 3Q12, totaling R\$ 35.1 million.

**7. Net Financial expenses**

	<i>R\$ million</i>			
Financial expenses, net of revenues	(84.1)	(45.0)	39.1	(46.5)
Net monetary variation	(25.2)	(74.9)	(49.7)	197.2
<b>Net financial</b>	<b>(109.3)</b>	<b>(119.9)</b>	<b>(10.6)</b>	<b>9.7</b>

**7.1. Financial expenses, net of revenues**

	<i>R\$ million</i>			
Financial expenses				
Interest and charges on domestic loans and financing	75.0	63.0	(12.0)	(16.0)
Interest and charges on international loans and financing	22.5	18.7	(3.8)	(16.9)

Other financial expenses	41.2	22.9	(18.3)	(44.4)
<b>Total financial expenses</b>	<b>138.7</b>	<b>104.6</b>	<b>(34.1)</b>	<b>(24.6)</b>
Financial revenues	54.6	59.6	5.0	9.2
<b>Financial expenses, net of revenues</b>	<b>84.1</b>	<b>45.0</b>	<b>(39.1)</b>	<b>(46.5)</b>

### 7.1.1. Financial expenses

In 3Q13 financial expenses dropped R\$ 34.1 million, or 24.6%. The main reasons for this result were:

- Other financial expenses: decrease of R\$ 18.3 million due to the reversion of interest over provisions for lawsuits; and
- Decrease in R\$ 12.0 million in interest and charges on domestic loans and financing, due to the change in debt (issue of the 17<sup>th</sup> debenture in February 2013 and anticipation of the amortization of the 11<sup>th</sup> debenture balance).

### 7.1.2. Financial revenues

Financial revenues increased by R\$ 5.0 million due to the interest over installment agreements, and income from financial investment.

## 7.2. Monetary variation on assets and liabilities

	<i>R\$ million</i>			
Monetary variation on loans and financing	0.3	0.3	-	-
Currency exchange variation on loans and financing	23.1	86.7	63.6	275.3
Other monetary/exchange rate variation	15.4	3.4	(12.0)	(77.9)
<b>Monetary variation on liabilities</b>	<b>38.8</b>	<b>90.4</b>	<b>51.6</b>	<b>133.0</b>
Monetary variation on assets	13.6	15.5	1.9	14.0
<b>Net monetary variation</b>	<b>25.2</b>	<b>74.9</b>	<b>49.7</b>	<b>197.2</b>





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**7.2.1. Monetary variation on liabilities**

The effect on the monetary variation on liabilities in 3Q13 was R\$ 51.6 million higher than in 3Q12, specially:

- Increase of R\$ 63.6 million in exchange rate variation over loans and financing, mainly deriving from lower capitalization of these expenses in the intangible assets in 2013; and
- Decrease in other monetary/exchange variation in the amount of R\$ 12.0 million due to a higher provision for lawsuits in 3Q12, resulting in a decrease of R\$ 13.2 million in the period.

**7.2.2. Monetary variation on assets**

Monetary variation on assets increased by R\$ 1.7 million in 3Q13, chiefly due to updates on installments agreements.

**8. Income tax and social contribution**

Income tax and social contribution expenses increased by R\$ 59.2 million, due to increase in the tax basis in the period.

## 9. Operating indicators

The water loss ratio continues dropping and ended 3Q13 at 25%. It is worth mentioning that out of funds raised with JICA in early 2012, totaling approximately R\$ 1.5 billion, nearly R\$ 1 billion referring to the execution of services and Program management are in the final phase of contract. The remaining R\$ 500 million referring to the works will be used as of 2015.

Water connections <sup>(1)</sup>	7,627	7,833	2.7
Sewage connections <sup>(1)</sup>	6,073	6,278	3.4
Population directly served - water <sup>(2)</sup>	24.2	24.5	1.2
Population directly served - sewage <sup>(2)</sup>	20.9	21.3	1.9
Number of employees	14,666	15,097	2.9
Water volume produced <sup>(3)</sup>	2,285	2,273	(0.5)
Water losses (%)	25.8	25.0	(3.1)

(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, in a sustainable and competitive manner, with excellence in customer service.

On September 30, 2013, the Company operated water and sewage services in 364 municipalities of the State of São Paulo. The municipality of Mogi das Cruzes has two partial concession agreements, one agreement was renewed and the other one will expire. 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\$11,352 on September 30, 2013.

On September 30, 2013, a total of 62 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 September 30, 2013, a total of 265 program and metropolitan contracts were signed (258 contracts on December 31, 2012).

On September 30, 2013, the carrying amount of intangible assets used in the 62 concessions of the municipalities under negotiation totaled R\$5,893,872, accounting for 25.32% of total, and the related gross revenue totaled R\$1,394,501 in the nine-month period ended September 30, 2013, accounting for 15.99% of total.

The Company's operations are concentrated in the municipality of São Paulo, which represents 51.56% of the gross revenue on September 30, 2013 (51.39% in September 2012) and 42.56% 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 actions.

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 September 30, 2013 the carrying amount of the municipality of Santos’ intangible assets was R\$335,469 (R\$328,693 in December 2012) and gross revenue for the nine-month period ended September 30, 2013 was R\$182,983 (R\$165,512 in September 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) under the ticker symbol SBSP3 since April 2002 and on the New York Stock Exchange (NYSE) as American Depositary Receipts ("ADRs") Level III, under the ticker symbol SBS since May 2002. In 2007, SABESP joined the BM&FBovespa's Corporate Sustainability Index (ISE), which evidences its high level of commitment to the sustainable development and the social practices.

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 November 14, 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 September 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 September 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 September 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			
<b>Assets</b>				
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			
<b>Liabilities and equity</b>				
Total current liabilities	3,797,370	(39,181)	-	3,758,189
Loans and borrowings	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
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(a) Adoption of CPC 19(R2)

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'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 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:

	<b>December 31, 2012</b>	<b>Janu</b>
Balance of actuarial obligations, according to previous accounting practice - G1	577,169	53
Effect from adoption of CPC 33 (R1)	27,663	(103
Balance of actuarial obligations after the change in the accounting practice	604,832	43
Balance of the actuarial obligations according to previous accounting practice - G0	1,547,161	1,51
Effect from the adoption of CPC 33 (R1)	440,557	6
Balance of actuarial obligations after the change in the accounting practice	1,987,718	1,58
Total balance of the actuarial obligations after the change in the accounting practice	2,592,550	2,01

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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 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 potential any 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.

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

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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 neither any derivative financial instrument to hedge against this risk, but conducts an active management of debt, taking advantage of opportunities to change expensive debts with "cheaper" debts, reducing the cost through early maturity.

A significant amount of the Company's financial debt is denominated in U.S. dollar and Yen, in the total amount of R\$3,567,740 on September 30, 2013 (R\$3,231,183 million in December 2012). Below, the Company's exposure to foreign exchange risk:

	<b>December 31, 2012</b>			
	<b>September 30, 2013</b>		<b>(Restated)</b>	
	<b>Foreign currency</b>	<b>R\$</b>	<b>Foreign currency</b>	<b>R\$</b>
Loans and financing – US\$	1,161,032	2,589,101	1,136,274	2,321,976
Loans and financing – Yen	41,468,167	940,498	37,535,650	890,346
Interest and charges from loans and financing – US\$		35,605		12,487
Interest and charges from loans and financing – Yen		2,536		6,374
Total exposure		3,567,740		3,231,183
Financing cost		(17,455)		(15,422)
Total loans in foreign currency		3,550,285		3,215,761

As at September 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 September 30, 2013 would have been R\$356,774 (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 depreciations of 25% and 50%, respectively, in the Brazilian Real.

	<b>Scenario I (Probable) (*)</b>	<b>Scenario II (25%)</b>	<b>Scenario III (50%)</b>
<b>Net currency exposure on September 30, 2013 (Liabilities) in US\$</b>	1,161,032	1,161,032	1,161,032
US\$ rate on September 30, 2013	2.2300	2.2300	2.2300
Exchange rate estimated according to the scenario	2.4000	3.0000	3.6000
Difference between the rates	(0.1700)	(0.7700)	(1.3700)
Effect on net financial result R\$ (loss)	(197,375)	(893,995)	(1,590,614)
<b>Net currency exposure on September 30, 2013 (Liabilities) in Yen</b>	41,468,167	41,468,167	41,468,167
Yen rate on September 30, 2013	0.02268	0.02268	0.02268
Exchange rate estimated according to the scenario	0.02349	0.02936	0.03524
Difference between the rates	(0.00081)	(0.00668)	(0.01256)
Effect on net financial result in R\$ (loss)	(33,589)	(277,007)	(520,840)
Total effect on net financial result in R\$ (loss)	(230,964)	(1,171,002)	(2,111,454)

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



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## Interest rate risk

This risk arises from the possibility that the Company could incur losses due to fluctuations in interest rates, increasing the financial 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 replacing its debts.

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

	<b>September 30, 2013</b>	<b>December 31, 2012 (Restated)</b>
TR <sup>(i)</sup>	1,746,298	2,019,924
CDI <sup>(ii)</sup>	1,212,010	1,799,830
TJLP <sup>(iii)</sup>	805,676	845,913
IPCA <sup>(iv)</sup>	1,321,471	697,385
LIBOR <sup>(v)</sup>	1,395,203	1,243,058
Interest and charges	99,009	95,475
Total	6,579,667	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

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

(v) LIBOR - London Interbank Offered Rate

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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 September 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 nine-month period ended September 30, 2013 before taxes would have been R\$65,796 (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).

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:

	<b>September 30, 2013</b>	<b>December 31, 2012 (Restated)</b>
Cash at bank and short-term bank deposits		
AAA(bra)	1,826,850	1,913,893
Others (*)	1,920	2,081
	1,828,770	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:

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

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(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.

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.

	October to December 2013	2014	2015	2016	2017
<b>As of September 30, 2013</b>					
Liabilities					
Loans and financing	248,398	1,052,990	1,479,365	1,373,330	1,000,000
Accounts payable to suppliers and contractors	217,658	-	-	-	-

Services payable	303,688	-	-	-
Pension plan liabilities	57,352	235,667	242,192	249,770
Public-private partnership– PPP	10,481	41,925	41,925	41,925
Program contract commitments	138,592	36,228	77,799	4,242
Other liabilities	120,124	157,993	-	-

	2013	2014	2015	2016	2017	2018 onwards	R
<b>As of December 31, 2012</b>							
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	-	-	-	-	-

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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.

(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	September 30, 2013			
	Exposure	Scenario I (Probable) (i)	Scenario II (25%)	Scenario III (50%)
<b>Assets</b>				
CDI	1,739,277	9.7500%(*)	7.3125%(***)	4.8750%(***)
Financial income		169,579	127,185	84,790
<b>Liabilities</b>				
CDI	1,212,010	9.7500%(*)	7.3125%(***)	4.8750%(***)
Interest to be incurred		(118,171)	(88,628)	(59,085)
Net exposure – CDI	527,267	51,408	38,557	25,705
<b>Liabilities</b>				
TR	1,746,298	0.0106%(*)	0.0133%	0.0159%
Expense to be incurred		(185)	(232)	(278)
IPCA	1,321,471	5.9700%(*)	7.4625%	8.9550%
Expense to be incurred		(78,892)	(98,615)	(118,338)
TJLP	805,676	5.0000%(*)	6.2500%	7.5000%
Interest to be incurred		(40,283)	(50,355)	(60,426)
LIBOR	1,395,203	0.3113%**)	0.3891%	0.4669%
Interest to be incurred		(4,343)	(5,429)	(6,514)
Total net expenses to be incurred		<u>(72,295)</u>	<u>(116,074)</u>	<u>(159,851)</u>

(\*)Source: Focus Report – BACEN, September 27, 2013

(\*\*)Source: Bloomberg

(\*\*\*) Scenario with 25% and 50% reduction, since the Company's net exposure in CDI is positive.



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

**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 financial less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

	<b>September 30, 2013</b>	<b>December 31, 2012 (Restated)</b>
Total loans and borrowings	9,085,183	8,875,255
Less: cash and cash equivalents	(1,828,770)	(1,915,974)
Net debt	7,256,413	6,959,281
Total equity	12,509,395	11,256,762
Total capital	19,765,808	18,216,043
Leverage ratio	37%	38%

On September 30, 2013, the leverage ratio decreased from 38% to 37% when compared with December 31, 2012, which is mainly due to capital increase deriving from the profit in the period.

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1****Notes to the financial statements****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 September 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:

	<b>December 31, 2012</b>			
	<b>September 30, 2013</b>		<b>(Restated)</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>				
Cash and cash equivalents	1,828,770	1,828,770	1,915,974	1,915,974

Restricted cash	10,473	10,473	64,977	64,977
Trade accounts receivable	1,396,851	1,396,851	1,374,632	1,374,632
Accounts receivable from related parties	256,338	256,338	262,371	262,371
Water National Agency – ANA	104,967	104,967	108,099	108,099
Other accounts receivable	172,243	172,243	141,027	141,027

**Financial liabilities**

Loans and financing (i) to (vii)	9,085,183	9,415,566	8,875,255	9,201,317
Accounts payable to suppliers and contractors	217,658	217,658	295,392	295,392
Services payable	303,688	303,688	389,091	389,091
Program contract - commitments	256,141	256,141	235,627	235,627
Public-Private Partnership - PPP	346,063	346,063	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.

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(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 maturity 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 September 30, 2013.

(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 September 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 September 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.

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1****Notes to the financial statements****5. CASH AND CASH EQUIVALENTS**

	<b>September 30, 2013</b>	<b>December 31, 2012</b> <b>(Restated)</b>
Cash and banks	89,493	119,397
Cash and cash equivalents	1,739,277	1,796,577
	1,828,770	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 100.72% of CDI in September 2013 (100.01% in December 2012).

**6. RESTRICTED CASH**

As of September 30, 2013, the restricted cash, in current assets, totaled R\$10,473, 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 September 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

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
		<b>(Restated)</b>
Private sector:		
General and special customers (i) (ii)	947,902	949,800
Agreements (iii)	269,005	249,470
	1,216,907	1,199,270
Government entities:		
Municipal	638,782	610,779
Federal	3,710	3,150
Agreements (iii)	176,339	181,271
	818,831	795,200
Wholesale customers – Municipal governments: (iv)		
Guarulhos	637,329	578,314
Mauá	315,038	281,398
Mogi das Cruzes	15,598	15,202
Santo André	679,465	620,276
São Caetano do Sul	2,317	2,072
Diadema	199,439	180,465
Total wholesale customers – municipal governments	1,849,186	1,677,727
Unbilled supply	431,578	425,843
Subtotal	4,316,502	4,098,040
Allowance for doubtful accounts	(2,919,651)	(2,723,408)
Total	1,396,851	1,374,632
Current	1,022,812	1,038,945
Noncurrent (v)	374,039	335,687



1,396,851

1,374,632

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From January to September 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 follows:

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	<b>Nine-month period ended</b>	<b>Year ended December 31,</b>
	<b>September 30, 2013</b>	<b>2012</b>
		<b>(Restated)</b>
Balance at the beginning of period	1,677,727	1,486,342
Billing for services rendered	316,332	394,922
Collections – current year’s services	(121,931)	(165,967)
Collections – previous years’ services	(22,942)	(37,570)
Balance at the end of the period	1,849,186	1,677,727
Current	36,557	33,924
Non-current	1,812,629	1,643,803

(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:

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
		<b>(Restated)</b>
Falling due	1,122,780	1,091,834
Past-due:		

Up to 30 days	196,814	197,936
From 31 to 60 days	91,774	97,426
From 61 to 90 days	59,227	61,527
From 91 to 120 days	51,324	50,729
From 121 to 180 days	83,075	89,297
From 181 to 360 days	161,885	139,788
Over 360 days	2,549,623	2,369,503
Total past-due	3,193,722	3,006,206
Total	4,316,502	4,098,040

The increase in past-due balance is mainly due to accounts receivable at wholesale, wherein municipalities are challenging in court the tariffs charged by Sabesp. These amounts are fully recorded under allowance for doubtful accounts.

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(c) Allowance for doubtful accounts

	<b>September 30, 2013</b>	<b>September 30, 2012 (Restated)</b>
Balance at beginning of period	2,723,408	2,436,428
Private sector/government entities	69,335	95,904
Recoveries	(34,322)	(36,554)
Wholesale customers	161,230	158,012
Additions in the period	196,243	217,362
Balance at the end of period	2,919,651	2,653,790
Current	1,296,642	1,218,738
Noncurrent	1,623,009	1,435,052

	<b>July to September /2013</b>	<b>January to September /2013</b>	<b>July to September /2012 (Restated)</b>
<b>Reconciliation of provision for losses in profit or loss</b>			
Losses (write-off)	13,472	45,478	23,261
Provision for state entities (related parties)	2,474	3,433	26,685
Provision for private sector/government entities	23,442	69,335	30,769
Recoveries	(11,703)	(34,322)	(10,103)

Balance	27,685	83,924	70,612
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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

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	<b>September 30, 2013</b>	<b>December 31, 2012 (Restated)</b>
Accounts receivable		
Current:		
Water and sewage services	125,077	113,027
Allowance for losses	(50,964)	(47,531)
Reimbursement of additional retirement and pension benefits – GESP Agreement	35,278	35,278
Reimbursement for pension benefits paid - monthly flow	6,214	8,499
Get Connected to the Network Program	14,320	-
Total current	129,925	109,273
Noncurrent:		
Reimbursement of additional retirement and pension benefits – GESP Agreement	126,413	153,098
Total noncurrent	126,413	153,098
Total receivables from shareholders	256,338	262,371
Water and sewage services	74,113	65,496
Reimbursement of additional retirement and pension benefits	167,905	196,875
Get Connected to the Network Program	14,320	-
Total	256,338	262,371
Interest on shareholders equity payable to related parties	-	228,214





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	<b>July to September/2013</b>	<b>July to September/2012 (Restated)</b>
Gross revenue from sales and services		
Water supply	59,811	55,070
Sewage services	52,173	48,812
Payments received from related parties	(106,987)	(112,880)
Financial income	36,369	34,126
Receipt of GESP reimbursement referring to Law 4819/58	(26,908)	(30,124)

From January to September 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 September 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:

	<b>September 30, 2013</b>	<b>December 31, 2012 Restated</b>
Amounts in controversy receivable	698,018	654,927
Undisputed amount relating to the transfer to SABESP of Alto Tietê system reservoirs	696,283	696,283
Total	1,394,301	1,351,210

From January to September 2013, there were no relevant changes in the progress of lawsuits. Further details and explanations on the nature of these contingent assets are included in Note 9 (vii) of the Financial Statements as at December 31, 2012.

(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 of the Guarapiranga reservoir. 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.

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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 EMAE 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 the award effects, which sentenced the filing of arbitration proceeding, but it was judged on October 23, 2013 and the court rejected the suspensive effect, reason that EMAE requested the immediate prosecution of the arbitration proceeding.

Simultaneously, in September 2013, EMAE filed another lawsuit, also pleading a financial compensation due to water collection from Billings reservoir by SABESP for public supply, alleging that such action has been causing permanent and growing losses in the capacity of generating electricity at Henry Borden PCH, with financial losses.

In a defense filed on October 9, 2013, among several arguments, SABESP alleged that it has the non-onerous grant of right to use surface water resources for public supply in the metropolitan region of São Paulo, granted by DAEE (Water and Electricity Department), which sustains the legality of its operations. SABESP also affirms that EMAE does not own the right to use Billings reservoir's waters,

reason that it is not entitled to claim any indemnification from third parties, any compensation or remuneration for the use of water and finally, that the restrictions to utilize all the potential of Billings reservoir waters to generate electricity do not solely refer to SABESP's utilization of these resources, but also the legal restriction preventing the pumping of wastewater to this reservoir.

SABESP understands that the expectation for all lawsuits is of possible losses, and, at this present moment, it is not feasible to estimate the amount involved.

(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

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

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(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. The amounts of R\$3,254 and R\$3,030 were paid in the third quarter of 2013 and 2012, respectively, and R\$9,722 and R\$9,148 were paid in the nine-month periods of 2013 and 2012, respectively.

Expenses related to personnel assigned by other entities to Sabesp totaled R\$79 and R\$66 in the third quarter of 2013 and 2012, respectively, and R\$611 and R\$581 in the nine-month period of 2013 and 2012, respectively.

(g) Services obtained from São Paulo state government entities

On September 30, 2013 and December 31, 2012, SABESP had an outstanding amount payable of R\$1,772 and R\$958, respectively, for services rendered by São Paulo State Government entities.

(h) Non-operating assets

As of September 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 September 30, 2013 amounted to R\$655,616 (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\$844 and R\$805, respectively, from July to September 2013 and 2012. The amounts of R\$2,468 and R\$2,380, respectively, were accrued from January to September 2013 and 2012, and refer to short-term benefits. An additional amount of R\$140, referring to the Executive Officers' bonus program was recorded in the period between July to September 2013 (from July to September 2012 - R\$285). From January to September 2013 and 2012, the amounts of R\$426 and R\$822, 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.

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.

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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:

<b>SPE</b>	<b>Credit limit</b>	<b>Principal disbursed amount</b>	<b>Interest balance</b>	<b>Interest rate</b>	<b>Maturity</b>
Águas de Andradina	3,467	1,427	61	SELIC + 3.5 % p.a.	(*)
Águas de Castilho	675	403	17	SELIC + 3.5 % p.a.	(*)
Aquapolo Ambiental	5,629	5,629	1,115	CDI + 1.2% p.a.	4/30/2016
Aquapolo Ambiental	19,000	19,000	2,864	CDI + 1.2% p.a.	4/30/2015
<b>Total</b>	<b>28,771</b>	<b>26,459</b>	<b>4,057</b>		

(\*) Loan for use agreements with the SPEs Águas de Andradina and Águas de Castilho mature when funds from the Brazilian Development Bank (BNDES) long-term contracts are released, when the borrower will pay all the debts arising from the credit facility.

The amount disbursed is recognized in Assets under “Other Receivables”, R\$1,830 of principal and R\$78 of interest rates recognized in Current Assets and R\$24,629 of principal and R\$3,979 of interest rates in Noncurrent Assets. As of September 30, 2013, the balance of principal and interest rates of these contracts is R\$30,516 (R\$28,081 on December 31, 2012). From January to September 2013, financial income was impacted by R\$2,435 (R\$1,137 from January to September 2012).

(l) Get Connected to the Network Program

The state government sanctioned the State Law 14687/12, creating the *Programa Pró-conexão* (Supporting Connection Program) aiming at financially subsidizing the execution of intra household sections necessary to connect to the sewage collecting networks at low-income households adhering to this program. The program expenses will be financed with 80% of funds deriving from the state government and the remaining 20% will be invested by Sabesp, which is also liable for the execution of works. On September 30, 2013, the program total amount was R\$17,900, R\$14,320 of which was recorded under balances receivable from related parties, and R\$3,580 recorded under intangible assets.

## 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)).



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

See below a summary of financial information of the joint-controlled entities:

Company	Investments		Equity in the earnings (losses) of investees		Interest percentage		Equity		P
	September 30, 2013	December 31, 2012	September 30, 2013	September 30, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	
Sesamm	6,548	5,760	788	460	36%	36%	18,189	15,999	
Águas de Andradina	925	751	174	(122)	30%	30%	3,083	2,503	
Águas de Castilho	645	474	171	98	30%	30%	2,149	1,580	
Saneaqua Mairinque	671	722	(51)	400	30%	30%	2,235	2,407	
Attend Ambiental	3,239	4,379	(1,140)	(511)	45%	45%	7,197	9,731	
Aquapolo Ambiental	10,072	8,538	1,534	(3,968)	49%	49%	20,555	17,424	
Total	22,100	20,624	1,476	(3,643)			53,408	49,644	
Other investments	575	202							
Overall total	22,675	20,826							

## 10. INVESTMENT PROPERTIES

As of September 30, 2013 "Investment Properties" totaled R\$54,039 (R\$54,046 in December 2012) and is held at cost. As of September 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.

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## 11. INTANGIBLE ASSETS

## (a) Equity balances

	September 30, 2013		December 31, 2012 (Restated)			
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	
Intangible arising from:						
Agreements – equity value	8,171,508	(1,390,640)	6,780,868	8,408,007	(1,511,813)	6,896,194
Concession contracts – economic value	1,718,389	(404,432)	1,313,957	1,402,854	(292,918)	1,109,936
Program contracts	6,258,848	(1,728,979)	4,529,869	5,288,541	(1,469,369)	3,819,172
Program contracts – commitments	698,518	(73,904)	624,614	627,989	(56,898)	571,091
Services agreement – São Paulo	11,232,961	(1,327,622)	9,905,339	10,604,942	(1,036,455)	9,568,487
Software licenses	132,459	(11,439)	121,020	55,615	(52,969)	2,645
Total	28,212,683	(4,937,016)	23,275,667	26,387,948	(4,420,422)	21,967,526

## (b) Changes

December 31, 2012	Additions	Contract renewal	Transfer	Write-offs	and disposals	Amortization
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**(Restated)**

## Intangibles arising from:

Concession agreement – equity value	6,896,194	208,998	(293,699)	1,046	(3,032)
Concession agreements – economic value	1,109,936	315,972	-	67	(86)
Program contracts	3,819,172	536,343	293,699	4,485	(1,126)
Program contracts – commitments	571,091	70,528	-	-	-
Services agreement – São Paulo	9,568,487	631,709	-	41	(3,253)
Software licenses	2,646	129,857	-	-	-
Total	21,967,526	1,893,407	-	5,639	(7,497)

During 2013, the Company renewed the following program contracts:

<b>Quarter</b>	<b>Municipalities</b>	<b>Contract Term</b>
1Q13	Presidente Prudente and Embu-Guaçu	30 years
2Q13	Ibirá and Glicério	30 years
3Q13	Itatiba and Torrinhas	30 years
3Q13	Mogi das Cruzes (*)	40 years

(\*) It includes sewage collection and treatment services in the neighborhood of Mogi das Cruzes boundary to the treated water supply services already provided.

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1****Notes to the financial statements****(c) Construction services**

	<b>July to September 2013</b>		<b>Total</b>
	<b>Water supply</b>	<b>Sewage services</b>	
Construction cost incurred	216,319	323,134	539,453
Recognition of construction revenue	220,923	330,439	551,362

	<b>January to September 2013</b>		<b>Total</b>
	<b>Water supply</b>	<b>Sewage services</b>	
Construction cost incurred	696,315	972,329	1,668,644
Recognition of construction revenue	710,123	993,691	1,703,814

	<b>July to September 2012</b>		<b>Total</b>
	<b>Water supply</b>	<b>(Restated) Sewage services</b>	
Construction cost incurred	234,957	364,220	599,177
Recognition of construction revenue	239,681	372,552	612,233

	<b>January to September 2012</b>		<b>Total</b>
	<b>Water supply</b>	<b>(Restated) Sewage services</b>	

Construction cost incurred	715,716	988,334	1,704,050
Recognition of construction revenue	730,005	1,010,964	1,740,969

(d) General information

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

The Company has obligations recorded in “Program Contracts – Commitments” under current liabilities (R\$158,261 and R\$148,220 on September 30, 2013 and December 31, 2012, respectively) and noncurrent liabilities (R\$97,880 and R\$87,407 on September 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).

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On September 30, 2013 and December 31, 2012, the balances were R\$121,020 and R\$2,646, respectively.

(f) Disposal of concession intangible underlying assets

The Company wrote off intangible underlying assets items totaling R\$2,595 and R\$67 from July to September 2013 and 2012, respectively, and R\$7,497 and R\$1,822 from January to September 2013 and 2012, respectively, due to obsolescence, theft, misplacements, unproductive wells and projects considered economically unfeasible.

(g) Capitalization of interest and other financial charges

In the nine-month period of 2013, the Company capitalized interest and inflation adjustment, including related foreign currency exchange effects on concession intangible assets totaling R\$163,975 with an average rate of 3.55%. On September 30, 2013, the Company capitalized the amount of R\$225,270 with an average rate of 4.20% 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.

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 September 30, 2013 and 2012 the margin was 2.3%.

Construction margins for the periods between July and September 2013 and 2012 were R\$11,909 and R\$13,056, respectively, and for the periods between January and September 2013 and 2012, R\$35,170 and R\$36,919, 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. In the third trimester of 2013, the total amount related to expropriations was R\$22,630 and R\$43,401 (R\$3,089 from July to September 2012 and R\$11,179 from January to September 2012) in the period between January to September 2013.

(j) Assets pledged as collateral

On September 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.



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(k) Public-Private Partnership - PPP

Alto Tietê Production System

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 aims at expanding the capacity of treated water of Taiaçupeba from 10,000 to 15,000 of liters per second, whose operation began in October 2011.

On September 30, 2013 and December 31, 2012, the carrying amount recognized as intangible asset related to PPP was R\$404,548 and R\$426,791, respectively.

São Lourenço Production System

SABESP and Sistema Produtor São Lourenço S/A, a special purpose entity composed of Construções e Comércio Camargo Corrêa S/A and Construtora Andrade Gutierrez S/A, signed in August 2013 public-private partnership agreements of São Lourenço production system.

The services agreement duration is 25 years, which aims at providing services to operate the dehydration system, drying and final disposal of sludge, maintenance and works of the São Lourenço Production System project, in the estimated amount of R\$6.0 billion, with works scheduled to begin in April 2014 (see Note 25).

(l) Works in progress

The amount of R\$6.1 billion is recorded as intangible assets from works in progress on September 30, 2013 (R\$5.1 billion on December 31, 2012).

(m) Amortization of intangible assets

The amortization average rate was 3.9% on September 30, 2013 (4.0% in September 2012).

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## 12. PROPERTY, PLANT AND EQUIPMENT

## (a) Equity balances

	September 30, 2013			December 31, 2012		
	Cost	Accumulated depreciation	Net	Cost	(Restated) Accumulated depreciation	Net
Land	88,328	-	88,328	88,328	-	88,328
Buildings	54,116	(29,902)	24,214	56,339	(30,778)	25,561
Equipment	188,141	(128,022)	60,119	191,202	(121,569)	69,633
Transportation equipment	11,362	(5,901)	5,461	13,882	(7,267)	6,615
Furniture and fixtures	16,612	(10,290)	6,322	16,203	(10,016)	6,187
Other	1,344	(628)	716	1,109	(723)	386
	359,903	(174,743)	185,160	367,063	(170,353)	196,710

## (b) Changes

December 31, 2012	December 31, 2012	September 30, 2013
	Additions Transfer Write-offs and Depreciation	

	<b>(Restated)</b>			<b>disposals</b>		
Land	88,328	-	-	-	-	88,328
Buildings	25,561	-	(189)	(216)	(942)	24,214
Equipment	69,633	8,893	(3,273)	(301)	(14,833)	60,119
Transportation equipment	6,615	1,473	(2,055)	-	(572)	5,461
Furniture and fixtures	6,187	760	(33)	(53)	(539)	6,322
Other	386	434	(89)	-	(15)	716
	196,710	11,560	(5,639)	(570)	(16,901)	185,160

## (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 September 30, 2013 and 2012 were 10.9% and 9.2%, respectively.

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1****Notes to the financial statements****13. LOANS AND BORROWINGS**

Outstanding balance of loans and financing

	September 30, 2013			December 31, 2012		
	Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Financial institutions</b>						
<b>DOMESTIC CURRENCY</b>						
Banco do Brasil	198,566	-	198,566	380,631	100,306	480,937
10 <sup>th</sup> issue debentures	36,459	238,207	274,666	36,459	252,166	288,625
11 <sup>th</sup> issue debentures	-	-	-	472,500	535,949	1,008,449
12 <sup>th</sup> issue debentures	-	499,442	499,442	-	499,511	499,511
14 <sup>th</sup> issue debentures	14,055	274,332	288,387	-	284,649	284,649
15 <sup>th</sup> issue debentures	-	812,237	812,237	-	791,451	791,451
16 <sup>th</sup> issue debentures	-	499,386	499,386	-	499,457	499,457
17 <sup>th</sup> issue debentures	-	1,018,198	1,018,198	-	-	-
Brazilian Federal Savings Bank	94,044	950,649	1,044,693	116,867	918,756	1,035,623
Brazilian Development Bank - BNDES	-	-	-	4,154	-	4,154
Brazilian Development Bank - BNDES BAIXADA SANTISTA	16,309	85,624	101,933	16,309	97,855	114,164
Brazilian Development Bank - BNDES PAC	8,447	82,909	91,356	8,447	80,244	88,691
Brazilian Development Bank - BNDES PAC II 9751	632	7,168	7,800	-	6,500	6,500
Brazilian Development Bank - BNDES PAC II 9752	-	18,000	18,000	-	13,000	13,000
	19,230	201,623	220,853	19,230	216,026	235,256

Brazilian Development Bank - BNDES

ONDA LIMPA

Leasing	-	364,847	364,847	-	215,774	215,774
Others	483	2,555	3,038	763	2,923	3,686
Interest rates and charges	91,496	-	91,496	89,567	-	89,567
TOTAL IN DOMESTIC CURRENCY	479,721	5,055,177	5,534,898	1,144,927	4,514,567	5,659,494

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	<b>December 31, 2012</b>					
	<b>September 30, 2013</b>			<b>(Restated)</b>		
<b>Financial institutions</b>	<b>Current Noncurrent</b>		<b>Total</b>	<b>Current Noncurrent</b>		<b>Total</b>
<b>FOREIGN CURRENCY</b>						
Inter-American Development Bank – IDB US\$457,201 thousand	85,082	927,985	1,013,067	77,967	770,494	848,461
International Bank for Reconstruction and Development -IBRD – US\$35,658 thousand	-	79,127	79,127	-	54,492	54,492
Eurobonds – US\$140,000 thousand	-	311,849	311,849	-	285,655	285,655
Eurobonds – US\$350,000 thousand	-	774,018	774,018	-	708,076	708,076
JICA 15 ¥18,438,880 thousand	26,136	392,058	418,194	27,335	437,371	464,706
JICA 18 ¥16,578,560 thousand	23,500	352,168	375,668	24,578	392,894	417,472
JICA 17 ¥414,402 thousand	-	9,105	9,105	-	7,524	7,524
JICA 19 ¥6,036,325 thousand	-	136,114	136,114	-	1	1
IDB 1983AB – US\$178,173 thousand	53,391	341,611	395,002	48,926	361,587	410,513
Interest rates and charges	38,141	-	38,141	18,861	-	18,861
<b>TOTAL IN FOREIGN CURRENCY</b>	<b>226,250</b>	<b>3,324,035</b>	<b>3,550,285</b>	<b>197,667</b>	<b>3,018,094</b>	<b>3,215,761</b>
<b>TOTAL LOANS AND FINANCING</b>	<b>705,971</b>	<b>8,379,212</b>	<b>9,085,183</b>	<b>1,342,594</b>	<b>7,532,661</b>	<b>8,875,255</b>

Quotes on September 30, 2013 - US\$1.00 = R\$2.2300; ¥1.00 = R\$0.022680 (US\$1.00 = R\$2.0435; ¥1.00 = R\$0.023720 on December 31, 2012).

On September 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**

Banco do Brasil

10<sup>th</sup> issue debentures

12<sup>th</sup> issue debentures

14<sup>th</sup> issue debentures

15<sup>th</sup> issue debentures

16<sup>th</sup> issue debentures

17<sup>th</sup> issue debentures

Brazilian Federal Savings Bank

Brazilian Development Bank - BNDES BAIXADA SANTISTA

Brazilian Development Bank - BNDES PAC

Brazilian Development Bank- BNDES PAC II 9751

Brazilian Development Bank - BNDES PAC II 9752

Brazilian Development Bank - BNDES ONDA LIMPA

Others

**FOREIGN CURRENCY**

Inter-American Development Bank – IDB US\$457,201 thousand

International Bank for Reconstruction and Development -IBRD – US\$35,658 thousand

Eurobonds – US\$140,000 thousand

Eurobonds – US\$350,000 thousand

JICA 15 ¥18,438,880 thousand

JICA 18 ¥16,578,560 thousand

JICA 17 ¥414,402 thousand

JICA 19 ¥6,036,325 thousand

IDB 1983AB – US\$178,173 thousand

**GUARANTEES**

SÃO PAULO STATE  
GOVERNMENT AND

OWN FUNDS

OWN FUNDS

OWN FUNDS

OWN FUNDS

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

(i) 17<sup>th</sup> issue of Debentures

On January 15, 2013, the Company conducted the 17<sup>th</sup> 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
1 <sup>st</sup> Series	424,680		- DI+ 0.75% p.a.	Half-year	Annual	January /2018
2 <sup>nd</sup> Series	395,230	IPCA	4.50% p.a.	(January and July) Annual	(as of January 2016) Annual	January /2020
3 <sup>rd</sup> Series	180,090	IPCA	4.75% p.a.	(January) Annual	(as of January 2019) Annual	January /2023
				(January)	(as of January 2021)	

Total 1,000,000

Early redemption: none

The proceeds resulting from the funding raised by the 17<sup>th</sup> 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 11<sup>th</sup> issue of Debentures

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

(iii) Japan International Cooperation Agency - 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 September 30, 2013 its balance was R\$136,114.

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## (iv) Payment schedule of loans and financing

	2013	2014	2015	2016	2017	2018	2019 onwards	TOTAL
<b>BRAZIL</b>								
Banco do Brasil	98,231	100,335	-	-	-	-	-	198,566
Brazilian Federal Savings Bank	29,150	81,500	60,620	60,302	63,180	66,750	683,191	1,044,693
Debentures	18,889	79,767	712,668	353,427	355,505	525,539	1,346,521	3,392,316
BNDES Baixada Santista	4,077	16,309	16,309	16,309	16,309	16,309	16,311	101,933
BNDES PAC	2,342	9,370	9,370	9,370	9,370	9,370	42,164	91,356
BNDES PAC II 9751	-	812	1,165	1,192	1,192	1,192	2,247	7,800
BNDES PAC II 9752	-	-	1,125	1,500	1,500	1,500	12,375	18,000
BNDES Onda Limpa	4,808	19,230	19,230	19,230	19,230	19,230	119,895	220,853
Leasing	-	-	-	-	-	-	364,847	364,847
Others	115	497	560	631	711	524	-	3,038
Interest rates and charges	<u>34,004</u>	<u>57,492</u>	=	=	=	=	=	<u>91,496</u>
Domestic currency	191,616	365,312	821,047	461,961	466,997	640,414	2,587,551	5,534,898
<b>ABROAD</b>								
IDB	31,081	85,082	85,082	85,082	103,676	47,709	575,355	1,013,067
IBRD	-	-	-	-	-	-	79,127	79,127
Eurobonds	-	-	-	311,849	-	-	774,018	1,085,867
JICA	-	49,637	49,637	49,637	49,891	50,145	690,134	939,081
IDB 1983AB	-	53,391	53,391	53,391	53,391	53,010	128,428	395,002
Interest rates and charges	33,724	4,417	-	-	-	-	-	38,141
Foreign currency	64,805	192,527	188,110	499,959	206,958	150,864	2,247,062	3,550,285
Overall total	256,421	557,839	1,009,157	961,920	673,955	791,278	4,834,613	9,085,183

## (v) Financial Commitments – “Covenants”

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

### **17<sup>th</sup> 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/Financial 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 the individual or total amount equal to or higher than ninety million reais (R\$90,000).

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

On September 30, 2013, the Company had met all 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.

<b>Agent</b>	<b>September 30, 2013</b> (in millions of reais (*))
Brazilian Federal Savings Bank	1,065
Japan International Cooperation Agency – JICA	756
Inter-American Development Bank – IDB	867
Brazilian Development bank – BNDES	1,883
International Bank for Reconstruction and Development - IBRD	143
Other	51
<b>TOTAL</b>	<b>4,765</b>

(\*)Based on closing quote of September 30, 2013. (US\$1.00 = R\$2.2300; ¥1.00 = R\$0.02268).

## 14. TAXES AND CONTRIBUTIONS

## a) Current assets

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
		<b>(Restated)</b>
<b>Recoverable taxes</b>		
Income tax and social contribution	-	100,225
IRRF (withholding income tax) on financial investments	5,950	14,302
Other federal taxes	9,094	3,238
Other municipal taxes	656	656
Total taxes recoverable	15,700	118,421

The decrease in "Recoverable taxes" 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

	<b>Current</b>	<b>December 31, 2012</b>
	<b>September 30, 2013</b>	<b>(Restated)</b>
Income tax and social contribution	137,749	-
Cofins and Pasesp	40,985	46,576
Paes (Special Installment Payment)	-	19,011
INSS (Social Security contribution)	29,791	29,401
IRRF (withholding income tax)	1,479	41,588
Other	21,163	16,134
Total	231,167	152,710

The increase in taxes payable of current liabilities arises mainly from the calculation of income tax and social contribution payable in September 2013, partially reduced by the payment of withholding income tax (IRRF) 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:

<b>Tax</b>	<b>Principal</b>	<b>Fine</b>	<b>Interest</b>	<b>Total</b>
Cofins	132,499	13,250	50,994	196,743
Pasesp	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, 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 financial expenses of R\$153 and R\$1,147 in the nine-month period ended September 30, 2013 and 2012, respectively, were recorded. There is no outstanding balance on September 30, 2013. There are no restrictions in 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, since tax assets included in said program were extinguished with the payment of the final installment.

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## 15. DEFERRED TAXES AND CONTRIBUTIONS

## a) Equity balances

	September 30, 2013	December 31, 2012 (Restated)
<b>Deferred income tax assets (i)</b>		
Provisions	500,517	512,107
Pension plan liabilities – G0 (1)	85,271	85,271
Pension plan liabilities – G1	210,392	193,125
Actuarial gain/loss –Plan G1 ( Note 2.1)	9,405	9,405
Donations of underlying assets on concession agreements	43,884	41,312
Allowance for loan losses	170,351	162,670
Others	86,823	97,425
Total deferred tax assets	1,106,643	1,101,315
<b>Deferred tax liabilities</b>		
Temporary difference on concession of intangible assets	(606,755)	(650,093)
Capitalization of borrowing costs	(194,395)	(158,298)
Profit on supply to government entities	(81,670)	(77,827)
Others	(82,198)	(69,795)
Total deferred tax liabilities	(965,018)	(956,013)
Deferred tax assets, net	141,625	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

	<b>December 31, 2012</b>	<b>Recorded in the statement of income</b>	<b>September 30, 2013</b>
Deferred tax assets	<b>(Restated)</b>		
Provisions	512,107	(11,590)	500,517
Pension plan liabilities – G0	85,271	-	85,271
Pension plan liabilities - G1	193,125	17,267	210,392
Actuarial gain/loss – G1	9,405	-	9,405
Donations of underlying assets on concession agreements	41,312	2,572	43,884
Allowance for loan losses	162,670	7,681	170,351
Others	97,425	(10,602)	86,823
Total	1,101,315	5,328	1,106,643

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	<b>December 31, 2012</b>	<b>Recorded in the statement of income</b>	<b>September 30, 2013</b>
Deferred tax liabilities	<b>(Restated)</b>		
Temporary difference on concession of intangible assets	(650,093)	43,338	(606,755)
Capitalization of borrowing costs	(158,298)	(36,097)	(194,395)
Profit on supply to government entities	(77,827)	(3,843)	(81,670)
Others	(69,795)	(12,403)	(82,198)
Total	(956,013)	(9,005)	(965,018)
Net deferred tax asset	145,302	(3,677)	141,625

	<b>December 31, 2011</b>	<b>Recorded in the statement of income</b>	<b>September 30, 2012</b>
Deferred tax assets	<b>(Restated)</b>		<b>(Restated)</b>
Provisions	575,473	(18,522)	556,951
Pension plan liabilities – G0	85,271	-	85,271
Pension plan liabilities - G1	180,018	9,511	189,529
Actuarial gain/loss – G1	35,323	-	35,323
Donations of underlying assets on concession agreements	38,213	(2,188)	36,025
Allowance for loan losses	135,223	19,561	154,784
Others	77,175	23,404	100,579
Total	1,126,696	31,766	1,158,462

	<b>December 31, 2011</b>	<b>Recorded in the statement</b>	<b>September 30, 2012</b>
Deferred tax liabilities			

	<b>(Restated)</b>	<b>of income</b>	<b>(Restated)</b>
Temporary difference on concession of intangible assets	(692,210)	31,521	(660,689)
Capitalization of borrowing costs	(101,507)	(28,567)	(130,074)
Profit on supply to government entities	(76,773)	(2,520)	(79,293)
Others	(42,957)	(22,717)	(65,674)
Total	(913,447)	(22,283)	(935,730)
Net deferred tax asset	213,249	9,483	222,732

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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:

	July to September /2013	January to September /2013	July to September /2012  (Restated)	January to September /2012  (Restated)
Profit before income taxes	725,347	1,996,706	552,946	1,616,586
Statutory rate	34%	34%	34%	34%
Expected expense at statutory rate	(246,618)	(678,880)	(188,002)	(549,639)
Permanent differences				
Provision of Law 4,819/58 (i)	(8,899)	(27,162)	(8,648)	(26,175)
Donations	(1,578)	(6,455)	(3,104)	(8,130)
Interest on equity	-	27,268	-	97,969
Other differences	6,712	21,357	8,572	15,877
Income tax and social contribution	(250,383)	(663,872)	(191,182)	(470,098)
Current income tax and social contribution	(256,336)	(660,195)	(240,126)	(479,581)
Deferred income tax and social contribution	5,953	(3,677)	48,944	9,483
Effective rate	35%	33%	35%	29%

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

## 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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	<b>Provisions</b>	<b>Escrow deposits</b>	<b>September 30, 2013</b>	<b>Provisions</b>	<b>Escrow deposits</b>	<b>(Reversal)</b>
Customer claims (i)	630,694	(104,635)	526,059	652,663	(131,408)	521,251
Supplier claims (ii)	304,931	(181,664)	123,267	290,593	(175,437)	115,130
Other civil claims (iii)	139,104	(11,797)	127,307	169,513	(4,978)	122,329
Tax claims (iv)	66,357	(1,929)	64,428	71,141	(3,056)	61,372
Labor claims (v)	150,217	(1,591)	148,626	173,227	(1,529)	147,097
Environmental claims (vi)	180,805	-	180,805	149,061	(636)	179,169
<b>Total</b>	<b>1,472,108</b>	<b>(301,616)</b>	<b>1,170,492</b>	<b>1,506,198</b>	<b>(317,044)</b>	<b>1,183,448</b>
Current	610,864	-	610,864	565,083	-	610,864
Noncurrent	861,244	(301,616)	559,628	941,115	(317,044)	572,584

**(ii) Changes**

	<b>December 31, 2012 (Restated)</b>	<b>Additional provisions</b>	<b>Interest and inflation adjustment</b>	<b>Amounts used in provision</b>	<b>Unused amounts (reversal)</b>	<b>September 30, 2013</b>
Customer claims (i)	652,663	87,195	84,323	(86,518)	(106,969)	630,694
Supplier claims (ii)	290,593	6,564	17,598	(2,968)	(6,856)	304,931
Other civil claims (iii)	169,513	25,931	20,810	(7,586)	(69,564)	139,104
Tax claims (iv)	71,141	2,277	6,142	(6,310)	(6,893)	66,357
Labor claims (v)	173,227	54,007	15,932	(67,734)	(25,215)	150,217
Environmental claims (vi)	149,061	43,996	8,684	(660)	(20,276)	180,805
<b>Subtotal</b>	<b>1,506,198</b>	<b>219,970</b>	<b>153,489</b>	<b>(171,776)</b>	<b>(235,773)</b>	<b>1,472,108</b>

Escrow deposits	(317,044)	(25,649)	(12,980)	24,319	29,738	(301,616)
Total	1,189,154	194,321	140,509	(147,457)	(206,035)	1,170,492

## (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\$3,124,600 on September 30, 2013 (R\$2,796,500 in December 2012).

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

## (i) Customer claims

Approximately 1,490 lawsuits were filed by commercial customers, which claim that their tariffs should correspond to other consumer categories, and 720 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\$4,804 increase in the lawsuits classified as probable loss (net of escrow deposits) relates to the filing 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.

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(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\$8,111 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\$37,228 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\$3,657 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\$23,072 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.

(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\$32,380 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.

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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: 7.7% on average gross payroll;

. Participating employees: 3.21% of base salary and bonus, equivalent to 2.3% 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	64,657
Payments made in 2013	(13,873)
<b>Pension plan liabilities on September 30, 2013 (i)</b>	<b>655,616</b>

**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	132,575
Payments made in 2013	(95,609)
<b>Pension plan liabilities on September 30, 2013 (iii)</b>	<b>2,024,684</b>
<b>Total</b>	<b>2,680,300</b>

## (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 September 30, 2013, SABESP had a net actuarial liability of R\$655,616 (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.

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(ii) Private pension plan benefits – Defined contribution

On September 30, 2013, Sabesprev Mais plan, based on defined contribution, had 5,078 (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 September 30, 2013, the commitment to all participants who migrated up to Sabesprev Mais Plan amounted to R\$11,706 (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 acquire