

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

December 02, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

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

For November 28, 2014
(Commission File No. 1-31317)

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

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

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

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

Form 20-F Form 40-F

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

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

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

Yes No

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

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Table of Contents

Company Information

Capital Breakdown 1

Cash Proceeds 2

Parent Company's Financial Statements

Statement of Financial Position – Assets 3

Statement of Financial Position – Liabilities 4

Statement of Income 6

Statement of Comprehensive Income 8

Statement of Cash Flows 9

Statement of Changes in Equity

1/1/2014 to 9/30/2014 11

1/1/2013 to 9/30/2013 12

Statement of Value Added 13

Comments on the Company's Performance 14

Notes to the Financial Statements 23

Comments on the Company's Projections 77

Other Information Deemed as Relevant by the Company 78

Reports and Statements

Unqualified Report on Special Review 80

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Company Information / Capital Breakdown

Number of Shares	Current Quarter
(Units)	9/30/2014
Paid-in Capital	
Common	683,509,869
Preferred	0
Total	683,509,869
Treasury Shares	
Common	0
Preferred	0
Total	0

Page 1 of 81

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Company Information / Cash Proceeds

Event	Approval Proceeds	Date of Type of Payment Share	Class of Share	Earnings per Share (Reais / Share)
Board of Directors' Meeting	3/27/2014 Interest on Shareholders' Equity	6/27/2014	Common	0.78633

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ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Financial Position - Assets

(R\$ thousand)

Code	Description	Current Quarter	Previous Year
		09/30/2014	12/31/2013
1	Total Assets	29,760,013	28,274,294
1.01	Current Assets	3,404,656	3,254,087
1.01.01	Cash and Cash Equivalents	1,859,690	1,782,001
1.01.03	Accounts Receivable	1,281,404	1,254,908
1.01.03.01	Trade Accounts Receivable	1,158,920	1,120,053
1.01.03.02	Other Accounts Receivable	122,484	134,855
1.01.03.02.01	Balances with Related Parties	122,484	134,855
1.01.04	Inventories	52,858	58,401
1.01.06	Recoverable Taxes	94,674	87,405
1.01.06.01	Current Recoverable Taxes	94,674	87,405
1.01.08	Other Current Assets	116,030	71,372
1.01.08.03	Other	116,030	71,372
1.01.08.03.01	Restricted Cash	20,580	10,333
1.01.08.03.20	Other Accounts Receivable	95,450	61,039
1.02	Noncurrent Assets	26,355,357	25,020,207
1.02.01	Long-Term Assets	667,560	896,781
1.02.01.03	Accounts Receivable	178,364	395,512
1.02.01.03.01	Trade Accounts Receivable	178,364	395,512
1.02.01.06	Deferred Taxes	121,342	114,030
	Deferred Income Tax and Social		
1.02.01.06.01	Contribution	121,342	114,030
1.02.01.08	Receivables from Related Parties	101,093	130,457
	Receivables from Controlling		
1.02.01.08.03	Shareholders	101,093	130,457
1.02.01.09	Other Noncurrent Assets	266,761	256,782
1.02.01.09.04	Escrow Deposits	68,596	54,827
1.02.01.09.05	ANA – National Water Agency	119,576	107,003
1.02.01.09.20	Other Accounts Receivable	78,589	94,952
1.02.02	Investments	76,237	77,699
1.02.02.01	Shareholdings	22,198	23,660
1.02.02.01.04	Other Shareholdings	22,198	23,660
1.02.02.02	Investment Properties	54,039	54,039
1.02.03	Property, Plant and Equipment	309,405	199,496

1.02.04	Intangible Assets	25,302,155	23,846,231
1.02.04.01	Intangible Assets	25,302,155	23,846,231
1.02.04.01.01	Concession Contracts	8,403,438	8,265,936
1.02.04.01.02	Program Contracts	5,919,198	5,281,887
1.02.04.01.03	Service Contracts	10,725,290	10,124,603
1.02.04.01.04	Software License	254,229	173,805

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Financial Position – Liabilities**(R\$ thousands)**

Code	Description	Current Quarter	Previous Year
		09/30/2014	12/31/2013
2	Total Liabilities	29,760,013	28,274,294
2.01	Current Liabilities	2,630,823	2,972,381
2.01.01	Labor and Pension Plan Liabilities	405,718	314,926
2.01.01.01	Pension Plan Liabilities	23,021	36,151
2.01.01.02	Labor Liabilities	382,697	278,775
2.01.02	Trade Accounts Payable	314,280	275,051
2.01.02.01	Domestic Suppliers	314,280	275,051
2.01.03	Tax Liabilities	53,444	115,382
2.01.03.01	Federal Tax Liabilities	46,394	108,604
2.01.03.01.02	PIS-PASEP and COFINS (taxes on revenue) Payable	308	21,797
2.01.03.01.03	INSS (social security contribution) Payable	32,076	30,822
2.01.03.01.20	Other Federal Taxes	14,010	55,985
2.01.03.03	Municipal Taxes Liabilities	7,050	6,778
2.01.04	Loans and Financing	710,373	640,940
2.01.04.01	Loans and Financing	486,660	560,963
2.01.04.01.01	In Domestic Currency	244,746	344,983
2.01.04.01.02	In Foreign Currency	241,914	215,980
2.01.04.02	Debentures	214,897	79,977
2.01.04.03	Financing through finance lease	8,816	0
2.01.05	Other Liabilities	581,386	994,708
2.01.05.01	Payables to Related Parties	1,477	1,791
2.01.05.01.03	Payables to Controlling Shareholders	1,477	1,791
2.01.05.02	Other	579,909	992,917
2.01.05.02.01	Dividends and Interest on Equity Payable	64	456,975
2.01.05.02.04	Services Payable	327,774	323,208
2.01.05.02.05	Refundable Amounts	20,722	30,543
2.01.05.02.06	Program Contract Commitments	130,049	77,360
2.01.05.02.07	Private Public Partnership – PPP	21,461	20,241
2.01.05.02.09	Indemnities	6,721	6,895
2.01.05.02.20	Other Payables	73,118	77,695

2.01.06	Provisions	565,622	631,374
	Tax, Social Security, Labor and Civil		
2.01.06.01	Provisions	87,873	107,554
2.01.06.01.01	Tax Provisions	6,529	6,824
2.01.06.01.02	Social Security and Labor Provisions	50,420	62,535
2.01.06.01.04	Civil Provisions	30,924	38,195
2.01.06.02	Other Provisions	477,749	523,820
2.01.06.02.03	Provisions for Environmental	59,607	42,761
2.01.06.02.04	Provisions for Customers	353,738	355,403
2.01.06.02.05	Provisions for Suppliers	64,404	125,656
2.02	Non-Current Liabilities	13,369,742	12,371,112
2.02.01	Loans and Financing	9,581,700	8,809,134
2.02.01.01	Loans and Financing	5,267,301	4,950,864

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ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Financial Position – Liabilities**(R\$ thousands)**

Code	Description	Current Quarter	Previous Year
		09/30/2014	12/31/2013
2.02.01.01.01	In Domestic Currency	1,561,723	1,468,291
2.02.01.01.02	In Foreign Currency	3,705,578	3,482,573
2.02.01.02	Debentures	3,863,768	3,475,778
2.02.01.03	Financing through finance lease	450,631	382,492
2.02.02	Other Payables	3,171,837	3,012,970
2.02.02.02	Other	3,171,837	3,012,970
2.02.02.02.04	Pension Plan Liabilities	2,424,406	2,327,016
2.02.02.02.05	Program Contract Commitments	81,789	88,678
2.02.02.02.06	Private Public Partnership – PPP	357,194	322,267
2.02.02.02.07	Indemnities	6,502	6,439
2.02.02.02.08	Labor Liabilities	21,435	15,704
2.02.02.02.09	Deferred COFINS and PASEP	130,802	129,849
2.02.02.02.20	Other Payables	149,709	123,017
2.02.04	Provisions	616,205	549,008
	Tax, Pension Plan, Labor and Civil		
2.02.04.01	Provisions	250,827	222,030
2.02.04.01.01	Tax Provisions	47,517	50,869
2.02.04.01.02	Pension Plan and Labor Provisions	122,289	91,911
2.02.04.01.04	Civil Provisions	81,021	79,250
2.02.04.02	Other Provisions	365,378	326,978
2.02.04.02.03	Provisions for Environmental	166,888	139,928
2.02.04.02.04	Provisions for Customers	191,918	156,212
2.02.04.02.05	Provisions for Suppliers	6,572	30,838
2.03	Equity	13,759,448	12,930,801
2.03.01	Paid-Up Capital	10,000,000	6,203,688
2.03.02	Capital Reserves	0	124,255
2.03.02.07	Projects Support	0	108,475
2.03.02.08	Incentive Reserves	0	15,780
2.03.04	Profit Reserve	3,021,470	6,736,389
2.03.04.01	Legal Reserve	712,992	712,992
2.03.04.08	Additional Dividend Proposed	0	42,862

2.03.04.10	Reserve for Investments	2,308,478	5,980,535
2.03.05	Retained Earnings/Accumulated Losses	871,509	0
2.03.06	Other Comprehensive Income	-133,531	-133,531

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ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Income

(R\$ thousands)

Code	Description	Current	YTD Current	Same Quarter	YTD Previous
		Quarter	Year	Previous Year	Year
		7/1/2014 to 9/30/2014	1/1/2014 to 9/30/2014	7/1/2013 to 9/30/2013	1/1/2013 to 9/30/2013
	Revenue from Sales and/or				
3.01	Services	2,823,532	8,369,615	2,772,359	8,213,681
3.02	Cost of Sales and/or Services	-1,985,938	-5,494,788	-1,642,196	-4,911,007
3.02.01	Cost of Sales and/or Services	-1,203,695	-3,527,856	-1,102,743	-3,242,363
3.02.02	Construction Cost	-782,243	-1,966,932	-539,453	-1,668,644
3.03	Gross Profit	837,594	2,874,827	1,130,163	3,302,674
3.04	Operating Income/Expenses	-344,615	-1,225,001	-284,880	-1,006,084
3.04.01	Selling Expenses	-126,564	-498,393	-171,264	-477,270
	General and Administrative				
3.04.02	Expenses	-210,716	-681,094	-127,092	-552,372
3.04.04	Other Operating Income	21,014	59,159	16,531	40,749
3.04.04.01	Other Operating Income	24,291	67,196	19,077	46,095
3.04.04.02	COFINS and PASEP	-3,277	-8,037	-2,546	-5,346
3.04.05	Other Operating Expenses	-27,182	-103,187	-4,792	-18,667
	Loss on Write-off of Property,				
3.04.05.01	Plant and Equipment Items	-24,917	-77,009	-2,634	-8,067
3.04.05.03	Tax Incentives	-2,096	-10,663	-2,068	-10,354
	Provision for losses - Diadema				
3.04.05.06	and Saned	0	-14,967	0	0
3.04.05.20	Other	-169	-548	-90	-246
	Equity in the Earnings (Losses)				
3.04.06	of Subsidiaries	-1,167	-1,486	1,737	1,476
	Income Before Financial Result				
3.05	and Taxes	492,979	1,649,826	845,283	2,296,590
3.06	Financial Result	-337,772	-331,830	-119,936	-299,884
3.06.01	Finance Income	109,724	290,839	74,983	269,640

3.06.01.01	Finance Income	109,902	291,629	74,967	269,409
3.06.01.02	Foreign Exchange Gains	-178	-790	16	231
3.06.02	Finance Expenses	-447,496	-622,669	-194,919	-569,524
3.06.02.01	Finance Expenses	-134,535	-510,942	-108,287	-410,811
3.06.02.02	Foreign Exchange Losses	-312,961	-111,727	-86,632	-158,713
3.07	Earnings Before Income Tax Income Tax and Social	155,207	1,317,996	725,347	1,996,706
3.08	Contribution	-63,706	-446,487	-250,383	-663,872
3.08.01	Current	-41,608	-453,799	-256,336	-660,195

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Income

(R\$ thousands)

Code	Description	Current	YTD Current Same Quarter		YTD Previous
		Quarter	Year	Year	Year
		7/1/2014 to	1/1/2014 to	7/1/2013 to	1/1/2013 to
		9/30/2014	9/30/2014	9/30/2013	9/30/2013
3.08.02	Deferred	-22,098	7,312	5,953	-3,677
	Net Result from Continued				
3.09	Operations	91,501	871,509	474,964	1,332,834
3.11	Profit/Loss for the Period	91,501	871,509	474,964	1,332,834
	Earnings per Share - (Reais /				
	Share)				
3.99	Basic Earnings per Share				
3.99.01	Common Share	0.13387	1.27505	0.69489	1.94999
3.99.01.01	Common Share				
3.99.02	Diluted Earnings per Share				
3.99.02.01	Common Share	0.13387	1.27505	0.69489	1.94999

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements / Statement of Comprehensive Income**(R\$ thousands)**

Code	Description	Current	YTD Current	Same Quarter	YTD Previous
		Quarter	Year	Year	Year
		7/1/2014 to	1/1/2014 to	7/1/2013 to	1/1/2013 to
		9/30/2014	9/30/2014	9/30/2013	9/30/2013
4.01	Net Income for the Period	91,501	871,509	474,964	1,332,834
4.03	Comprehensive Income for the Period	91,501	871,509	474,964	1,332,834

Page 8 of 81

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

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

(R\$ thousands)

Code	Description	YTD Current Year	YTD Previous Year
		1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
6.01	Net Cash from Operating Activities	2,006,936	2,157,978
6.01.01	Cash from Operations	2,865,933	3,315,346
6.01.01.01	Profit Before Income Tax and Social Contribution	1,317,996	1,996,706
6.01.01.02	Provision and Inflation Adjustments on Provisions	151,776	154,444
6.01.01.04	Financial Charges from Customers	-142,996	-167,665
6.01.01.05	Residual Value of Written-off Property, Plant and Equipment	28,887	8,067
6.01.01.06	Depreciation and Amortization	726,051	600,309
6.01.01.07	Interest on Loans and Financing Payable	293,000	276,654
6.01.01.08	Monetary and Foreign Exchange Change on Loans and Financing	183,808	207,776
6.01.01.09	Interest and Monetary Change on Liabilities	13,942	17,458
6.01.01.10	Interest and Monetary Change in Assets	-24,564	-8,023
6.01.01.11	Allowance for Doubtful Accounts	54,688	83,924
6.01.01.12	Provision for Consent Decree (TAC)	40,977	17,314
6.01.01.13	Equity in the Earnings of Subsidiaries	1,486	-1,476
6.01.01.14	Provision for Sabesprev Mais	7,105	7,383
6.01.01.15	Other Provisions/Reversals	48,124	-34,975
6.01.01.16	Transfer of Funds to São Paulo Municipal Government	-17,504	-4,612
6.01.01.17	Gross Margin over Intangible Assets Resulting from Concession Contracts	-42,775	-35,170
6.01.01.18	Pension Plan Liabilities	216,970	197,232
6.01.01.20	Other Adjustments	8,962	0

6.01.02	Changes in Assets and Liabilities	-20,975	-376,447
6.01.02.01	Trade Accounts Receivable	277,581	64,955
	Balances and Transactions with		
6.01.02.02	Related Parties	40,940	10,623
6.01.02.03	Inventories	5,096	7,034
6.01.02.04	Recoverable Taxes	-30,621	-28,084
6.01.02.05	Other Accounts Receivable	598	2,621
6.01.02.06	Escrow Deposits	1,694	-39,694
6.01.02.08	Contractors and Suppliers	49,815	87,182
	Payroll, Provisions and Social		
6.01.02.09	Contribution	-119,580	-109,482
6.01.02.10	Pension Plan Liabilities	-100,753	-88,897
6.01.02.11	Taxes and Contributions Payable	22,070	-85,403
6.01.02.12	Services Received	-18,437	-28,409
6.01.02.13	Other Liabilities	-150,331	-173,106
6.01.02.14	Provisions	953	4,213
6.01.02.15	Deferred COFINS/PASEP	-838,022	-780,921
6.01.03	Other		

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

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

Code	Description	YTD Current Year YTD Previous Year	
		1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
6.01.03.01	Interest Paid	-415,829	-394,918
6.01.03.02	Income Tax and Social Contribution Paid	-422,193	-386,003
6.02	Net Cash from Investing Activities	-1,929,606	-1,503,878
6.02.01	Acquisition of Intangible Assets	-1,834,304	-1,546,449
6.02.02	Acquisition of Property, Plant and Equipment	-85,031	-11,560
6.02.03	Increase in Investments	-24	-373
6.02.04	Restricted Cash	-10,247	54,504
6.03	Net Cash from Financing Activities	359	-741,304
6.03.01	Funding – Loans	940,215	1,391,619
6.03.02	Amortization of Loans	-418,963	-1,590,430
6.03.03	Payment of Interest on Equity	-467,470	-498,669
6.03.04	Public-Private Partnership (PPP)	-15,030	-10,254
6.03.05	Program Contract Commitments	-38,393	-33,570
6.05	Increase (Decrease) in Cash and Cash Equivalents	77,689	-87,204
6.05.01	Opening Cash and Cash Equivalents	1,782,001	1,915,974
6.05.02	Closing Cash and Cash Equivalents	1,859,690	1,828,770

Page 10 of 81

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Changes in Equity – 1/1/2014 to 9/30/2014

(R\$ thousands)

Code	Description	Capital Reserves, Options Granted and Treasury Shares			Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Total Equity
		Paid-up Capital	Treasury Shares					
5.01	Opening Balances	6,203,688	124,255		6,736,389	0	-133,531	12,930,801
5.03	Restated Opening Balances	6,203,688	124,255		6,736,389	0	-133,531	12,930,801
5.04	Capital Transactions with Shareholders	0	0		-42,862	0	0	-42,862
5.04.08	Additional Dividends Approved	0	0		-42,862	0	0	-42,862
5.05	Total Comprehensive Income	0	0		0	871,509	0	871,509
5.05.01	Net Income for the Period	0	0		0	871,509	0	871,509
5.06	Internal Changes in the Shareholders' Equity	3,796,312	-124,255		-3,672,057	0	0	0
5.06.04	Capitalization of Reserves	3,796,312	-124,255		-3,672,057	0	0	0
5.07	Closing Balances	10,000,000	0		3,021,470	871,509	-133,531	13,759,448

Page 11 of 81

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Changes in Equity– 1/1/2013 to 9/30/2013**(R\$ thousands)**

Code	Description	Capital Reserves, Options Granted and		Profit Reserves	Retained Earnings/ Accumulated Losses	Other Comprehensive Income	Total Equity
		Paid-up Capital	Treasury Shares				
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 Shareholders	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

Page 12 of 81

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Parent Company's Financial Statements/Statement of Value Added**(R\$ thousands)**

Code	Description	YTD Current Year	YTD Previous Year
		1/1/2014 to 9/30/2014	1/1/2013 to 9/30/2013
7.01	Revenue	8,856,341	8,685,531
7.01.01	Operating Revenue	6,834,126	7,019,546
7.01.02	Other Revenue	67,196	46,095
7.01.03	Revenue from the Construction Allowance for/Reversal of Doubtful Accounts	2,009,707	1,703,814
7.01.04	Accounts	-54,688	-83,924
7.02	Inputs Acquired from Third Parties	-3,963,237	-3,427,063
7.02.01	Costs of Sales and Services	-3,269,421	-2,930,336
	Materials, Energy, Outsourced Services and Other	-590,629	-478,060
7.02.02	and Other	-590,629	-478,060
7.02.04	Other	-103,187	-18,667
7.03	Gross Value Added	4,893,104	5,258,468
7.04	Retentions	-726,051	-600,309
7.04.01	Depreciation, Amortization and Depletion	-726,051	-600,309
7.05	Net Value Added Produced	4,167,053	4,658,159
7.06	Value Added Received through Transfer Equity in the Earnings (Losses) of	289,353	271,116
7.06.01	Subsidiaries	-1,486	1,476
7.06.02	Finance Income	290,839	269,640
7.07	Total Value Added to Distribute	4,456,406	4,929,275
7.08	Value Added Distribution	4,456,406	4,929,275
7.08.01	Personnel	1,451,547	1,310,712
7.08.01.01	Direct Compensation	958,390	876,532
7.08.01.02	Benefits	383,074	355,158
	Government Severance Indemnity Fund for Employees (FGTS)	110,083	79,022
7.08.01.03	for Employees (FGTS)	110,083	79,022
7.08.02	Taxes and Contributions	1,275,831	1,501,986
7.08.02.01	Federal	1,204,239	1,429,291
7.08.02.02	State	50,402	42,733
7.08.02.03	Municipal	21,190	29,962

7.08.03	Value Distributed to Providers of Capital	857,519	783,743
7.08.03.01	Interest	799,392	733,499
7.08.03.02	Rental	58,127	50,244
7.08.04	Value Distributed to Shareholders	871,509	1,332,834
7.08.04.03	Retained Earnings/Accumulated Loss for the Period	871,509	1,332,834

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

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

(+) Gross operating revenue	2,165.62,393.2	(227.6)	(9.5)	6,834.17,
(+) Construction revenue	799.7 551.4	248.3	45.0	2,009.71,
(-) COFINS and PASEP taxes	141.8 172.2	(30.4)	(17.7)	474.2
(=) Net operating revenue	2,823.52,772.4	51.1	1.88,	369.68,
(-) Costs and expenses	1,541.01,401.0	140.0	10.0	4,707.34,
(-) Construction costs	782.1 539.5	242.6	45.0	1,966.91,
(+) Equity result	(1.2) 1.7	(2.9)	(170.6)	(1.5)
(+) Other operating revenue/expenses, net	(6.2) 11.7	(17.9)	(153.0)	(44.1)
(=) Earnings before financial result, income tax and social contribution	493.0 845.3	(352.3)	(41.7)	1,649.82,
(+) Net financial	(337.8) (119.9)	(217.9)	181.7	(331.8) (2
(=) Earnings before income tax and social contribution	155.2 725.4	(570.2)	(78.6)	1,318.01,
(+) Income tax and social contribution	(63.7) (250.4)	186.7	(74.6)	(446.5) (6
Net Income	91.5 475.0	(383.5)	(80.7)	871.51,
Earnings per share* (R\$)	0.13 0.69			1.28

* Total shares = 683,509,869

Adjusted EBITDA Reconciliation (Non-accounting measures)

Net income	91.5 475.0	(383.5)	(80.7)	871.51,
(+) Income tax and social contribution	63.7 250.4	(186.7)	(74.6)	446.5
(+) Net financial	337.8 119.9	217.9	181.7	331.8
(+) Other operating revenues/expenses, net	6.2 (11.7)	17.9	(153.0)	44.1
(=) Earnings before financial result (EBIT)*	499.2 833.6	(334.4)	(40.1)	1,693.92,
(+) Depreciation and amortization	243.2 208.4	34.8	16.7	726.0
(=) Adjusted EBITDA **	742.41,042.0	(299.6)	(28.8)	2,419.92,
(%) Adjusted EBITDA margin	26.3 37.6			28.9

(*) Earnings before interest, income tax and social contribution.

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

In 3Q14, net operating revenue, including construction revenue, reached R\$ 2.8 billion; a 1.8% increase compared to the same period of 2013.

Costs and expenses, including construction costs, totaled R\$ 2.3 billion, up 19.7% on the R\$ 1.9 billion recorded in 3Q13.

EBIT, in the amount of R\$ 499.2 million, dropped 40.1% from R\$ 833.6 million in 3Q13.

Adjusted EBITDA, in the amount of R\$ 742.4 million, dropped 28.8% from R\$ 1,042.0 million in 3Q13 (R\$ 2,419.9 million in the last 9 months and R\$ 3,551.7 million in the last 12 months).

The adjusted EBITDA margin was 26.3% in 3Q14, versus the 37.6% in 3Q13 (28.9% in the last 9 months and 31.0% in the last 12 months). Excluding construction revenues and construction costs, the adjusted EBITDA margin was 35.8% in 3Q14 (46.4% in 3Q13, 37.4% in the last 9 months and 40.1% in the last 12 months).

Net income totaled R\$ 91.5 million, 80.7% lower than the R\$ 475.0 million recorded in 3Q13.

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Comments on the Company's Performance

2. Gross operating revenue

Gross operating revenue from water and sewage, not including construction revenue, totaled R\$ 2.2 billion, a drop of R\$ 227.6 million or 9.5%, when compared to the R\$ 2.4 billion recorded in 3Q13.

The main factors that led to this variation were:

- Decrease of 3.5% in the Company's total billed volume (4.6% in water and 2.0% in sewage);
- R\$ 22.7 million drop in estimated revenue due to the lower billing in the period; and
- Water Consumption Reduction Incentive Program, with a R\$ 127.2 million impact.

The decreases mentioned above were partially offset by the 3.1% tariff adjustment since December 2013.

3. Construction revenue

Construction revenue increased R\$ 248.3 million or 45.0%, when compared to 3Q13. The variation was mainly due to higher investments in 3Q14.

4. Billed volume

The following tables show the water and sewage billed volume, quarter-on-quarter, and year-on-year, per customer category and region.

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Comments on the Company's Performance**WATER AND SEWAGE BILLED VOLUME ⁽¹⁾ PER CUSTOMER CATEGORY - million m³****WATER AND SEWAGE BILLED VOLUME ⁽¹⁾ PER CUSTOMER CATEGORY - million m³**

Residential	379.6	387.2	(2.0)	318.2	322.2	(1.2)	697.8	709.4	(1.6)
Commercial	42.4	43.8	(3.2)	40.1	40.7	(1.5)	82.5	84.5	(2.4)
Industrial	9.6	10.0	(4.0)	10.7	11.0	(2.7)	20.3	21.0	(3.3)
Public	12.9	13.8	(6.5)	9.9	10.7	(7.5)	22.8	24.5	(6.9)
Total retail	444.5	454.8	(2.3)	378.9	384.6	(1.5)	823.4	839.4	(1.9)
Wholesale	60.2	74.5	(19.2)	5.8	7.9	(26.6)	66.0	82.4	(19.9)
Total	504.7	529.3	(4.6)	384.7	392.5	(2.0)	889.4	921.8	(3.5)

Residential	1,172.3	1,159.9	1.1	977.8	962.1	1.6	2,150.1	2,122.0	1.3
Commercial	130.1	130.6	(0.4)	122.4	121.5	0.7	252.5	252.1	0.2
Industrial	29.6	29.3	1.0	32.7	33.3	(1.8)	62.3	62.6	(0.5)
Public	39.9	40.7	(2.0)	30.7	31.6	(2.8)	70.6	72.3	(2.4)
Total retail	1,371.9	1,360.5	0.8	1,163.6	1,148.5	1.3	2,535.5	2,509.0	1.1
Wholesale	198.8	223.5	(11.1)	18.9	22.7	(16.7)	217.7	246.2	(11.6)
Total	1,570.7	1,584.0	(0.8)	1,182.5	1,171.2	1.0	2,753.2	2,755.2	(0.1)

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

Metropolitan	289.4	300.9	(3.8)	249.1	257.0	(3.1)	538.5	557.9	(3.5)
Regional ⁽²⁾	155.1	153.9	0.8	129.8	127.6	1.7	284.9	281.5	1.2
Total retail	444.5	454.8	(2.3)	378.9	384.6	(1.5)	823.4	839.4	(1.9)
Wholesale	60.2	74.5	(19.2)	5.8	7.9	(26.6)	66.0	82.4	(19.9)
Total	504.7	529.3	(4.6)	384.7	392.5	(2.0)	889.4	921.8	(3.5)

Metropolitan	891.2	896.6	(0.6)	763.2	764.5	(0.2)	1,654.4	1,661.1	(0.4)
Regional ⁽²⁾	480.7	463.9	3.6	400.4	384.0	4.3	881.1	847.9	3.9
Total retail	1,371.9	1,360.5	0.8	1,163.6	1,148.5	1.3	2,535.5	2,509.0	1.1
Wholesale	198.8	223.5	(11.1)	18.9	22.7	(16.7)	217.7	246.2	(11.6)
Total	1,570.7	1,584.0	(0.8)	1,182.5	1,171.2	1.0	2,753.2	2,755.2	(0.1)

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

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

In 3Q14, costs, administrative and selling expenses, grew 19.7% (R\$ 382.6 million). Excluding construction costs, total costs and expenses grew 10.0%. As a percentage of net revenue, cost and expenses was 82.3% in 3Q14 from 70.0% in 3Q13.

							R\$
Payroll and benefits	535.9	489.1	46.8	9.6	1,584.0	1,442.9	141.1
Supplies	54.7	48.8	5.9	12.1	148.8	142.4	6.4
Treatment supplies	65.6	63.6	2.0	3.1	199.9	183.7	16.2
Services	301.1	285.0	16.1	5.6	967.4	808.9	158.5
Electric power	156.3	133.1	23.2	17.4	440.8	410.9	29.9
General expenses	187.6	134.0	53.6	40.0	530.3	535.8	(5.5)
Tax expenses	18.2	11.3	6.9	61.1	55.4	63.2	(7.8)
Sub-total	1,319.4	1,164.9	154.5	13.3	3,926.6	3,587.8	338.8
Depreciation and amortization	243.2	208.4	34.8	16.7	726.0	600.3	125.7
Credit write-offs	(21.6)	27.7	(49.3)	(178.0)	54.7	83.9	(29.2)
Sub-total	221.6	236.1	(14.5)	(6.1)	780.7	684.2	96.5
Costs and expenses	1,541.0	1,401.0	140.0	10.0	4,707.3	4,272.0	435.3
Construction costs	782.1	539.5	242.6	45.0	1,966.9	1,668.6	298.3
Costs, adm., selling and construction expenses	2,323.1	1,940.5	382.6	19.7	6,674.2	5,940.6	733.6
% of net revenue	82.3	70.0			79.7	72.3	

5.1. Payroll and benefits

In 3Q14 payroll and benefits grew R\$ 46.8 million or 9.6%, from R\$ 489.1 million to R\$ 535.9 million, due to the following:

- R\$ 21.6 million increase due to the 6.8% increase in average wages since May 2014 and the changes from the career and wage plan carried out by the Company;
- R\$ 9.9 million increase in provisions, from the higher number of employees who are entitled to request retirement (TAC), in addition to the wage increase in the period;
- R\$ 3.9 million upturn in the provision for the Pension Plan, arising from changes in actuarial assumptions;
- R\$ 3.9 million increase in overtime pay, mainly due to wage adjustment in the period, and the higher number of hours worked; and
- R\$ 3.9 million increase in expenses related to the Profit Sharing Program, chiefly due to adjustments made in the period.

5.2. Supplies

In 3Q14, expenses with supplies increased R\$ 5.9 million or 12.1%, when compared to the same period of the previous year, from R\$ 48.8 million to R\$ 54.7 million, mostly due to:

- R\$ 4.6 million increase with fuel and lubricants, mainly due to the diesel used in generators installed to capture water from the technical reserve at the Cantareira System, in the amount of R\$ 3.5 million; and
- Higher use of materials for sewage network maintenance, chiefly at the municipality of Diadema, with a R\$ 1.0 million increase.

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Comments on the Company's Performance

5.3. Treatment supplies

Treatment supplies expenses in 3Q14 were R\$ 2.0 million or 3.1% higher than in 3Q13, from R\$ 63.6 million to R\$ 65.6 million.

5.4. Services

Services, in the amount of R\$ 301.1 million, grew R\$ 16.1 million or 5.6%, in comparison to the R\$ 285.0 million in 3Q13. The main factors were:

- Advertising campaigns, in the amount of R\$ 8.1 million, mainly due to the intensification of the rational use of water campaign;
- Hiring of services, in the amount of R\$ 4.8 million, due to the beginning of operations in Diadema, in March of 2014, in the amount of R\$ 4.6 million; and
- Higher expenses with the Corporate Program for Reduction of Water Loss, in the amount of R\$ 3.0 million.

5.5. Electric power

This item totaled R\$ 156.3 million, an increase of R\$ 23.2 million or 17.4% in comparison to the R\$ 133.1 million in 3Q13, due to the average increase of 39.2% in free market tariffs and of 9.2% in regulated market.

5.6. General expenses

General expenses grew R\$ 53.6 million or 40.0%, totaling R\$ 187.6 million, versus the R\$ 134.0 million recorded in 3Q13.

This increase was mainly due to the increase in the provision for lawsuits related to civil (R\$ 26.6 million) and environmental (R\$ 18.3 million) contingencies.

5.7. Tax expenses

This item increased R\$ 6.9 million, due to increased tax expenses in 3Q14.

5.8. Depreciation and amortization

Depreciation and amortization increased R\$ 34.8 million or 16.7%, from the R\$ 208.4 million recorded in 3Q13, totaling R\$ 243.2 million, due to the beginning of operations of intangible assets, in the amount of R\$ 2.7 billion.

5.9. Credit write-offs

Credit write-offs dropped R\$ 49.3 million, chiefly due to the lower provision of losses with allowance for doubtful accounts.

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Comments on the Company's Performance**6. Other operating revenues and expenses, net****6.1. Other operating revenues, net**

Recorded a R\$ 4.5 million increase, mainly due to the income from the Program for the Rational Use of Water (PURA) in 3Q14, in the amount of R\$ 4.0 million.

6.2. Other operating expenses

R\$ 22.4 million increase mainly due to the write-off of obsolete goods in 3Q14, in the amount of 26.3 million.

7. Net financial

	<i>R\$ million</i>			
Financial expenses, net of revenues	(36.7)	(45.0)	8.3	(18.4)
Net monetary and exchange variation	(301.1)	(74.9)	(226.2)	302.0
Net financial	(337.8)	(119.9)	(217.9)	181.7

7.1. Financial revenues and expenses

R\$ million

Financial expenses				
Interest and charges on domestic loans and financing	(46.6)	(63.0)	16.4	(26.0)
Interest and charges on international loans and financing	(27.1)	(18.7)	(8.4)	44.9
Other financial expenses	(43.9)	(22.9)	(21.0)	91.7
Total financial expenses	(117.6)	(104.6)	(13.0)	12.4
Financial revenues	80.9	59.6	21.3	35.7
Financial expenses net of revenues	(36.7)	(45.0)	8.3	(18.4)

7.1.1. Financial expenses

Financial expenses grew R\$ 13.0 million. The main reasons were:

- R\$ 16.4 million decrease in interest and charges on domestic loans and financing, mainly due to the higher interest capitalization occurred in 3Q14, versus 3Q13;
- R\$ 8.4 million increase in interest and charges on international loans and financing, due to the higher appreciation of the US Dollar and the Yen versus the Brazilian Real in 3Q14 (11.3% and 2.8%, respectively), in comparison to the appreciation recorded in 3Q13 (0.7% and 1.6%, respectively); and
- Other financial expenses increased R\$ 21.0 million, largely due to the higher provisions for legal expenses in 3Q14, in the amount of R\$ 8.9 million, and the greater recognition of interest arising from the entry into operation of two sewage treatment plants financed through leases, in the amount of R\$ 7.7 million.

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Comments on the Company's Performance**7.1.2. Financial revenues**

Financial revenues increased R\$ 21.3 million or 35.7%, due to financial investments indexed to CDI, held in the period, as a result of the increase in the Interbank Deposit Certificate (CDI) in 3Q14 (10.8%), versus 3Q13 (8.7%).

7.2. Monetary and exchange rate variation on assets and liabilities

	<i>R\$ million</i>			
	3Q14	3Q13	Chg.	%
Monetary variation on loans and financing	(10.2)	(0.3)	(9.9)	3,300.0
Exchange rate variation on loans and financing	(312.9)	(86.7)	(226.2)	260.9
Other monetary variations	(6.8)	(3.4)	(3.4)	100.0
Monetary/exchange rate variation on liabilities	(329.9)	(90.4)	(239.5)	264.9
Monetary/exchange rate variation on assets	28.8	15.5	13.3	85.8
Monetary/exchange rate variation, net	(301.1)	(74.9)	(226.2)	302.0

7.2.1. Monetary/exchange rate variation on liabilities

The effect on the monetary/currency exchange variation on liabilities in 3Q14 was R\$ 239.5 million, higher than in 3Q13, especially due to the exchange rate variation on loans and financing, that increased R\$ 226.2 million, due to the higher appreciation of the US Dollar and the Yen versus the Brazilian Real in 3Q14 (11.3% and 2.8%, respectively), in comparison to the appreciation recorded in 3Q13 (0.7% and 1.6%, respectively).

7.2.2. Monetary/Exchange rate variation on assets

R\$ 13.3 million increase, mainly due to the monetary updates on escrow deposits during 3Q14.

8. Income tax and social contribution

Income tax and social contribution expenses decreased by R\$ 186.7 million, due to the drop in taxable income in the period.

9. Indicators

9.1. Operating

Non-revenue water loss (IPF) and micro-measured water loss (IPM) continue to decline, reaching 22.9% and 30.5%, respectively, for the quarter. This decline was expected by the Company, due to the investments that have been made under the Corporate Program for Reduction of Water Loss, and it is also the result of nighttime pressure control measures along the network, which are necessary due to the water shortage situation.

With respect to the volume produced, there has been a marked decrease of 8.9% for the quarter and 4.1% for the year, resulting from the Water Consumption Reduction Incentive Program, which covers the entire Metropolitan Region of São Paulo.

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Comments on the Company's Performance

Water connections ⁽¹⁾	8,156	7,833	4.1
Sewage connections ⁽¹⁾	6,607	6,278	5.2
Population directly served - water ⁽²⁾	25.2	24.5	2.9
Population directly served - sewage ⁽²⁾	22.2	21.3	4.2
Number of employees	14,766	15,097	(2.2)
Water volume produced in the quarter ⁽³⁾	692	760	(8.9)
Water volume produced in the first 9-months ⁽³⁾	2,180	2,274	(4.1)
IPF - Non-revenue water loss (%)	22.9	25.0	(8.4)
IPM - Micro-measured water loss (%)	30.5	31.5	(3.2)

(1) Total connections, active and inactive, 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

(*) Unaudited

9.2. Financial

Amplified Consumer Price Index (IPCA) - %	0.57	0.35
Referential Rate (TR) - %	0.0873	0.0079
Interbank Deposit Certificate (CDI) - %	10.81	8.71
US DOLAR (R\$)	2.4510	2.2300
YEN (R\$)	0.02235	0.02268

(*) Unaudited

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Comments on the Company's Performance**10. Loans and financing***R\$ million***Local market**

Caixa Econômica Federal	18.1	66.4	66.7	70.0	73.9	77.1	694.6	1,066.8
Debentures	6.0	631.3	273.4	792.4	481.9	554.9	607.4	3,347.3
Debentures BNDES	19.7	37.8	37.8	37.8	37.8	37.8	34.9	243.6
Debentures FI FGTS	11.4	45.4	45.4	45.4	45.4	45.4	249.3	487.7
BNDES	12.4	52.2	63.4	66.7	66.7	66.7	284.3	612.4
Commercial Leasing	4.0	16.6	17.1	18.2	17.8	20.0	365.7	459.4
Others	0.2	0.6	0.7	0.7	0.5	-	-	2.7
Interest and charges	63.2	61.5	-	-	-	-	-	124.7
Local market total	135.0	911.8	504.5	1,031.2	724.0	801.9	2,236.2	6,344.6
International market								
BID	34.2	93.5	93.5	127.1	65.5	65.6	789.2	1,268.6
BIRD	-	-	-	-	-	3.7	108.3	112.0
Eurobonds	-	-	342.9	-	-	-	852.7	1,195.6
JICA	-	48.9	48.9	49.4	49.9	61.0	696.4	954.5
BID 1983AB	-	58.7	58.7	58.7	58.4	43.3	98.2	376.0
Interest and charges	36.3	4.5	-	-	-	-	-	40.8
International market total	70.5	205.6	544.0	235.2	173.8	173.6	2,544.8	3,947.5
Total	205.5	1,117.4	1,048.5	1,266.4	897.8	975.5	4,781.0	10,292.1

11. Capex

In 3Q14 the Company invested R\$ 971.6 million, totaling R\$ 2.3 billion invested in 2014.

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

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, 2014, the Company operated water and sewage services in 364 municipalities of the State of São Paulo. Most of these municipalities operations are based on 30-year concession, program and services contracts. The Company has two partial contracts with the municipality of Mogi das Cruzes, however, since most of municipality is serviced by wholesale, it was not included in the 364 municipalities. On September 30, 2014, the Company had 366 contracts.

SABESP is not temporarily operating in some municipalities due to judicial orders. The lawsuits in progress refer to Álvares Florense, Cajobi, Embaúba, Iperó and Macatuba, and the carrying amount of these municipalities' intangible assets was R\$11,330 as of September 30, 2014.

As of September 30, 2014, 54 concession agreements had expired and are being negotiated. From 2014 to 2030, 38 concession agreements will expire. Management believes that concession agreements 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, 2014, 274 program and services contracts were signed (266 contracts on December 31, 2013).

As of September 30, 2014, the carrying amount of the underlying assets used in the 54 concessions of the municipalities under negotiation totaled R\$6,069,934, accounting for 23.99% of total, and the related gross revenue for the nine-month period then ended totaled R\$1,419,475 on September 30, 2014, accounting for 16.05% of total.

The Company's operations are concentrated in the municipality of São Paulo, which represents 50.00% of the gross revenues on September 30, 2014 (51.56% on September 30, 2013) and 42.39% of intangible assets (42.46% on December 31, 2013).

On June 23, 2010, the State of São Paulo, the municipality of São Paulo, the Company and the regulatory agency “Sanitation and Energy Regulatory Agency – ARSESP” 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.

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

Also, on June 23, 2010, the State of São Paulo, the city of São Paulo and SABESP signed the “Public service provision agreement of water supply and sewage services”, a 30-year concession agreement 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 City;
- ii. capture, transport and treat of water;
- iii. collect, transport, treatment and final dispose of sanitary sewage; and
- iv. adoption of other actions of basic and environmental sanitation.

In the municipality of Santos, in the Santos coast region, which has a significant population, the Company operates under an authorization by public deed, a situation similar to other municipalities in that region and in the Ribeira valley, where the Company started to operate after the merger of the companies that formed it. As of September 30, 2014, the carrying amount of the municipality of Santos’ intangible assets was R\$204,823 (R\$340,530 on December 31, 2013) and gross revenue in the nine-month period ended September 30, 2014 was R\$170,712 (R\$182,983 on September 30, 2013).

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 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 SBS code, since May 2002. In 2007, SABESP adhered to the Corporate Sustainability Index, or ISE of BM&FBovespa, which reflects the high level of commitment with sustainable development and 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.

Water shortage – SABESP’s operations have been influenced by record heat seen in the metropolitan region of São Paulo and the lowest rainfall and inflow never seen in 84 years at the reservoirs composing the Cantareira System, which are in level below that one seen in the historical series, and these reservoirs when water shortage began were liable for the direct supply of approximately 8.8 million people. In order to deal with this situation and maintain the non-stop supply Sabesp is:

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

ITR - Quarterly Information Form – 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

- Taking water from the Cantareira System's technical reserve, which is the water availability below the capture by gravity;
- Adopting economic incentives to stimulate households of the Greater São Paulo to reduce water consumption;
- Transposing water between reservoirs to currently supply approximately 2.5 million consumers located in regions historically served by the Cantareira System;
- Intensifying the advertising campaigns towards the rational use of water;
- Investing in operational measures to reduce losses, expand sectorization and control pressure at night in the network;
- Anticipating investments to expand water safety.

It is worth mentioning that the water reservation capacity relies on several factors, such as levels of rain, temperature and atmospheric humidity, as well as the type and humidity of soil in water sources regions.

See other disclosures about this matter in the Note 23 – operating revenue and Note 29 – events after the reporting period.

The interim financial information was approved by the Board of Directors on November 13, 2014.

2 Basis of preparation and presentation of the interim financial information

Presentation of the quarterly financial information

The quarterly financial information as of September 30, 2014 was prepared based on the provisions of CPC 21 (R1) – Interim Financial Information and the international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to the preparation of Quarterly Information Form– ITR and they are fairly presented consistent with the rules issued by the Brazilian Securities and Exchange Commission (CVM). Therefore, this Interim Financial Information takes into consideration the official letter CVM/SNC/SEP 003 of April 28, 2011, which allows the entities to present selected notes to the financial statements, in cases of redundant information already disclosed in the Annual Financial Statements. The interim financial information for the nine-month period ended September 30, 2014, therefore, does not include all the notes and reporting required by the annual financial statements, and accordingly, shall be read jointly with the financial statements as of December 31, 2013, prepared pursuant to the International Financial Reporting Standards – IFRS, issued by the International Accounting Standards Board – IASB and pursuant to the accounting practices adopted in Brazil which observe the pronouncements issued by the Brazilian Accounting Pronouncements Committee- CPC.

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

2.1 Accounting policies

The accounting policies used in the preparation of the quarterly financial information for the quarter ended September 30, 2014 are consistent with those used to prepare the Annual Financial Statements for the year ended December 31, 2013. These policies are disclosed in Note 3 to the Annual Financial Statements.

3 Financial Risk Management

3.1 Financial risk factors

The Company's activities are affected by Brazilian economic scenario, making it exposed to market risk, 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 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 currency 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 mainly 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 currency risks are related to exposures caused by its current and non-current debts denominated in foreign currency.

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

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

This risk arises from the possibility that the Company may incur in losses due to exchange rate fluctuations that would impact liability balances of foreign currency-denominated loans and financing raised in the market and related financial expenses. The Company does not maintain hedge or swap contracts or any 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 indexed to the U.S. dollar and Yen, in the total amount of R\$3,965,481 on September 30, 2014 (R\$3,715,645 in December 2013). Below, the Company’s exposure to foreign exchange risk:

	September 30, 2014		December 31, 2013	
	Foreign currency	R\$	Foreign currency	R\$
Loans and financing– US\$	1,210,992	2,968,141	1,181,256	2,767,210
Loans and financing – Yen	42,798,185	956,539	41,504,249	926,790
Interest and charges from loans and financing – US\$		38,436		14,512
Interest and charges from loans and financing– Yen		2,365		7,133
Total exposure		3,965,481		3,715,645
Financing cost		(17,989)		(17,092)
Total loans in foreign currency		3,947,492		3,698,553

As of September 30, 2014, 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 the nine-month period ended September 30, 2014 would have been R\$396,548 (R\$371,564 in December 2013), 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 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.

	Scenario I (Probable) (*)	Scenario II (+25%)	Scenario III (+50%)
Net currency exposure on September 30, 2014 (Liabilities) in US\$	1,210,992	1,210,992	1,210,992
US\$ rate on September 30, 2014	2.4510	2.4510	2.4510
Exchange rate estimated according to the scenario	2.4500	3.0625	3.6750
Difference between the rates	0.0010	(0.6115)	(1.2240)
Effect on net financial result in R\$- (loss)	1,211	(740,522)	(1,482,254)
Net currency exposure on September 30, 2014 (Liabilities) in Yen	42,798,185	42,798,185	42,798,185
Yen rate on September 30, 2014	0.022350	0.022350	0.022350
Exchange rate estimated according to the scenario	0.023461	0.029327	0.035192
Difference between the rates	(0.001111)	(0.006977)	(0.012842)
Effect on net financial result in R\$- (loss)	(47,549)	(298,603)	(549,614)
Total effect on net financial result in R\$- (loss)	(46,338)	(1,039,125)	(2,031,868)

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

(*) The probable scenario in foreign currency (US dollar and Yen) considered the average exchange rate for the 12-month period after September 30, 2014, according to BM&FBovespa.

Interest rate risk

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

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

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

	September 30, 2014	December 31, 2013
TR ⁽ⁱ⁾	1,557,979	1,646,546
CDI ⁽ⁱⁱ⁾	1,712,010	1,212,010
TJLP ⁽ⁱⁱⁱ⁾	1,017,881	990,273
IPCA ^(iv)	1,481,779	1,413,629
LIBOR ^(v)	1,750,128	1,599,815
Interest and charges	132,067	120,839
Total	7,651,844	6,983,112

(i) TR – Interest Benchmark Rate

- (ii) CDI (Certificado de Depósito Interbancário), an interbank deposit certificate
- (iii) TJLP (Taxa de Juros a Longo Prazo), a long-term interest rate index
- (iv) IPCA (Índice Nacional de Preços ao Consumidor Amplo), a consumer price index
- (v) LIBOR - London Interbank Offered Rate

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

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

On September 30, 2014, if interest rates on loans and financing 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, 2014, before taxes would have been R\$76,518 (R\$69,831 in December 2013) lower or higher, mainly as a result of a lower or higher interest expense on floating rate loans and financing.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to wholesale basis and retail customers, including outstanding accounts receivable, restricted cash, accounts receivable from related parties and indemnities. Credit risk exposure is mitigated by sales to a dispersed customer base.

The maximum exposures to credit risk at the reporting date are the carrying amounts of instruments classified as cash equivalents, deposits in banks and financial institutions, restricted cash, trade accounts receivable and accounts receivable from related parties in the balance sheet date, as per 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 may 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 internal policy of market risk management:

	September 30, 2014	December 31, 2013
Cash at bank and short-term bank deposits		
AAA(bra)	1,858,452	1,781,327
Other (*)	1,238	674
	1,859,690	1,782,001

(*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:

Banks	Fitch	Moody's	Standard Poor's
Banco do Brasil S.A.	AAA (bra)	Aaa.br	-
Banco Santander Brasil S.A.	AAA (bra)	Aaa.br	brAAA
Brazilian Federal Savings Bank	AAA (bra)	Aaa.br	brAAA
Banco Bradesco S.A.	AAA (bra)	Aaa.br	brAAA
Itaú Unibanco Holding S.A.	AAA (bra)	Aaa.br	brAAA

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information**(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 Capex and operating expenses 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 financial assets and liabilities of the Company, into relevant maturities, including the installment of principal and interest to be paid according to the agreement.

	October to December 2014	2015	2016	2017	2018	2019 onwards	Total
As of September 30, 2014							
Liabilities							
Loans and financing	258,933	1,648,317	1,574,334	1,711,613	1,276,094	7,612,242	14,081,533
Accounts payable to suppliers and contractors	314,280	-	-	-	-	-	314,280
Services payable	327,774	-	-	-	-	-	327,774
Public-private partnership (PPP)	10,902	43,607	43,607	43,607	282,673	4,930,579	5,354,975
Program contract commitments	76,144	129,878	3,225	884	784	16,953	227,868
	2014	2015	2016	2017	2018		Total

**2019
onwards**

As of December 31, 2013

Liabilities

Loans and financing	1,186,907	1,545,451	1,458,618	1,125,401	1,186,483	6,860,587	13,363,447
Accounts payable to suppliers and contractors	275,051	-	-	-	-	-	275,051
Services payable	323,208	-	-	-	-	-	323,208
Public-private partnership (PPP)	43,607	43,607	43,607	43,607	282,673	4,930,579	5,387,680
Program contract commitments	85,277	77,772	3,452	1,110	1,010	22,251	190,872

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

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 base dates above.

Cross default

The Company has loan agreements including cross default clauses, i.e., the early maturity of any Company's debt will imply the early maturity of these agreements. The indicators are continuously monitored in order 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 to measure the impact of changes in the market over the financial instruments of the Company, considering constant all other variables. In the time of settlement the amounts can be different from those presented above, due to the estimates used in the measurement.

Indicators	September 30, 2014		
	Exposure	Scenario I	Scenario II

		(Probable) (i)	(25%)	(50%)
Assets				
CDI	1,779,122	11.4100%(*)	8.5575%	5.7050%
Financial income		202,998	152,248	101,499
Liabilities				
CDI	1,712,010	11.4100%(*)	8.5575%	5.7050%
Interest to be incurred		(195,340)	(146,505)	(97,670)
CDI net exposure		7,658	5,743	3,829
Liabilities				
TR	1,557,979	0.0124%(*)	0.0155%	0.0186%
Expenses to be incurred		(193)	(241)	(290)
IPCA	1,481,779	6.3000%(*)	7.8750%	9.4500%
Expenses to be incurred		(93,352)	(116,690)	(140,028)
TJLP	1,017,881	5.0000%(*)	6.2500%	7.5000%
Interest to be incurred		(50,894)	(63,618)	(76,341)
LIBOR	1,750,128	(0.3508)%(**)	(0.4384)%	(0.5261)%
Interest to be incurred		(6,139)	(7,673)	(9,208)
Total net expenses to be incurred		(142,920)	(182,479)	(222,038)

(*) Source: Focus Report – BACEN, September 30, 2014

(**) Source: Bloomberg

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

(i) Refers to the scenario of interest to be incurred for the 12 months as of September 30, 2014 or until the maturity of the agreements, 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 leverage ratio. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total loans and financing less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

	September 30, 2014	December 31, 2013
Total loans and financing	10,292,073	9,450,074
Less: cash and cash equivalents	(1,859,690)	(1,782,001)
Net debt	8,432,383	7,668,073
Total equity	13,759,448	12,930,801
Total capital	22,191,831	20,598,874
Leverage ratio	38%	37%

On September 30, 2014, the leverage ratio increased to 38% from the 37% as of December 31, 2013, due to increase in loans and financing, deriving from the 19th issue of debentures and the exchange rate effect (higher quote of the US dollar and Yen).

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information**3.3 Fair value estimates**

It is assumed that balances from trade accounts receivable (current) and accounts payable to suppliers 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, 2014 and December 31, 2013, the Company did not have financial assets classified into the fair value categories through profit or loss, held to maturity and available for sale. The Company's financial instruments included in the loans and receivables category comprise cash and cash equivalents, trade accounts receivable, balances with related parties, other accounts receivable, balances receivable from the Water National Agency – ANA, contractors and suppliers, loans and financing, balances payable deriving from the 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:

Financial assets

	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1,859,690	1,859,690	1,782,001	1,782,001
Restricted cash	20,580	20,580	10,333	10,333
Trade accounts receivable	1,337,284	1,337,284	1,515,565	1,515,565
Accounts receivable from related parties	223,577	223,577	265,312	265,312

Water National Agency – ANA	119,576	119,576	107,003	107,003
Other accounts receivable	174,039	174,039	155,991	155,991

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

Financial liabilities

	September 30, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and financing	10,292,073	10,205,595	9,450,074	9,439,094
Accounts payable to suppliers and contractors	314,280	314,280	275,051	275,051
Services payable	327,774	327,774	323,208	323,208
Program contract commitments	211,838	211,838	166,038	166,038
Public-private partnership - PPP	378,655	378,655	342,508	342,508

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

- (i) Agreements with CEF (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&FBovespa.
- (ii) Debentures were projected up to the final maturity date according to contractual rates (IPCA, DI, TJLP or TR), and discounted to present value considering the future interest rate published by ANBIMA in the secondary market, or by market equivalent rates, or the Company's share traded in the Brazilian market.
- (iii) BNDES financing are financial instruments valued at carrying amount plus contractual interest rate till mature date, and are indexed by long term interest rate – TJLP.

These financing have specific characteristics and the conditions defined in the financing 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 financing, 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 plus contractual interest rate till mature date, discounted to present value considering a future interest rate published by BM&FBovespa.

(v) Agreements with IDB and 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 of September 30, 2014.

(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 of September 30, 2014.

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

(vii) Leases are financial instruments considered 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, 2014.

Considering the nature of other financial instruments, assets and liabilities of the Company, the balances recognized in the statement of financial position approximate the fair values, taking into account the maturities close to the end of the reporting period, comparison of contractual interest rates with market rates in similar operations at the end of the reporting periods, their nature and maturity terms.

4 Critical 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 in relation to what was presented in the Annual Financial Statements as of December 31, 2013, as per Note 5.

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information**5 Cash and Cash Equivalents**

	September 30, 2014	December 31, 2013
Cash and banks	80,568	189,836
Cash equivalents	1,779,122	1,592,165
	1,859,690	1,782,001

Cash and cash equivalents include cash, bank deposits and high-liquidity short-term financial investments, mainly represented by repurchase agreements (accruing CDI interest rates), deposited at Banco do Brasil, whose original maturities are lower than three months, which are convertible into a cash amount and subject to an insignificant risk of change in value.

The average yield of financial investments corresponds to 99.74% of CDI in September 2014 (100.00% in December 2013).

6 Restricted cash

On September 30, 2014, the Company's restricted cash, under current assets, totaled R\$20,580, mainly referring to the agreement with the local government of the city of São Paulo, in which the Company transfers 7.5% of the Municipal revenue to the Municipal Fund (December 2013 – R\$10,333).

7 Trade Accounts Receivable

(a) Equity balances

	September 30, 2014	December 31, 2013
Private sector:		
General and special customers (i) (ii)	855,345	1,008,335
Agreements (iii)	295,705	287,662
	1,151,050	1,295,997
Government entities:		
Municipal	526,934	511,967
Federal	3,980	4,292
Agreements (iii)	187,275	167,642
	718,189	683,901
Wholesale customers – Municipal governments: (iv)		
Guarulhos	741,428	661,908
Mauá	368,289	327,451
Mogi das Cruzes	2,329	15,430
Santo André	773,359	700,550
São Caetano do Sul	2,044	2,114
Diadema (*)	224,433	210,406
Total wholesale customers – Municipal governments	2,111,882	1,917,859
Unbilled supply	400,290	474,492
Subtotal	4,381,411	4,372,249
Allowance for doubtful accounts	(3,044,127)	(2,856,684)
Total	1,337,284	1,515,565
Current	1,158,920	1,120,053
Noncurrent	178,364	395,512
	1,337,284	1,515,565

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

(*) On March 18, 2014, the State of São Paulo, the municipality of Diadema and SABESP entered into a “Water Supply and Sewage Public Utility Services Agreement” in the municipality of Diadema. Through this contract, the State of São Paulo and the municipality of Diadema have ensured to SABESP (or subsidiary) exclusive rights to render services for a 30-year term.

On this same date, judicial settlements were signed in lawsuits filed by SABESP against the municipality of Diadema and Saned – a municipal company. Through these settlements, SABESP, the municipality of Diadema and Saned agree to suspend the execution of suits to collect receivables related to water supply at wholesale and collection of indemnity debt. The debts will progressively decrease throughout a 30-year period, under the condition that there is a full compliance with the agreements and provision of services contract.

This balance is fully accrued as losses.

From January to September 2014, there were no relevant changes in relation to the operations presented in the financial statements as of December 31, 2013.

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

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

ITR - Quarterly Information Form– 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

(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 questioning 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.

	Year ended	
	Nine-month period ended September 30, 2014	December 31, 2013
Balance at the beginning of the period	1,917,859	1,677,727
Services provided	291,918	424,018
Receipts – services in current year	(38,819)	(160,944)
Receipts – services in previous years	(59,076)	(22,942)
Balance at the end of the period	2,111,882	1,917,859

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

	September 30, 2014	December 31, 2013
Current	1,042,348	1,243,156
Past-due:		
Up to 30 days	168,883	191,668
From 31 to 60 days	89,932	105,542
From 61 to 90 days	62,241	60,868
From 91 to 120 days	55,500	51,932
From 121 to 180 days	115,016	90,498
From 181 to 360 days	182,072	149,242
Over 360 days	2,665,419	2,479,343
Total past-due	3,339,063	3,129,093
Total	4,381,411	4,372,249

The increase in the balance overdue is mainly due to accounts receivable at wholesale where municipalities served are challenging in court the tariffs charged by SABESP. These amounts are covered by the allowance for doubtful accounts.

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

ITR - Quarterly Information Form- 09/30/2014 – CIA SANEAMENTO BÁSICO ESTADO SÃO PAULO

Version: 1

Notes to the Interim Financial Information

(c) Allowance for doubtful accounts

	September 30, 2014	September 30, 2013
Balance at the beginning of the period	2,856,684	2,723,408
Private sector/government entities	53,004	69,335
Recoveries	(111,011)	