

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	0.13387	1.27505	0.69489	1.94999
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		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/ 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	Scenario III

		(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)	(34,322)
Wholesale customers	245,450	161,230
Additions for the period	187,443	196,243
Balance at the end of the period	3,044,127	2,919,651

	July to September 2014	January to September 2014	July to September 2013	January to September 2013
Reconciliation of provision for losses of income				
Losses (write-off)	22,521	42,604	13,472	45,478
Provision for state entities (related parties)	-	795	2,474	3,433
Provision for private sector/government entities	18,075	53,004	23,442	69,335
Provision for wholesale supply	26,700	69,296	-	-
Recoveries	(88,936)	(111,011)	(11,703)	(34,322)
Balance	(21,640)	54,688	27,685	83,924

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

(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**8 Related Party Balances and Transactions**

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

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

	September 30, 2014	December 31, 2013
Accounts receivable		
Current:		
Water and sewage services	106,666	110,615
Allowance for losses	(47,469)	(46,674)
Reimbursement for pension benefits paid - GESP Agreement	39,201	39,201
Reimbursement for pension benefits paid - Monthly flow	7,018	9,399
“ <i>Se Liga na Rede</i> ” (Connect to the Network Program)	17,068	22,314
Total current	122,484	134,855
Noncurrent:		
Reimbursement for pension benefits paid - GESP Agreement	101,093	130,457
Total noncurrent	101,093	130,457
Total receivables from shareholder	223,577	265,312
Assets:		
Water and sewage services	59,197	63,941
Reimbursement of additional retirement and pension benefits	147,312	179,057
“ <i>Se Liga na Rede</i> ” (Connect to the Network Program) (1)	17,068	22,314

Total	223,577	265,312
Liabilities:		
Interest on shareholders' equity payable to related parties	-	229,605

(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

	July to September 2014	January to September 2014	July to September 2013	January to September 2013
Revenue from water and sewage services				
Water supply	51,754	168,455	59,811	177,568
Sewage services	46,210	149,479	52,173	155,444
Payments received from related parties	(101,132)	(323,312)	(106,987)	(321,823)
Receipt of GESP reimbursement referring to Law 4819/58	(29,694)	(89,031)	(26,908)	(81,263)

In the period between January and September 2014, there were no relevant changes in relation to the operations presented in the financial statements as of December 31, 2013. See further details and explanations about the nature of related party transactions in Note 9 to the Financial Statements as of December 31, 2013.

(b) Contingent assets - GESP (not recorded)

On September 30, 2014 and December 31, 2013, SABESP had contingent assets with GESP, not recorded in assets referring to the additional retirement and pension paid (Law 4,819/58), as follows:

	September 30, 2014	December 31, 2013
Controversial amounts receivable	762,104	716,196
Undisputed amount referring to the transfer to SABESP of reservoirs at Alto Tietê system (original value)	696,283	696,283
Total	1,458,387	1,412,479

During the period from January to September 30, 2014, there were neither relevant changes in the negotiations nor in the progress of legal proceedings. See further details and explanations about the nature of these contingent assets in Note 9 (vii) to the Financial Statements as of December 31, 2013.

(c) Use of reservoirs - EMAE

Empresa Metropolitana de Águas e Energia S.A. - EMAE plans to receive for the credit and to obtain financial compensation for the use of water from the Guarapiranga and Billings reservoirs, which SABESP uses 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 given the grants already made. Should these reservoirs not be available for use to the Company, there could be the need to collect water in more distant places. There is a risk of not properly rendering services in the region, besides increasing water supply cost.

(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

Several lawsuits were filed by EMAE, among them a lawsuit to create an arbitration clause related to the Guarapiranga reservoir, a proceeding which had already started and another one, equally pleading for financial compensation due to SABESP's water collect from Billings reservoir for public supply, these two lawsuits alleging that this conduct has been causing permanent and growing loss in the capacity of generating electricity of Henry Borden hydroelectric power plant with financial losses.

SABESP understands that the expectation for all cases is of possible losses, and for the time being, it is not feasible to estimate the amounts involved, since they were not determined.

On April 10, 2014, we issued a Notice to the Market including the information we have been discussing with EMAE about any future agreement. However, no adjustment was confirmed up to date and no agreement was executed by either party up to date.

(d) Agreements with reduced tariffs with State and Municipal Government Entities that joined 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 not in default. These agreements provide for the implementation of the rational water use program, which takes into consideration the reduction in the consumption of water.

(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.

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

The Company has personnel assignment agreements with entities related to the State Government, whose expenses are fully passed on and monetarily reimbursed. From July to September 2014 and in 2013, the expenses related to personnel assigned by SABESP to other state government entities amounted to R\$2,321 and R\$3,254, respectively, and from January to September 2014 and 2013, R\$7,387 and R\$9,722 were paid, respectively.

From July to September 2014 and in 2013, expenses related to personnel assigned by other entities to SABESP totaled R\$87 and R\$79, respectively, and from January to September 2014 and 2013, expenses totaled R\$296 and R\$611, respectively.

(g) Services obtained from state government entities

As of September 30, 2014 and December 31, 2013, SABESP had an outstanding amounts payable of R\$1,477 and R\$1,791, respectively, for services rendered by São Paulo State Government entities.

(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

(h) Non-operating assets

As of September 30, 2014 and December 31, 2013, the Company had an amount of R\$969 related to a 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, 2014 amounted to R\$578,633 (R\$546,748 in December 2013), according to Note 18 (b).

(j) Compensation of Management Key Personnel

Expenses related to the compensation to the members of its Board of Directors and Officers amounted to R\$837 and R\$844 for the third quarter of 2014 and 2013, respectively. From January to September 2014 and 2013, R\$2,456 and R\$2,468 were accrued, respectively and they refer to short-term benefits. An additional amount of R\$120, related to the Officers' bonus program, was recorded from July to September 2014 (R\$140 – July to September 2013). From January to September 2014 and 2013, R\$373 and R\$426 were accrued, respectively.

(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., Aquapolo Ambiental S.A. and Attend Ambiental S.A. to finance the operations of these companies, until the loans and financing requested with financial institutions is cleared.

The agreements executed with SPEs Águas de Andradina S.A. and Águas de Castilho S.A., were settled in 3Q14. The other agreements executed with Aquapolo Ambiental S.A., on March 30, 2012 and Attend Ambiental S.A. on May 9, 2014, remain with the same characteristics, as follows:

SPE	Credit limit	Principal disbursed amount	Interest balance	Total	Interest rate	Maturity
Attend Ambiental S.A.	5,400	5,400	279	5,679	SELIC + 3.5 % p.a.	(*)
Aquapolo Ambiental S.A.	5,629	5,629	2,243	7,872	CDI + 1.2% p.a.	4/30/2016
Aquapolo Ambiental S.A.	19,000	19,000	6,303	25,303	CDI + 1.2% p.a.	4/30/2015
Total	30,029	30,029	8,825	38,854		

(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 loan agreement with SPE Attend Ambiental S/A matures within 180 days, from the date when the respective amount is available in the borrower's account, renewable for the same period. Credit facility will be available to the borrower up to December 31, 2014.

The amount disbursed is recognized in Assets under "Other Receivables" and amounts to R\$24,400 for principal and R\$6,582 for interest recognized in Current Assets and R\$5,629 for principal and R\$2,243 for interest in Noncurrent Assets. As of September 30, 2014, the balance of principal and interest rates of these agreements is R\$38,854 (R\$32,058 as of December/2013). In the period between January and September 2014, financial income recognized was R\$3,711 (R\$2,435 from January to September 2013).

(1) *Se Liga na Rede* (Connect to the Network Program)

The State Government enacted the State Law n° 14,687/12, creating the pro-connection program, destined to financially subsidize the execution of household branches necessary to connect to the sewage collecting networks, in low income households which agreed to adhere to the program. The program expenditures are financed with 80% of funds deriving from the State Government and the remaining 20% invested by SABESP, which is also liable for the execution of works. On September 30, 2014, the year-to-date program total amount was R\$61,596, R\$17,068 recorded in balances receivable from related parties, the amount of R\$23,161 recorded in the group of intangible assets and R\$21,367 reimbursed by GESP.

9 Water National Agency - ANA

Refers to agreements executed within the scope of the Hydrographic Basin Depollution Program (PRODES), also known as "Treated Sewage Purchase Program".

This program does not finance works or equipment, remunerates by results achieved, i.e., by effectively treated sewage. In this program, the Water National Agency (ANA) makes available funds, which are restricted to a specific current account and applied in investment funds at the Caixa Econômica Federal - Federal Savings Banks (CEF), until

the fulfillment of treated sewage volume is evidenced, as well as, the reduction of polluting cargoes of each agreement.

On September 30, 2014, the balances of assets and liabilities were R\$119,576 (December 2013 – R\$107,003), and the liabilities are recorded under "Other liabilities" of noncurrent liabilities.

10 Investments

The Company holds interest valued by the equity accounting in the following investees: Sesamm – Serviços de Saneamento de Mogi Mirim S.A., Águas de Andradina S.A., Águas de Castilho S.A., Saneaqua Mairinque S.A., Aquapolo Ambiental S.A. and Attend Ambiental S.A..

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)).

(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

See information about these companies' activities in Note 11 to the Financial Statements as of December 31, 2013. In the quarter ended September 30, 2014, there were no relevant changes in the operations of these investees.

See below a summary of financial information of these investees:

Company	Investments		Equity in the earnings of subsidiaries		Interest percentage		Equity		Profit or loss for the period	
	September 30, 2014	December 31, 2013	September 30, 2014	September 30, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	September 30, 2013
Sesamm	9,188	8,239	949	788	36%	36%	25,522	22,884	2,638	2,638
Águas de Andradina	1,091	1,087	4	174	30%	30%	3,635	3,622	13	13
Águas de Castilho	751	619	132	171	30%	30%	2,504	2,064	440	440
Saneaqua Mairinque	889	931	(42)	(51)	30%	30%	2,963	3,102	(139)	(139)
Attend Ambiental	1,472	2,707	(1,235)	(1,140)	45%	45%	3,271	6,016	(2,745)	(2,745)
Aquapolo Ambiental	8,212	9,506	(1,294)	1,534	49%	49%	16,760	19,400	(2,640)	(2,640)
Total	21,603	23,089	(1,486)	1,476			54,655	57,088	(2,433)	(2,433)
Other investments	595	571								
Overall total	22,198	23,660								

11 Investment properties

On September 30, 2014, the balances of "Investment properties" are R\$54,039 (December/2013 – R\$54,039). On September 30, 2014 and December 31, 2013, the market value of these properties is approximately R\$327,000 and R\$296,000.

12 Intangible Assets**(a) Equity balances**

	September 30, 2014			December 31, 2013		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Intangible right arising from:						
Agreements – equity value	8,718,463	(1,573,467)	7,144,996	8,578,886	(1,499,096)	7,079,790
Concession agreements – economic value	1,640,357	(381,915)	1,258,442	1,529,096	(342,950)	1,186,146
Program contracts	7,121,680	(1,912,127)	5,209,553	6,473,507	(1,804,940)	4,668,567
Program contracts– commitments	808,662	(99,017)	709,645	693,029	(79,709)	613,320
Services contracts– São Paulo	12,528,149	(1,802,859)	10,725,290	11,555,381	(1,430,778)	10,124,603
Software licenses	309,219	(54,990)	254,229	209,156	(35,351)	173,805
Total	31,126,530	(5,824,375)	25,302,155	29,039,055	(5,192,824)	23,846,231

(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**(b) Changes**

	December 31, 2013	Additions	Agreement renewal	Provision for write-off	Transfer to property and equipment	Write-offs and disposals
Intangible assets arising from:						
Agreements – equity value	7,079,790	459,716	(165,093)	(26,449)	(33,981)	(3,343)
Concession agreements – economic value	1,186,146	111,502	-	(49)	(71)	(54)
Program contracts	4,668,567	652,146	165,093	(3,731)	(123,621)	(5,711)
Program contracts – commitments	613,320	115,633	-	-	-	-
Services contracts – São Paulo	10,124,603	828,960	-	(17,895)	112,336	(19,491)
Software licenses	173,805	115,907	-	-	-	-
Total	23,846,231	2,283,864	-	(48,124)	(45,337)	(28,599)

In the first half of 2014, the Company formalized program contracts with the municipalities of Itapevi, Jaborandi, Lucélia, Parapuã, Piedade, Rosana and Registro, and signed a program contract with the municipality of Diadema, all of them for a 30-year term. No formalization took place in the third quarter of 2014.

(c) Construction services

	From July to September 2014			From January to September 2014		
	Water supply	Sewage services	Total	Water supply	Sewage services	Total
Construction revenue	374,240	425,491	799,731	873,204	1,136,503	2,009,707
Construction costs incurred	366,217	416,026	782,243	855,403	1,111,529	1,966,932
Margin	8,023	9,465	17,488	17,801	24,974	42,775

	From July to September 2013			From January to September 2013		
	Water supply	Sewage services	Total	Total		

				Water supply	Sewage services	
Construction revenue	220,923	330,439	551,362	713,513	990,301	1,703,814
Construction costs incurred	216,319	323,134	539,453	696,315	972,329	1,668,644
Margin	4,604	7,305	11,909	17,198	17,972	35,170

(d) General information

During the period ended September 30, 2014 there were no relevant changes in the criteria to account for intangible assets and types of contracts. See further information in Note 13 (d) to the Financial Statements as of December 31, 2013.

(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 Company has obligations recorded in “Program Contract– Commitments” in current liabilities in the amount of R\$130,049 and R\$77,360 on September 30, 2014 and December 31, 2013, respectively) and noncurrent liabilities (in the amount of R\$81,789 and R\$88,678 on September 30, 2014 and December 31, 2013, respectively).

(e) Capitalization of interest and other financial charges

From January to September 2014, the Company capitalized interest and inflation adjustment, including related foreign currency exchange effects, in concession intangible assets totaling R\$176,724 with an average rate of 4.97% (R\$163,975 from January to September 2013, with an average rate of 4.36%), during the period in which assets were recorded as works in progress.

(f) 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 margin of the Company is lower, normally, to cover eventual administration costs, and the responsibility of the primary risk. On September 30, 2014 and 2013 the margin was 2.3%.

(g) 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. From July to September 2014, the total amount related to expropriations was R\$2,685 and for the period from January to September 2014 was R\$10,211 (July to September 2013 – R\$22,630 and January to September 2013 – R\$43,401).

(h) Public-Private-Partnership (PPP)

Alto Tietê Production System

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

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

(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

As of September 30, 2014 and December 31, 2013, the amounts recognized as intangible asset related to PPP were R\$407,240 and R\$415,619, respectively.

In relation to the obligations assumed by the Company on September 30, 2014 and December 31, 2013, the balances in current liabilities were R\$21,461 and R\$20,241 and under noncurrent liabilities were R\$313,735 and R\$322,267, respectively.

São Lourenço Production System

SABESP and the special purpose entity Sistema Produtor São Lourenço S/A, formed by Construções e Comércio Camargo Corrêa S/A and Construtora Andrade Gutierrez S/A, signed in August 2013, the public-private partnership agreements of the São Lourenço Production System.

The 25-year services agreement, aiming at rendering services to operate the dehydration system, drying and final disposal of sludge, works and maintenance of the São Lourenço Production System, has an estimated amount of R\$6.0 billion, which started on April 10, 2014.

On September 30, 2014, the carrying amount recorded in the Company's intangible assets related to this PPP was R\$44,459, and the liability assumed totaling R\$43,459 was recorded under non-current liabilities.

(i) Works in progress

The amount of R\$6,194 million is recorded as intangible assets from works in progress on September 30, 2014 (R\$6,498 million in December 2013), and most of works are located in the following municipalities:

	R\$ million	
	September 30, 2014	December 31, 2013
São Paulo	3,254	3,201
Praia Grande	228	294
Itanhaém	255	215
São José dos Campos	225	187
Guarujá	191	196
Campos de Jordão	165	159
Other	1,876	2,246
Total	6,194	6,498

(j) Amortization of intangible assets

The amortization average rate totaled 3.9% on September 30, 2014 and 2013.

(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**(k) Software license of use**

The software license of use is capitalized based on the costs incurred to acquire software and make them ready for use. In the first quarter of 2013, the Company started to implement an integrated business management solution (ERP system). Administrative/financial module is expected to have its go live for the first half of 2015 and the commercial module for the first half of 2016.

13 Property, Plant and Equipment**(a) Equity balances**

	September 30, 2014			December 31, 2013		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	100,533	-	100,533	88,332	-	88,332
Buildings	82,584	(31,399)	51,185	54,187	(30,233)	23,954
Equipment	289,459	(146,869)	142,590	202,498	(130,665)	71,833
Transportation equipment	14,251	(6,398)	7,853	13,856	(5,961)	7,895
Furniture, fixtures and equipment	16,342	(9,239)	7,103	17,060	(10,239)	6,821
Other	689	(548)	141	1,201	(540)	661
	503,858	(194,453)	309,405	377,134	(177,638)	199,496

(b) Changes

	December 31, 2013	Additions	Transfer of intangible assets	Write-offs and disposals
Land	88,332	-	12,201	-
Buildings	23,954	36,756	(8,561)	-
Equipment	71,833	45,468	43,317	(248)
Transportation equipment	7,895	1,481	(707)	-
Furniture, fixtures and equipment	6,821	952	(29)	(37)

Other	661	374	(884)	(3)
	199,496	85,031	45,337	(288)

(c) Depreciation

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

The depreciation average rate was 11.5% and 10.9%, on September 30, 2014 and 2013, respectively.

(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**14 Loans and Financing**

Loans and financing outstanding balance	September 30, 2014		December 31, 2013			
	Current	Noncurrent	Total	Current	Noncurrent	Total
Financial institution						
DOMESTIC CURRENCY						
Banco do Brasil	-	-	-	100,497	-	100,497
10 th issuance debentures	37,800	205,911	243,711	37,171	220,109	257,280
12 th issuance debentures	45,450	442,558	488,008	22,727	476,702	499,429
14 th issuance debentures	36,828	243,743	280,571	20,079	269,862	289,941
15 th issuance debentures	94,819	752,141	846,960	-	820,887	820,887
16 th issuance debentures	-	499,570	499,570	-	499,434	499,434
17 th issuance debentures	-	1,057,237	1,057,237	-	1,027,925	1,027,925
18 th issuance debentures	-	164,898	164,898	-	160,859	160,859
19 th issuance debentures	-	497,710	497,710	-	-	-
Brazilian Federal Savings Bank	68,216	998,550	1,066,766	83,267	959,853	1,043,120
Brazilian Development Bank - BNDES BAIXADA SANTISTA	16,309	69,314	85,623	16,309	81,546	97,855
Brazilian Development Bank - BNDES PAC	10,634	82,225	92,859	9,370	79,644	89,014
Brazilian Development Bank - BNDES PAC II 9751	3,887	36,374	40,261	2,308	29,192	31,500
Brazilian Development Bank - BNDES PAC II 9752	1,150	26,450	27,600	-	20,400	20,400
Brazilian Development Bank - BNDES ONDA LIMPA	19,230	192,365	211,595	19,230	196,821	216,051
Brazilian Development Bank - BNDES TIETE III	-	154,416	154,416	-	98,404	98,404
Leasing	8,816	450,631	459,447	-	382,492	382,492
Others	648	2,029	2,677	498	2,431	2,929
Interest and charges	124,672	-	124,672	113,504	-	113,504
TOTAL IN DOMESTIC CURRENCY	468,459	5,876,122	6,344,581	424,960	5,326,561	5,751,521

(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

Loans and financing outstanding balance	September 30, 2014			December 31, 2013		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Financial institution						
FOREIGN CURRENCY						
Inter-American Development Bank - IDB 713 - US\$87,842 thousand (US\$100,391 thousand in December 2013)	61,514	153,786	215,300	58,794	176,382	235,176
Inter-American Development Bank - IDB 896 - US\$6,945 thousand (US\$8,333 thousand in December 2013)	6,809	10,213	17,022	6,507	13,014	19,521
Inter-American Development Bank - IDB 1212 - US\$113,059thousand (US\$123,337 thousand in December 2013)	25,192	251,916	277,108	24,077	264,854	288,931
Inter-American Development Bank - IDB 2202 - US\$313,055 thousand (US\$243,687 thousand in December 2013)	-	759,184	759,184	-	564,443	564,443
International Bank for Reconstruction and Development -IBRD - US\$45,860 thousand (US\$37,335 thousand in December 2013)	-	112,032	112,032	-	87,077	87,077
Eurobonds - US\$140,000 thousand (US\$140,000 thousand in December 2013)	-	342,899	342,899	-	327,640	327,640
Eurobonds - US\$350,000 thousand (US\$350,000 thousand in December 2013)	-	852,717	852,717	-	813,650	813,650
JICA 15 ¥17,286,450 thousand (¥ 18,438,880 thousand in December 2013)	25,757	360,595	386,352	25,733	386,007	411,740
JICA 18 - ¥ 15,542,400 thousand (¥ 16,578,560 thousand in December 2013)	23,158	323,901	347,059	23,137	346,733	369,870
JICA 17 - ¥ 786,207 thousand (¥ 450,484 thousand in December 2013)	-	17,167	17,167	-	9,704	9,704
JICA 19 - ¥ 9,183,128 thousand (¥ 6,036,325 thousand in December 2013)	-	203,909	203,909	-	134,010	134,010
BID 1983AB - US\$154,231 thousand (US\$178,173 thousand in December 2013)	58,683	317,259	375,942	56,087	359,059	415,146